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Refining *Cybor*—Partial Deference for Claim Construction Analogous to Contractual "Usage of Trade" Standard of Appellate Review

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Deference by appellate courts to the fact-sensitive portions of a trial court's claim construction is useful, especially when a trial court has invested heavily in learning the technology and the lexicon known to persons of ordinary skill in the art. Trial courts are institutionally better suited for receiving and weighing evidence to resolve factual disputes (although normally, credibility decisions are the province of the jury). The constraints of the appellate process prevent an appellate court from duplicating the trial court's assimilation of the credibility of witnesses, the technology, and the terms of art used therein. The fact-intensive nature of the claim construction process underscores the unsuitability of *de novo* review.

HISTORICAL CONTEXT OF THE STANDARD OF REVIEW OF CLAIM CONSTRUCTION

In *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*) ("*Markman I*"), the Federal Circuit concluded that claim construction is a purely legal issue and therefore is subject to *de novo* review on appeal. When *Markman I* was appealed, the Supreme Court framed the question before it as "whether the interpretation of a so-called patent claim, . . ., is a matter of law reserved entirely for the court, or subject to a Seventh Amendment guarantee that a jury will determine the meaning of any disputed term of art about which expert testimony is offered." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996) ("*Markman II*").

In *Markman II*, the Supreme Court addressed the issue of whether a party was guaranteed a jury trial under the Seventh Amendment in the context of a factual dispute between experts about a term of art in a patent. The Supreme Court held that "the construction of a patent, including terms of art within its claim, is exclusively within the province of the court." *Id*. The Supreme Court did not address the appellate standard of review in *Markman II*. As the Federal Circuit later recognized in *Cybor*, "*Markman II* can be read as addressing solely the respective roles of the judge and jury at the trial level and not the relationship between the district courts and this court." *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (*en banc*) (emphasis added).

Having decided that the ultimate issue is "a question of law," in the sense that it is a question to be resolved by a judge, does not foreclose the possibility that the resolution of that issue involves determinations of fact and/or credibility—determinations that are reviewed with deference in non-patent contexts and that should be reviewed with deference in the patent context. Indeed, the Supreme Court repeatedly intimated that claim construction was not a purely legal matter. *See, e.g.*, *Markman II*, 517 U.S. at 388 (suggesting that claim interpretation "'falls somewhere between a pristine legal standard and a simple historical fact'"); *id.* at 390 ("notwithstanding [claim construction's] evidentiary underpinnings").

Yet in *Cybor Corp. v. FAS Techs., Inc.*, the Federal Circuit concluded that the Supreme Court's holding in *Markman II* left undisturbed *Markman I* as the controlling authority regarding this Court's standard of review. *Cybor*, 138 F.3d at 1456. The *Cybor* decision went further, though, and extinguished any practice of deferential review of a trial court's factual findings underpinning its claim construction by declaring that the *de novo* review of a trial court's claim construction extends to "any allegedly fact-based questions relating to claim construction." *Id*.

Interestingly, the Federal Circuit sitting *en banc* in *Cybor* never needed to reach the issue of the standard of review. As Judge Rader observed in his dissent, "the standard of review does not affect the outcome in this case." *Id.* at 1473. The case turned instead on the existence of prosecution history estoppel—a legal event properly reviewed *de novo*. Thus, the fair reading of the *Cybor* decision's *de novo* standard of review limits its application to prosecution history estoppel.

DEFERENCE IS ACCORDED OTHER FACT-INTENSIVE ISSUES RESOLVED BY THE TRIAL JUDGE

The Federal Circuit's own jurisprudence affords deference to other fact-intensive issues that the trial judge, not the jury,

decides. One example is inequitable conduct. *Gardco Mfg. Co. v. Herst Lighting Co.*, 820 F.2d 1209, 1214-15 (Fed. Cir. 1987) (factual findings regarding inequitable conduct are reviewed under the "clearly erroneous" standard, even though they are non-jury issues). The Federal Circuit "review[s] the district court's findings of fact for clear error and the ultimate determination of whether inequitable conduct occurred for abuse of discretion." *Warner-Lambert Co. v. Teva Pharms. USA, Inc.*, 418 F.3d 1326, 1343 (Fed. Cir. 2005); *see also Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (*en banc*), *cert. denied*, 490 U.S. 1067 (1989).

