

No. 13-854

IN THE
Supreme Court of the United States

TEVA PHARMACEUTICALS USA, INC., *et al.*,
Petitioners,

v.

SANDOZ, INC., *et al.*,
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF *AMICUS CURIAE* THE
FÉDÉRATION INTERNATIONALE
DES CONSEILS EN PROPRIÉTÉ
INTELLECTUELLE (FICPI) IN SUPPORT
OF NEITHER PARTY**

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CORPORATE DISCLOSURE STATEMENT

Counsel for The Fédération Internationale Des Conseils En Propriété Intellectuelle as amicus curiae (“FICPI”) certifies the following:

1. The full name of every party of amicus represented by me is:

Fédération Internationale Des Conseils En Propriété Intellectuelle.

2. FICPI submits this brief *amicus curiae* and has no interest in the outcome of the case.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Eaton & Van Winkle LLP; Maxim H. Waldbaum, Esq.; Robert D. Katz, Esq.

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I. STATEMENT OF INTEREST¹

The Fédération Internationale Des Conseils En Propriété Intellectuelle (“FICPI”) submits this brief as *amicus curie* in support of neither party.

Established in 1906, FICPI is a Switzerland-based international and non-political association of approximately 5,000 intellectual property attorneys from over eighty countries, including the United States. Its members are in private practice, and their clients include individual inventors as well as large, medium and small companies, universities and research institutes.

One of the members’ major roles is to advise inventors in intellectual property matters and secure protection for industrial/intellectual innovation. FICPI supports predictable, balanced global protection of patents, the global harmonization of substantive patent law, and the interests of inventors and the U.S. Patent and Trademark Office (the “PTO”) in recognizing a fair scope of patent protection consistent with the claimed invention. FICPI recognizes that the instant case has significant potential to impact the validity and claim scope of U.S. patents.

Because FICPI is largely comprised of patent practitioners representing both foreign and domestic inventors and corporate entities, universities and research institutes, FICPI is poised to give the court the

1. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amicus curiae*, its members, or its counsel made any monetary contribution to its preparation or submission. Counsel for all parties have consented to the filing of this brief.

perspective of the international patent community. In this vein, FICPI desires to ensure that its members' clients are afforded fair opportunities with respect to patenting their inventions in the United States and protecting those inventions as economically and effectively as possible.

II. INTRODUCTION

On March 31, 2014, this court granted the petition for a writ of certiorari limited to the question presented by the petition:

Rule 52(a) of the Federal Rules of Civil Procedure provides that in matters tried to a district court, the court's '(f)indings of fact... must not be set aside unless clearly erroneous. The question presented is as follows: Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.

III. SUMMARY OF ARGUMENT

In the proceeding below before the Court of Appeals for the Federal Circuit, defendants in consolidated patent infringement actions appealed from the district court's judgment which held that infringement had occurred for various claims of the nine patents-in-suit asserted by the plaintiff, now petitioner (Teva), and from the trial court's holding of invalidity of several patents for indefiniteness, non-enablement and obviousness.

More importantly, the Federal Circuit confirmed its prior ruling in *CyborCorp. v. FAS Techs., Inc.*, 138 F. 3d 1448 (Fed. Cir. 1998), that the court had the right to review a trial court's decisions on claim constitution *de novo* without any concern for the substantial work on factual issues and mixed questions of fact and law undertaken by the trial court.

The ruling in *Cybor* relied heavily on *Markman v. Westview Instruments, Inc.*, 52 F. 3d 967, 977 (Fed. Cir. 1995) (“*Markman I*”). However, *Markman I* was not the final word on the issue of claim construction as a matter only of law and the courts' reasoning left the door open for further interpretation. In *Markman I*, the Federal Circuit stated that appellate courts do not have the extensive opportunity to make factual determinations as part of its analysis of whether claim construction itself is a legal issue. *Markman I*, 52 F. 3d at 977, citing, *Read Corp. v. Portec, Inc.*, 970 F. 2d 816 (Fed. Cir. 1992); *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F. 2d 1384 (Fed. Cir. 1992); *Unique Concepts, Inc. v. Brown*, 939 F. 2d 1558 (Fed. Cir. 1991); *Specialty Composites v. Cabot Corp.*, 845 F. 2d 981 (Fed. Cir. 1988).

