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REPORT

SHARPLY DIVIDED *EN BANC* FEDERAL CIRCUIT REAFFIRMS APPLICATION OF A *DE NOVO* STANDARD OF REVIEW FOR CLAIM CONSTRUCTION

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On February 21, the Federal Circuit issued a decision in *Lighting Ballast Control, LLC v. Philips Electronics North America Corp.*, reaffirming the *de novo* standard of review of district court claim construction rulings established in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc). The *Cybor* decision held that the meaning and scope of patent claims is reviewed for correctness as a matter of law on appeal, without deference to the ruling of the district court.

The *en banc* Federal Circuit was sharply divided. The majority in the 6-4 decision relied on the doctrine of *stare decisis*, which requires judges to follow previous precedent absent some compelling justification otherwise, in confirming the *de novo* standard of review for claim construction. Judge O'Malley wrote the dissenting opinion, maintaining that the majority refused to acknowledge the factual component of claim construction and that the district court's determination of such factual components must be given deference under Fed. R. Civ. P. 52(a)(6).

I. Background

In *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (*Markman II*),[1] the Supreme Court held that claim construction was an issue for the judge and not the jury. Although the Court was silent as to whether an appellate court should defer to a trial court on claim construction, the Federal Circuit, in *Cybor*, relied on the Supreme Court's decision in *Markman II* to hold that claim construction should be reviewed *de novo* on appeal, and that standard has been applied ever since.

II. The District Court Decision

Lighting Ballast sued Universal Lighting for infringing claims of its patent. Universal Lighting counterclaimed seeking a declaration of invalidity. The district court initially construed the term "voltage source means" as a means-plus-function term, and ruled on summary judgment that the claims were invalid for indefiniteness. On motion for reconsideration, the district court reversed itself in light of testimony by the inventor and patentee's expert witness, both of whom testified that one of skill in the art would understand that the "voltage source means" corresponds to a rectifier or other structure capable of supplying useable voltage to the device. Thus, the district court concluded that the claim term conveyed sufficient structure to one of ordinary skill in the art. After being instructed that the term referred to a rectifier, the jury found the claims valid and infringed. Following the

[1] *See also Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc) (*Markman I*).

jury verdict, the district court ruled in favor of Lighting Ballast. Universal Lighting appealed.

III. The Federal Circuit Panel Decision

The Federal Circuit panel, applying the *de novo* standard of review established in *Cybor*, revised the district court's claim construction, holding that the claim term "voltage source means" is a means-plus-function term requiring that a corresponding structure be disclosed in the specification. Based on this claim construction, the Federal Circuit reversed the district court and held the claims invalid as indefinite for failing to disclose a corresponding structure in the specification. Lighting Ballast requested an *en banc* rehearing, arguing that the *de novo* plenary judgment of claim construction is improper, because the evaluation of documents is intrinsically factual and, thus, the district court's determination of claim construction requires deference on appeal. The Federal Circuit granted Lighting Ballast's petition for an *en banc* rehearing to reconsider the *de novo* standard of appellate review of claim construction established by *Cybor*.

IV. The *En Banc* Federal Circuit Decision

In undertaking the rehearing *en banc*, the Federal Circuit directed the parties, and invited amicus curiae briefs, to address the following questions:

(1) Should the Federal Circuit overrule *Cybor*, which held that claim construction should be treated as a purely legal question and reviewed *de novo* on appeal including any allegedly fact-based questions relating to claim construction?

(2) Should the Federal Circuit afford deference to any aspect of a district court's claim construction?

(3) If so, which aspects should be afforded deference?

The parties and twenty-one amici curiae were divided among three general views:

A. The First View - The *De Novo* Standard Should Be Entirely Discarded

The first view, advocated by Lighting Ballast, is that *Cybor* should be overruled and the *de novo* standard of review should be entirely replaced with a deferential standard. Proponents of the first view argued that *Cybor* misapplied *Markman II*, in which the Supreme Court held that claim construction issues should be decided by the judge and not the jury. These proponents contended that because the Supreme Court in *Markman II* (i) acknowledged that claim construction involves factual determinations and (ii) did not address the appellate standard of review, the Supreme Court did not disturb appellate deference to a district court's factual findings, even in matters of claim construction. Moreover, proponents of the first view contended that claim construction is best classified as a question of fact, because claim construction is essentially a factual issue involving the consideration of expert testimony and documentary evidence. Thus, these proponents argued that the deferential clear error standard of appellate review should be reinstated to give weight to the district court's factual determinations including witness credibility.