The Federal Circuit's treatment of the determination whether to award attorney fees under 35 U.S.C. § 285 is particularly instructive. This Court "review[s] *de novo* whether the court applied the proper legal standard under § 285[;] . . . review[s] the court's factual findings, including whether the case is exceptional, for clear error[;]" and, if the case is exceptional, reviews the determination whether to award attorney fees for an abuse of discretion. *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324, 1328 (Fed. Cir. 2003), *cert. denied*, 540 U.S. 1109 (2004).

Equitable estoppel and laches provide other examples. Whether the three factual elements of equitable estoppel are established is a matter "committed to the sound discretion of the trial judge[,] and the trial judge's decision is reviewed by this court under the abuse of discretion standard." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992) (*en banc*). Thus, there is ample Federal Circuit precedent in patent law for deferential review of a trial court's determination of fact-intensive non-jury issues.

WITHOUT DEFERENCE IN CLAIM CONSTRUCTION, PATENT LITIGATION IS UNNECESSARILY INEFFICIENT FOR COURTS AND LITIGANTS

The fact-intensive nature of the claim construction process underscores the unsuitability of *de novo* review. There is no Seventh Amendment right to a jury trial on a claim construction question, despite the fact that many claim construction inquiries turn on intensive factual determinations. It is logical, then, to leave such factual determinations to the judicial body that exists to determine facts by assessing credibility and weighing evidence: the trial court.

Additionally, the parties often invest heavily in education of the trial judge, and that investment deserves some weight if patent litigation is to remain feasible for the parties and the courts. The present state of the law has produced a poor state of affairs for the courts and for parties to patent infringement suits alike. Parties cannot properly evaluate the strength of their case until after the trial court renders a *Markman* decision, at which point they have typically spent about 80% of the cost of pursuing the case through a jury verdict.

[1] Even then, with a reversal rate hovering around 50%, it rarely makes sense for the losing party to accept the verdict without appeal to the Federal Circuit.[2] Statistical evidence suggests that the problem is so severe that trial courts may be granting summary judgment simply as a convenient means of securing early appellate review of the claim construction.[3]

PHILLIPS V. AWH CORP. INVITED CONSIDERATION OF DEFERENTIAL REVIEW OF CLAIM CONSTRUCTION RULINGS

In 1998, the Federal Circuit in *Cybor Corp. v. FAS Techs., Inc.* said that all claim construction rulings were subject to *de novo* review without deference to the trial court. Subsequently, the Federal Circuit has signaled its willingness to revisit the issue of the standard of review of claim construction rulings. However, it has thus far declined to do so. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1328 (Fed. Cir. 2005).

In its Order granting rehearing *en banc* in *Phillips*, the parties were invited to address the following questions:

> Consistent with the Supreme Court's decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 [ ] (1996), and our *en banc* decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), is it appropriate for this court to accord any deference to any aspect of trial court claim construction rulings? If so, on what aspects, in what circumstances, and to what extent?

Phillips v. AWH Corp., 376 F.3d 1382, 1383 (Fed. Cir. 2004). As recognized by Chief Judge Mayer:

> Nearly a decade of confusion has resulted from the fiction that claim construction is a matter of law, when it is obvious that it depends on underlying factual determinations which, like all factual questions if disputed, are the province of the trial court, reviewable on appeal for clear error.

Id. at 1384 (C.J. Mayer, dissenting).