Markman was later brought before the Supreme Court on appeal and the standard stated in the Federal Circuit decision was more closely analyzed. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (“*Markman II*”). The Supreme Court reviewed past attempts to characterize construction of a patent claim as a matter of fact or law and concluded that it is a hybrid:

The “substance of the common-law right” is, however, a pretty blunt instrument for drawing

distinctions. We have tried to sharpen it, to be sure, by reference to the distinction between substance and procedure. [...] We have also spoken of the line as one between issues of fact and law. [...] But the sounder course, when available, is to clarify a mongrel practice (like construing a term of art following receipt of evidence) by using the historical method, much as we do in characterizing the suits and actions within which they rise.

Id. at 378.

The Supreme Court in *Markman II* did not determine that claim construction is a pure matter of law free from factual findings. Rather, the Court pointed out that claim construction is indeed a matter of law but also has factual underpinnings. The Court noted the complexity involved in understanding the meaning of a term used in a claim:

It is, of course, true that credibility judgments have to be made about the experts who testify in patent cases, and in theory there could be a case in which a simple credibility judgment would suffice to choose between experts whose testimony was equally consistent with a patent's internal logic.

Markman II, 517 U.S. at 389. Internal citations omitted.

The Federal Circuit, in the case at bar as well as in the pending companion case of *Lighting Ballast*, maintains that all claim construction issues are to be reviewed by the Federal Circuit *de novo*. *Lighting Ballast Control LLC v.*

Philips Electronics North America Corp, 744 F. 3d 1272 (Fed. Cir. 2014). The argument to support its holding is set forth in *Lighting Ballast*:

For the reasons we shall discuss, we apply the principle of *stare decisis*, and confirm the *Cybor* standard of *de novo* review of claim construction, whereby the scope of the patent grant is reviewed as a matter of law. *After fifteen years of experience with Cybor, we conclude that the court should retain plenary review of claim construction, thereby providing national uniformity, consistency, and finality to the meaning and scope of patent claims.* The totality of experience has confirmed that *Cybor* is an effective implementation of *Markman II*, and that the criteria for departure from *stare decisis* are not met.

Lighting Ballast Control LLC, 744 F. 3d at 1277(emphasis added).

Harmonious results, however, do not flow necessarily from *de novo* review of the claim construction rulings of the district courts. Rather, *de novo* review has led to inconsistent precedent because judicial economy restricts the appellate court's ability to have a complete understanding of the trial court record and because the appellate court is unable to weigh all the pertinent evidence and the credibility of the pertinent fact and expert witnesses of the parties with the same time devoted to inquiry by a trial court. Additionally, the Federal Circuit's *de novo* review of the district court's claim construction rulings creates the air of wasted time

and effort by the district court and causes unnecessary expense to the litigants.

IV. ARGUMENT

A. Factual Findings Are the Responsibility of the Trial Court

The *de novo* standard of review by the appellate court disregards the trial court's inherently superior vantage point, role and ability to weigh evidence. Factual underpinnings as a part of claim construction are facts, and therefore must be determined by the trial court. These are clearly questions of fact, not law, even if the questions are made to help interpret a legal document. By viewing claim construction as strictly a matter of law subject to *de novo* review on appeal, the Federal Circuit ignores the realities of the underlying factual inquiries undertaken by trial courts in construing claims. Anil Arora, "*The Federal Circuit's De Novo Claim Construction Review Standard: A Titanic Misjudgment Leads to Uncertainty*," 33 N. Ky. L. Rev. 205, 218 (2006).

Without deference to the fact witnesses and experts testifying in a patent case, a credible evaluation cannot be made. *Markman I*, 52 F. 3d at 389. The findings regarding people of ordinary skill in the art should be undisputed as that of fact. If the underlying evidence happens to come from experts, the resulting determination is no less factual.