B. The Second View - The Standard Should Be A Hybrid of *De Novo* Review and Deferential Review

The second view, advocated by the USPTO and Universal Lighting Technologies, among others, is that appellate review of claim construction should be a hybrid of *de novo* review and deferential review. For instance, the USPTO argued that the factual elements of claim construction should be reviewed under the clearly

erroneous standard, but the final conclusion should be reviewed *de novo* as a matter of law.

Proponents of the second view pointed out that the Supreme Court in *Markman II* described claim construction as a "mongrel practice" of law and fact, similar to a determination of obviousness. Thus, they argued that a hybrid of *de novo* and deferential review complies with the Supreme Court's ruling in *Markman II* and adheres to Rule 52(a)(6)'s requirement that factual determinations be given deference on appeal.

C. The Third View - The *De Novo* Standard Should Be Reaffirmed

The third view, advocated by several large corporate entities, is that *Cybor* should not be overruled and the *de novo* standard is correct. Proponents of the third view pointed out that the Supreme Court in *Markman II* described patents as "legal instruments" and stated that claim construction is a "purely legal" matter that is subject to *de novo* review. Proponents of the third view further argued that *Cybor* does not violate Rule 52(a)(6)'s requirement that deference be given to the district court's factual findings because *Cybor*'s holding narrowly focuses on the construction of a legal document. These amici also urged the Federal Circuit to follow the doctrine of *stare decisis*, arguing that stability, consistency of legal analysis, and reliability of judicial processes are crucial to legal systems and technological advancement.

D. The Majority Opinion

The majority opinion, written by Judge Newman, and joined by Judges Lourie, Dyk, Prost, Moore, and Taranto, relied on *stare decisis* to conclude that fifteen years of experience since *Cybor* has not revealed any compelling reason to depart from the current *de novo* standard of review for claim construction.

The majority opinion stated that "the question before the court is not whether to adopt a *de novo* standard of review of claim construction, but whether to change that standard adopted fifteen years ago and applied in many hundreds of decisions." The doctrine of *stare decisis* obliges courts to follow prior precedent absent some compelling justification. The majority pointed out that compelling justifications for overruling precedent include later laws or subsequent cases that undermine the decision's reasoning; evidence that the decision is "unworkable;" or "a considerable body of new experience" that necessitates changing the law.

Upon reviewing the arguments for modifying the *de novo* standard of review of claim construction, the majority concluded that none of the proponents of changing the *de novo* standard pointed to any post-*Cybor* developments from the Supreme Court, Congress, or the Federal Circuit that undermined *Cybor*'s soundness. Similarly, the majority contended that no proponent of changing the appellate standard of review for claim construction demonstrated that the *de novo* standard of review is unworkable, "nor could they, after fifteen years of experience of ready workability."

The majority further pointed out that there was no evidence that the *de novo* standard of review has increased the burden on courts or litigants. Rather, the majority opined that reversing *Cybor*, or revising it to institute a fact/law distinction, would likely curtail workability and increase burdens by adding a new and ambiguous question, both on appeal and at trial. Further, the majority commented that even the proponents of reversing *Cybor* and modifying the *de novo* standard agree that any such reversal or modification would not affect many claim construction disputes. Thus, the majority held:

> [W]e are not persuaded that we ought to overturn the en banc

> *Cybor* decision and replace its clear *de novo* standard with an amorphous standard that places a new, cumbersome, and costly process at the gate, to engender threshold litigation over whether there was or was not a fact at issue. The principles of *stare decisis* counsel against such an unnecessary change.

In reaching its decision, the majority commented that although expert testimony to explain the technology or other extrinsic evidence may assist a lay judge in determining what a technical term meant to one of ordinary skill in the art, it does not convert claim construction from a question of law into a question of fact. The majority also considered the increasingly common situation in which the same patent is litigated in multiple forums against various defendants. The majority contended that under a deferential standard of review the various district court rulings on close questions of claim construction could justify affirmance, which would result in disparate validity and infringement holdings. In contrast, the current *de novo* standard of review promotes national uniformity and intrajurisdictional certainty of claim construction. The majority further contended that deferential review of district court claim construction would revive forum shopping, which the Federal Circuit was created to prevent.

E. The Concurring Opinion

Judge Lourie concurred with the majority opinion, but further opined that the *Cybor* holding went only minimally beyond the Supreme Court's holding in *Markman II*. Judge Lourie warned against retreating even partially from the Supreme Court's holding by giving formal deference to the district court judge on "fact-like" questions, which would ordinarily go to the jury.

Judge Lourie emphasized that claim construction predominantly involves interpreting the patent's written description and its prosecution history. He maintained that courts should only go beyond the written record as a last resort. In light of the emphasis on intrinsic evidence, Judge Lourie argued that the district court's superior ability to evaluate witness credibility is for the most part irrelevant to claim construction disputes.