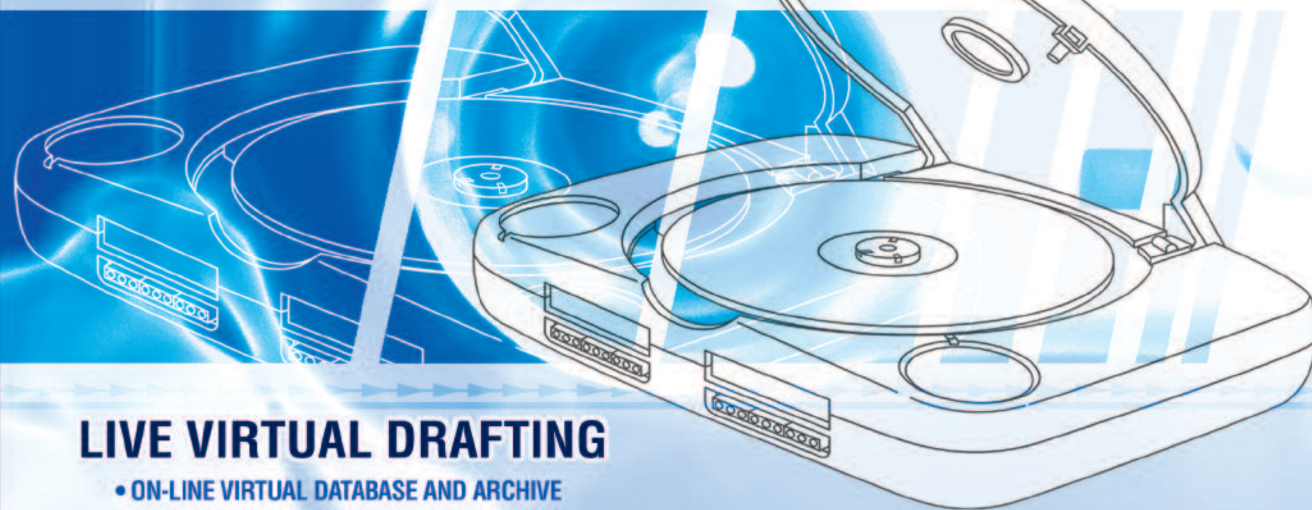
Phillips was ill-suited to be the test case for deference. The appellate briefs of both the parties and the amici in *Phillips* contain very little discussion regarding deferential review of trial court claim constructions. Moreover, the Court's *en banc* decision ultimately rejected the trial judge's claim construction, rendering any discussion of deference on those facts mere dicta. The Federal Circuit therefore concluded, not surprisingly, "[a]fter consideration of the matter, we have decided not to address that issue at this time." *Phillips*, 415 F.3d at 1328.p

PROPOSED STANDARD OF REVIEW FOR VARIOUS ASPECTS OF A CLAIM CONSTRUCTION RULING

In order to alleviate the problems engendered by the *de novo* standard of review, we propose the following legal test for analyzing when, and how much, deference should be given to the trial court in claim construction. The test is analogous to contract language interpretation, as indeed judges "ordinarily construe[ ] written documents" such as contracts. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 382 (1996). The test presents two questions for the courts: (1) does the claim term have a meaning outside the common vocabulary of a reasonable juror; and, if so, then (2) is such term uncommon because of *legal* terminology or events or because it is *technological* terminology? The applicable standard of review follows from the answers to those two questions:

1. **Common words**: words within the vocabulary of a reasonable juror need not, and indeed normally should not, be construed by any court. *See Phillips*, 415 F.3d at 1314 (*citing Brown v. 3M*, 265 F.3d 1349, 1352 (Fed. Cir. 2001)). Examples include words like "or," "at least," and "portion." If, however, a trial court nevertheless construes such common words, the standard of review should be the same as for any other jury instruction, namely "prejudicial legal error." *Arlington Indus. v. Bridgeport Fittings*, 345 F.3d 1318, 1325 (Fed. Cir. 2003) (citation omitted).
2. **Uncommon words**: these words should, and indeed must, be construed for the jury by a judge:
    a. **Legal terms and events**: words in a patent that have wider legal significance in patent law apart from the particular patent involved, such as "comprising," "consisting of," and "means for," or words, the meaning of which may have been modified by a legal doctrine such as prosecution history estoppel,[4] should be reviewed *de novo*. *Cybor*, 138 F.3d at 1448.
    b. **Technological terms**: words in a patent that are non-legal, have meaning to the skilled artisan, and are beyond the lay juror's vocabulary, pose factual questions. The standard of review should be for "clear error," particularly when the trial court has received conflicting testimony regarding the meaning of such words.

