IP Alert: The Federal Circuit Upholds Cybor's Rule that Claim Construction Is Subject to De Novo Appellate Review

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The Federal Circuit Upholds Cybor's Rule that Claim Construction Is Subject to De Novo Appellate Review

By R. Gregory Israelsen

On Friday, the Federal Circuit reaffirmed 6–4 in Lighting Ballast Control LLC v. Philips Electronics North America Corp., that its holding in Cybor Corp v. FAS Technologies is still good law. In short, patent claim construction is a purely legal issue that is subject to de novo review on appeal. Judge Newman authored the majority opinion, which rested largely on principles of stare decisis. Judge Lourie joined the majority and authored a concurrence. Judge O'Malley offered a strong dissent. This was a high-profile case in intellectual property circles, as 38 individuals and organizations — including three Banner & Witcoff attorneys — had filed 21 amicus briefs.

Background

The United States Court of Appeals for the Federal Circuit granted en banc review of a petition filed by Lighting Ballast Control to reconsider the standard of appellate review given to district-court interpretations of the meaning and scope of patent claims (claim construction). The Federal Circuit had previously held in Cybor that patent claim construction receives de novo review for correctness as a matter of law.

Majority Opinion

The majority opinion rested primarily on principles of stare decisis. The court decided Cybor in 1998 — 15 years ago. Cybor's approach also avoided unnecessarily complicating patent litigation. And Cybor's detractors offered no better alternative.

The majority repeatedly emphasized the importance of stability in the law. Because stare decisis is of "fundamental importance to the rule of law," a departure from a previous decision's approach requires "compelling justification." Departure from precedent may be appropriate when later cases "undermine [a precedent's] doctrinal underpinnings," when the precedent has proved "unworkable," or when "a considerable body of new experience" requires changing the law. The majority found no judicial or legislative cases that would justify departing from Cybor, and it did not consider Cybor's approach to be unworkable. Further, no better alternative has been found.

The majority also discussed the benefits of Cybor's approach. "Claim construction is a legal statement of the scope of the patent right," a question that is not dependent on a witness's credibility, but rather the contents of the patent itself. As is, the Federal Circuit can resolve claim construction definitively as a matter of precedent, rather than allow different trial court constructions of the same patent. In other words, because the Federal Circuit reviews claim construction de novo, the court resolves the meaning and scope of a patent claim for uniform application throughout the nation, as a matter of law.

The majority also reasoned that overturning Cybor would be difficult in practice. Recognizing a fact–law distinction in claim construction would add another complicated layer to litigation. Parties would dispute which elements of claim construction are factual questions subject to deference and which elements are legal questions to be reviewed de novo. Further, a new approach would be unlikely to change actual outcomes, as only a small number of disputes even arguably present factual questions in claim construction. The majority pointed out that "amicus curiae United States could not identify any case that would have come out differently under the modified (hybrid) standard of review it proposed." Therefore, the majority was reluctant to impose an "amorphous standard" of appellate review on claim construction that would not "produce a better or more reliable or more accurate or more just determination of patent claim scope."

Finally, the majority remarked on the dissent's arguments. Doing so inherently acknowledged the dissent's point that the Federal Circuit's "internal debate over Cybor has been heated, and has not abated over time." The majority argued that the dissent's approach would make deference "of central significance in controlling the determination of claim construction, and hence of patent scope. The consequence would be heightened forum-shopping and the inability of the judicial system to arrive at a uniform, settled meaning for a patent's scope." According to the majority, the dissent offered no superior alternative to de novo review, nor any workable standard for distinguishing between legal and factual components of claim construction.

Concurrence

Judge Lourie authored a brief concurrence making additional arguments for keeping Cybor's standard. The problem with claim construction is not a lack of deference to a lower court's findings, but rather "the multiplicity of actors contending in a competitive economy." Inventors have the idea, patent attorneys draft the patent and claims, potentially different patent attorneys negotiate those claims with one or more examiners during prosecution, and another set of attorneys debate those claims in litigation. Thus, the actors in court are often different than those who made the invention, created the patent, and knew what it meant.

Further, Judge Lourie argued, "no deference" does not really mean "no deference." According to Judge Lourie, the Federal Circuit should, and does, give "informal deference to the work" of district court judges and affirms when appropriate. Even if the standard were formally changed, "judgments of subordinate courts are still not unreviewable." In short, changing Cybor would simply be "a cosmetic public" exercise with no actual change in practice.

Dissent

Judge O'Malley authored a strong dissent, joined by Chief Judge Rader and Judges Reyna and Wallach.

The dissent was clearly dissatisfied with several members of the majority, two of whom "have been among the harshest critics of Cybor," and a third who "conceded that Cybor's rule may be too broad." Further, the dissent asserted that "not once during [the Federal Circuit's] internal dialogue over the rule promulgated in Cybor did anyone contend that stare decisis alone should put an end

to our debate." The majority responded to the dissent: "[I]t is comforting to know that our golden words of the past are not forgotten." But "the court is not now deciding whether to adopt a de novo standard," but rather "whether to cast aside the standard that has been in place for fifteen years."

The dissent argued that Cybor's approach is flawed, at least in part because of some of its underlying assumptions. The majority and several of the amici premised their opinions on the assumptions that only questions of law are subject to de novo review, and that questions of law are always subject to de novo review. The dissent refuted both of these arguments.

Questions of fact are often decided by judges. "Stating that something is better decided by the judge is not the same as saying it is a matter of law." The dissent interpreted Markman to say "that judicial efficiencies supported allocation of claim construction determinations to the court rather than to the jury." Therefore, it is not necessary to keep Cybor in order to keep claim construction in the hands of judges.

Furthermore, Cybor's reliance on the "faulty premise that claim construction is a purely legal exercise" leads to its direct contravention of "the clear directives of Federal Rule of Civil Procedure 52(a)(6)," which requires that, on appeal, all "findings of fact . . . must not be set aside unless clearly erroneous." There are no exceptions to the rule "with regard to fact-finding in the claim construction context." For the dissent, that ended the question. "The fact that our inquiry might be a difficult one does not excuse the failure to undertake it."

Finally, the dissent disputed the majority's assumption that the Federal Circuit exercising de novo review of claim construction leads to better or more uniform results. In contrast to district court judges, who can spend hundreds of hours reviewing documents, receiving testimony, and even listening to tutorials on the relevant science, the Federal Circuit "lacks the resources to do it right." And Federal Circuit decisions are often panel dependent. The dissent pointed to two cases involving the same patent where different Federal Circuit panels determined two different meanings for "greater than 3% elasticity," casting doubt on the majority's claim that de novo review by the Federal Circuit of all claim construction would lead to more consistent outcomes.

Conclusion

The Federal Circuit's decision is not likely to put to rest the debate over the proper standard of review for patent claim construction. The majority opinion did not focus on the particular merits of Cybor's approach, arguing instead that "those who would change Cybor's system of plenary review of claim construction have not shown any benefit or advantage to the law or those served by the law." Thus, academics and practitioners are likely to continue considering the question. Such discussion would most productively be focused on how "greater deference will produce any greater public or private benefit" than the current Cybor standard, and a workable alternative for implementing deferential review.

The Federal Circuit's decision may be appealed to the Supreme Court, which has discretion whether to take up the case.

The full Federal Circuit decision is available at Lighting Ballast Control LLC v. Philips Electronics North America Corp., No. 2012-1014, slip op. (Fed. Cir. Feb 21, 2014). See also Cybor Corp. v. FAS Technologies, Inc., 138 F.3d 1448 (Fed. Cir. 1998) (en banc).

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