Moreover, Judge Lourie opined that a "realistic assessment of the problem in claim construction in litigation . . . lies, not with lack of deference to district court interpretation of claims by the Federal Circuit, but to the multiplicity of actors contending in a competitive economy." That is, Judge Lourie argued, the parties, attorneys, and expert witnesses asserting theories of claim construction in litigation are frequently not those who made the invention or drafted and prosecuted the application and, thus, are not those who understood precisely what it meant. Accordingly, Judge Lourie concluded that instituting a deferential standard of review for claim construction would not solve the problem, but would instead prevent the Federal Circuit from carrying out its duty to ensure national uniformity.

F. The Dissenting Opinion

In a strongly worded dissent, Judge O'Malley, joined by Chief Judge Rader and Judges Reyna and Wallach, argued that the majority opinion "refuses to acknowledge what experience has shown us and what even a cursory reading of the Supreme Court's decision in [*Markman II*], confirms: construing the claims of a patent at times requires district courts to resolve questions of fact." By disregarding the factual component of claim construction, the dissent argued, the majority fails to adhere to the requirements of Rule 52(a)(6), which explicitly states that on appeal findings of fact must be reviewed under the clearly erroneous standard.

Furthermore, the dissent argued that neither *stare decisis* nor the majority's concerns about distinguishing fact from law stands in the way of the Federal Circuit overruling its own precedent when there are compelling reasons to do so.

In this regard, the dissenting opinion set forth three instances in which there are compelling reasons for departing from *stare decisis*: (1) when case law was incorrectly decided; (2) when case law contradicts Congressional directives; or (3) when case law has had negative or undesirable consequences. Thus, the dissent opined that *stare decisis* does not prevent overruling Cybor because there are compelling reasons to do so, including the fact that "[Cybor] misapprehends the Supreme Court's guidance [in Markman II], contravenes the Federal Rules of Civil Procedure, and adds considerable uncertainty and expense to patent litigation." Additionally, the dissent pointed out that *stare decisis* is weakest when departing from precedent would not change substantive rights or disturb expectations.

According to the dissent, *Cybor* was incorrectly premised on the assertion that claim construction presents "a purely legal question" subject to *de novo* review despite the fact that the Supreme Court in *Markman II* expressly stated that claim construction is a "mongrel practice" of both law and fact. The dissent commented that it is difficult to see how either the majority in *Cybor* or the majority here can deny that claim construction requires the resolution of disputed factual issues. In particular, the dissent asserted that when the specification and prosecution history do not resolve the question of claim construction, it becomes necessary to look outside the intrinsic record and consider expert testimony, as was done in the present case.

The dissent further argued that the district court is in a better position to resolve such fact-intensive disputes and, thus, their determination should be given the deference required by Rule 52(a)(6). The dissent acknowledged the Supreme Court's holding in *Markman II* that claim construction should be decided by the judge, and not the jury, but argued that the Supreme Court did not settle or even address the issue of whether factual issues were subject to deference on appeal. That issue, the dissent contended, is settled by Rule 52(a)(6), which clearly requires that factual findings be reviewed only if clearly erroneous. In that regard, the dissent pointed to the law of obviousness and contended that *Cybor* is "out of step with our other jurisprudence that faithfully applies Rule 52(a) in patent cases."

Finally, the dissent also pointed to various undesirable consequences that have resulted from *Cybor*, including a failure to promote national uniformity or even accuracy or predictability of claim construction. Under *Cybor*, the dissent commented, a district court can decide claim construction disputes, from which an entire trial will follow. However, when the district court's ruling is appealed, the Federal Circuit reviews *de novo* every facet of the district court's claim construction and is free to redefine claims, thereby disturbing parties' expectations and undermining the parties' and district court's work. Moreover, the dissent argued that reversing *Cybor* will not disturb substantive rights or upset settled expectations, because parties do not make claim drafting decisions based on the Federal Circuit's standard of review -- particularly given the "panel-dependent nature" of the Federal Circuit's claim construction decisions.

V. Recommendations

For now, claim construction is still subject to *de novo* appellate review. This case underscores the importance of ensuring that claims are clear and well drafted, so that they can be consistently enforced through appeal to the Federal Circuit. This can be done by clearly defining unique claim terms, terms used in an

unconventional manner, or terms of art in the specification, and by using claim language consistently throughout the specification. Statements regarding claim construction should also be consistent throughout prosecution and litigation, and a clear and thorough record should be developed in the district court to ensure an adequate record for consideration by the Federal Circuit.

The *de novo* standard of review for claim construction remains controversial, as shown by the sharply divided *en banc* Federal Circuit. As such, this decision may be a candidate for Supreme Court review. We will keep you informed of significant developments as they occur.

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