In *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1041 (Fed. Cir. 2006), then Chief Judge Michel and current Chief Judge Rader acknowledged the

importance of these factual determinations by the trial court, stating:

Our standard of review of no deference to the trial judge's claim constructions, expressed in *Cybor*, rests upon the premise that claim construction is always a purely legal exercise, devoid of factual content. We have likened claim construction to statutory construction. *I believe that this analogy is open to serious question. [...] It seems to me that the claim construction question often cannot be answered without assessing, at least implicitly, what the average artisan knew and how she thought about the particular technology when the patent claims were written.* To make such determinations, the trial judge necessarily relies upon prior art documents and other evidence concerning the skill of the ordinary artisan at the relevant time. *Indeed, trial judges are arguably better equipped than appellate judges to make these factual determinations, especially in close cases. In such instances, perhaps we should routinely give at least some deference to the trial court, given its greater knowledge of the facts.*

Amgen, 469 F.3d at 1040-41 (emphasis added).

In *Cybor*, and especially with respect to claim construction, Chief Judge Rader argued that the district court has a “potentially superior position” to that of the appellate court. For a complex case requiring extrinsic evidence, the trial court “has tools to acquire and evaluate

evidence that [the Federal Circuit] lacks.” *Cybor*, 138 F. 3d at 1477 (dissent of Chief Judge Rader). District court judges can receive tutorials on technology from scientists, question technical experts and test their understanding against other experts, examine the invention on site, and deliberate over the meaning of the claim language *Id.*:

Trial judges can spend hundreds of hours reading and rereading all kinds of source material, receiving tutorials on technology from leading scientists, formally questioning technical experts and testing their understanding against that of various experts, examining on site the operation of the principles of the claimed invention, and deliberating over the meaning of the claim language. If district judges are not satisfied with the proofs proffered by the parties, they are not bound to a prepared record but may compel additional presentations or even employ their own court-appointed expert. An appellate court has none of these advantages.

The opportunity for extensive factual review in assessing patent claim construction which is available only to the trial court may include assessment of custom and usage in the relevant area for which the patent is registered, assessment of events during prosecution, the level of skill and expertise usual to the area for which the patent is registered and the understanding of skilled artisans at the time of invention. *Id.* at 1478. “A careful functional analysis counsels deference for district court claim interpretations.” *Id.* Viewed from the perspective of the district court’s traditional fact finding role (in contrast to the role of the appellate court), district courts are better

suites to decide the factually complex issues that often arise in claim interpretation. *Id.* at 1479.

In *Apex Inc. v. Raritan Computer, Inc.*, 325 F.3d 1364, 1375 (Fed. Cir. 2003), and in *NeoMagic Corp. v. Trident Microsystems Inc.*, 287 F.3d 1062, 1070, 75-76 (Fed. Cir. 2002), the Federal Circuit confirmed its ruling in *Cybor* that claim construction is a matter of law and subject to *de novo* review, even though the inquiries underlying claim construction were so unquestionably factual that Federal Circuit had no choice but to remand the cases to the district courts for the further fact finding. “These remands for ‘lawfinding’ and consideration of expert testimony with regard to its ‘helpfulness’ illustrate the difficulty of applying the *Cybor* holding with a straight face.” William H. Burgess, “*Simplicity at the Cost of Clarity: Appellate Review of Claim Construction and the Failed Promise of Cybor*,” 153 U. Pa. L. Rev. 763, 786 (2004).

Another scholar has similarly argued:

If claim construction involves making factual inquiries, it follows that district court judges are suited for this task. [...] District courts have the ability to devote the time and resources necessary for construing these claims. Claim construction may require testimony from persons of ordinary skill in the art to explain the meaning of terms not ordinarily understood by laypersons and terms with a meaning different from ordinary speech. The district court has the opportunity to see and hear this testimony first hand, along with the accompanying gestures,

exhibits, charts, and models. This gives the district court a better opportunity to grasp the nature of the invention than the Federal Circuit, which must determine the nature of the invention from oral arguments and portions of the record on appeal. *De novo review is not the proper standard for Federal Circuit review of district court claim constructions that involve factual inquiries, because it allows the Federal Circuit to ignore the district court's better opportunity to understand the claims.*

Lauren Maida, “*Patent Claim Construction: It’s Not A Pure Matter of Law, So Why Isn’t the Federal Circuit Giving the District Courts the Deference They Deserve?*,” 30 *Cardozo L. Rev.* 1773, 1796-97 (2009)(emphasis added).