Such deference regarding the meaning of technological terms to the skilled artisan is analogous to the deference given when interpreting contract language that is written in



"usage of trade" (UCC § 1-205) terminology. The Uniform Commercial Code states: "The existence and scope of such a usage are to be proved as facts. If it is established that such a usage is embodied in a written trade code or similar writing the interpretation of the writing is for the court." UCC § 1-205 (emphasis added). Such trial-court-determined facts regarding the meaning of usage of trade terms are not reviewed by the courts of appeal under the normal *de novo* standard, but rather under the "clear error" standard of review. *Voest-Alpine Trading USA Corp. v. Bank of China*, 288 F.3d 262, 265 (5th Cir. 2002) (deference is given to the trial court's decision under the "clear error" review standard); *Bloom v. Hearst Entm't, Inc.*, 33 F.3d 518, 522-23 (5th Cir. 1994); *In re Pearson Bros. Co.*, 787 F.2d 1157, 1161 (7th Cir. 1986). In order to harmonize patent jurisprudence with the treatment accorded fact-finding matters in other contexts and to remedy the unfortunate situation facing trial courts in the claim construction context, "clear error" should likewise be the standard of review for patents when the court construes technological claim terms according to the understanding of the person of ordinary skill in the art.

The primacy of the intrinsic record vis-à-vis the extrinsic evidence, as explained in *Phillips*, 415 F.3d at 1315-24, likewise is in harmony with this test. Again, by analogy to contract interpretation, parol (extrinsic) evidence may only be used to explain the meaning of the (intrinsic) writing, never to contradict it.

On a cautionary note, this analogy to well established contract interpretation rules should not be distinguished with the argument that interpretation of a patent's claims affects the "public interest" (or at least an entire industry), whereas interpretation of contracts, being between two private parties, does not. Consider insurance contracts. The interpretation of insurance contract terms, such as standard coverage language, may affect thousands of persons. *See e.g. Leonard v. Nationwide Mut. Ins. Co.*, 438 F. Supp. 2d 684 (S.D. Miss. 2006) (hurricane Katrina insurance coverage denial). Moreover, an occasional disagreement in interpretation between district courts would be both rare and correctable. Of the millions of issued patents, few are litigated. Fewer still make it to a *Markman* hearing. Even less make it to two different *Markman* hearings before different judges with different results. On this rare occasion, the Federal Circuit could step in and resolve any conflict.

CONCLUSION

Interpreters of written instruments, such as patents, should borrow from settled principles of contract interpretation. The factual question of the meaning of specialized patent terminology to a person of ordinary skill is closely analogous to the factual question under the Uniform Commercial Code concerning the meaning of specialized contract terminology found in "usage of trade." Both questions are decided by the trial judge, and both questions should be reviewed by the appellate courts under the "clear error" standard. *De novo* review is not appropriate in either situation.

ENDNOTES

1. *See* Stephen L. Sheldon, *A Practical Solution to Claim Construction: Stopgap Measures While Waiting for Reform*, 2 J. Marshall Rev. Intell. Prop. L. 138, 146 (2002) (citing Richard A. Posner, *The Federal Courts: Challenge and Reform* 88-90 (Harvard University Press, 1996) (explaining the mathematics behind deciding to sue someone) and Michele Galen, *Guilty*, Bus. Wk., Apr. 13, 1992, at 60, 64 (reporting relative costs of discovery during litigation)).
2. *See* Victoria Slind-Flor, *The Markman Prophesies*, IP Worldwide, March 24, 2002, at 28 (reporting 47% reversal rate); Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable*, 9 Lewis & Clark L. Rev. 231, 233 (2005) (reporting reversal rate of 34.5%, and that confusion among lower courts is growing, rather than diminishing).
3. Slind-Flor, *supra* note 2, at 28.
4. Prosecution history estoppel is a legal, not technological, event. This harmonizes this proposed test with *Cybor*, 138 F.3d at 1454, in which claim construction pivoted on the legal issue of whether or not prosecution history estoppel had occurred, and hence was properly reviewed *de novo*.