The court in *Markman I* also pointed out that district court judges are well suited to decide issue of patent claim construction in view of their “training and discipline” and their ability to perform a “sophisticated analysis of the whole document” and weigh an “expert’s proposed definition [so that it] fully comports with the specification and claims [...] to preserve the patent’s internal coherence.” *Markman I*, 52 F. 3d at 388-90.

Irrespective of the major role of the district court and the training and experience of district court judges regarding issues of claim construction, the appellate court has significantly less information to construe than the district court. Because of the time and briefing limitations inherent in the appellate process, parties typically limit their presentations on appeal to “a few issues controlled by a few passages from the specification or the prosecution

history,” which results in less than a complete picture of the factual and legal issues presented for trial. *Cybor*, 138 F. 3d at 1478 (fn5)(dissent). Clearly “a sterile written record can never convey all the nuances and intangibles of the decisional process.” *Id.* at 1478.

In contrast, deference to the district court’s factual findings in claim construction will foster increased certainty with respect to claim interpretation earlier in the process, particularly in complex cases which, in turn, will encourage earlier settlement and substantial cost savings, a very desirable outcome, particularly for less wealthy parties. Further, such deference will have the salutary effect of making the [district court’s] trial on the merits the ‘main event,’ so to speak, rather than a ‘tryout on the road’ for what will later be the determinative [appeal to the Federal Circuit]. *Cybor*, 138 F. 3d at 1478. This sort of deference will be consistent with patentees’ expectations, including foreign individuals and companies involved in patent-related matters in the United States.

The mission of the appellate court is to assure the proper application of the law to the facts found by the fact finder. The appellate court must give due regard to the district court’s opportunity to judge the witnesses’ credibility, at the very least, respect and defer to the district court’s findings of fact. At the same time it does not mean that the appellate court has to accept all factual findings of the district court. Federal Rule of Civil Procedure 52(a)(6) does not affect or restrict the need to prove the proper application of the law. By Rule 52(a)(6), the appellate court is obligated to review the factual findings of the district court that underlie the determination of claim construction for clear error.

Phillips v. AWH Corp., 415 F. 3d 1303 (Fed. Cir. 2005). That standard applies whether those findings are “based on oral or other evidence.” The scope of the review is restricted by the rule.

B. De Novo Review in Claim Construction Violates Federal Rule of Civil Procedure 52(a)(6)

As Question 1 notes, Federal Rule of Civil Procedure 52 (a)(6) expressly states that “factual findings must not be set aside unless clearly erroneous.” The Rule also limits the authority of the appellate court:

[An appellate] court may not, however, independently review the constituent facts or disregard the jury’s findings, absent proof that they lack sufficient evidence that “a reasonable mind might accept as adequate to support them.

Cybor, dissent 138 F. 3d at 1465.

There is no reason to treat the appellate review of the factual underpinnings related to claim construction any differently than any other factual determinations. Treating factual underpinnings as a **pure question of law would disregard** that they do encompass factual issues. To be consistent with rule 52(a)(6), the appellate court is allowed to disregard them or set them aside only if there is clear error.

Rulings on the definition of the relevant art, the level of ordinary skill in the art, and issues specific to the underlying proceeding, including the credibility of an expert, are all factual issues that the appellate court should review under a “substantial evidence” standard.

C. *De Novo* Review Causes High Reversal Rates on Appeal

The current system of reviewing a district court's findings on claim construction is an additional disincentive for the economy. In *Markman I*, the Court expressly stated that "[...] treating interpretive issues as purely legal will promote (though not guarantee) intra-jurisdictional uniformity under the authority of the single appeals court," *Markman I*, 52 F. 3d at 391. However, many years of practice since *Markman I* show the opposite result. A review of a number of studies shows that the claim construction reversal rates increased between 25 and 71 percent during the period after *Markman I*, See, e.g., Kimberly A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, Lewis & Clark L. Rev. 231, 233 (2004); Paul M. Schoenhard, *Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisprudence*, 17 Fordham Intell. Prop. Media Ent. L. J. 299, 302 (2006). This negative development, in turn, lengthens patent litigation and aggravates its already-high cost. Furthermore, predictability has steadily declined and respect for the patent system has been seriously eroded:

Duplication of the [district court] judge's efforts in the court of appeals would very likely contribute only negligibly to the accuracy of fact determination at a huge cost in diversion of judicial resources.

Anderson v. City of Bessemer, 470 U.S. 564, 575 (1985).

As the Federal Circuit noted in *Markman I*, the district court's early claim interpretation "provides no early certainty at all, but only opens the bidding." *Cybor*, 138 F. 3d at 1476.

D. De novo Review Does Not Promote Harmonization in Patent Cases

The *de novo* standard of review cannot be justified by the aim of harmonizing the law. Congress enacted the Federal Courts Improvement Act of 1982 and created the Federal Circuit to bring uniformity and consistency to patent law throughout the country. But the Federal Circuit has not succeeded in harmonizing the law in the way that district courts and litigants in patent cases can follow a consistent legal application. And this will not change as long as the outcome of the proceedings depends on which appellate panel the litigants appear before:

There are still legal questions which are unresolved, partly because judges tend to have different views on how different legal questions should be answered. Furthermore, there are many difficult questions of either fact, or application of law to fact, which are very close questions that could be resolved either way.

George C. Beighly, Jr., *The Court of Appeals for the Federal Circuit: Has it Fulfilled Congressional Expectations?*, 21 *Fordham Intell. Prop. Media & Ent. L.J.* 671, 728 (2011).

The Federal Circuit's longest-tenured judge, Judge Pauline Newman, criticizes the Federal Circuit's "inability to reach a consensus" and recently said at the Fordham Intellectual Property Law and Policy Conference:

The Federal Circuit's sharply split decisions on contentious issues such as when software is eligible for a patent suggest that those issues raise policy concerns that Congress is in a better position than judges to resolve, [...]. The areas where we have not spoken with one voice, like software patents, are not something you can hand over to any group of judges, even the best patent judges in the system.

Ryan Davis, "*Federal Circuit Judge Says Congress Must Resolve Split Rulings*," Law360, April 24, 2014 (<http://www.law360.com/articles/531720/fed-circ-judge-says-congress-must-resolve-split-rulings>).

Furthermore, in two recent decisions this Court corrected two Federal Circuit tests that it said were too restrictive. *Octane Fitness LLC v. Icon Health & Fitness, Inc.*, 2014 WL 1672251 (U.S. 2014); *Highmark Inc. v. Allcare Health Mangement System, Inc.*, 2014 WL 1672043 (U.S. 2014). In one decision, the justices held that judges can award attorneys' fees in a case that merely "stands out from others," rejecting the Federal Circuit's rule that attorney's fees are appropriate only when a case is "objectively baseless" and "brought in subjective bad faith." *Octane*, 2014 WL at 1672251. In the other decision, the Supreme Court ended the Federal Circuit's practice of reviewing *de novo* attorney fee award by district courts and, instead, imposed an abuse of discretion standard. *Highmark*, 2014 WL at 1672043.

Indeed, the Supreme Court recently hinted that it disagreed that the Federal Circuit was best suited to review all fee awards. Chief Justice John Roberts noted

in oral argument that the Federal Circuit has recently had a number of sharply split *en banc* decisions. The Chief Justice commented:

The Federal Circuit was established to bring about uniformity in patent law, but they seem to have a great deal of disagreement among themselves”. District court judges often deal with whether a position is baseless in other types of cases, “so maybe they are more expert than the Federal Circuit.

Ryan Davis, *BREAKING NEWS: High Court Strikes Double Blow Against Patent Trolls*, Law360, April 29, 2014 (<http://www.law360.com/appellate/articles/532685>).

Both decisions of this Court were unanimous, which suggests that the Federal Circuit failed to fulfill its tasks. The Court’s decision to reverse the *de novo* review regarding an attorney fee award confirms the importance of the trial court’s ability to hear and weigh the evidence and assess the credibility of witnesses, while *de novo* review of claim construction seems only to multiply proceedings and increase cost. This is especially so since the trial court must conduct a trial or decide a summary judgment motion in order to have a final appealable judgment to get the Federal Circuit to review the district court’s claim construction. The Federal Circuit will usually not give interim review on the issue of claim constructions alone.

As a practical matter, *de novo* review has a demoralizing effect on district court judges. They tend to invest less

and less time for a claim construction hearing, let alone the time put into reviewing the oftentimes extensive briefing, when their work will be seen as ignored and disregarded on appeal. Many district court judges wonder why they should spend more than a day or even less on such presentations. The wrong message has been sent to them and should be corrected.

The dissent in *Cybor* aptly noted that a *de novo* standard of review “deprives the [trial] court, and the parties, of the accumulated progress and experience of the trial [observing that] it is mysterious why we choose to self-censor what we will consider on appeal.” *Cybor*, 138 F. 3d at 1481. Furthermore, Chief Judge William G. Young of the United States District Court for the District of Massachusetts noted that he was reversed in seven out of the nine patent cases that were appealed to the Federal Circuit. He later lamented his “duty is to predict what [the Federal Circuit is] going to say and follow the law, [but noted he has not had] noticeable success with these matters.” R. Carl Moy, *Panel Discussion: High Technology Law in the Twenty-First Century Second Annual High Technology Law Conference*, 21 Suffolk Transnat’l L. Rev. 13 (1997).

Judge Samuel B. Kent of the United States District Court for the Southern District of Texas took a less philosophical stand:

Frankly, I don’t know why I’m so excited about trying to bring this [patent suit] to closure. It goes to the Federal Circuit afterwards. You know, it’s hard to deal with things that are ultimately resolved by people wearing propeller

hats. But we'll just have to see what happens when we give it to them. I could say that with impunity because they've reversed everything I've ever done, so I expect fully they'll reverse this, too.

Kimberly A. Moore, "*Are District Court Judges Equipped to Resolve Patent Cases?*," 15 *Harvard J. L. & Tech.* 1, 11 (2001), citing, *O.I. Corp. v. Tekmar Co.*, No. 95-CV-113 (S.D. Tex. June 17, 1996).

The Federal Circuit's application of *de novo* of review of trial court's claim construction rulings cannot fulfill the mandate of the Federal Circuit to promote harmonization in law. As one scholar has argued:

By clinging to an untenable *de novo* standard of review for claim construction, the Federal Circuit has, contrary to its intended function, wrought confusion to the patent marketplace.

Anil Arora, "*The Federal Circuit's De Novo Claim Construction Review Standard: A "Titanic" Misjudgment Leads to Uncertainty*," 33 *N. Ky. L. Rev.* 205, 218 (2006).

V. CONCLUSION

The role of factual findings in claim construction is fundamental, and this case presents an excellent vehicle to decide Question I in the affirmative for clear error and overrule the decision in *Cybor*. Specifically, for the foregoing reasons, this Court should take the opportunity presented in this case to promulgate a ruling whereby an appellate court must give deference to the factual

findings made by a district court underlying the court's claim construction rulings or any other factual or mixed questions of fact and law regarding claim construction.

Such deference will help bring predictability and avoidance of duplicative effort to the single most important event in a patent infringement action. Doing so will also create substantial cost savings and consistency in the manner in which claim construction rulings are reviewed on appeal. Those salutary effects will support progress in achieving uniformity and clarity in patent law and restore the meaningful nature of trial work.

Respectfully submitted,

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