QUESTION PRESENTED

Whether the Federal Circuit is correct in holding that all aspects of a district court's patent claim construction may be reviewed *de novo* on appeal.

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BRIEF FOR EDWARD H. PHILLIPS IN OPPOSITION

OPINIONS BELOW

The opinion of the Court of Appeals *en banc* is reported at 415 F.3d 1303. *See* App. at 1-63. The majority and dissenting opinions of the panel of the Court of Appeals were reported at 363 F.3d 1207 (withdrawn). *See* App. at 64-84. The order of the Court of Appeals granting rehearing *en banc* was entered on July 21, 2004 and is published at 376 F.3d 1382, *See* App. at 137-42. The opinion of the District Court granting summary judgment in favor of Petitioners was entered on January 22, 2003, and is unpublished. *See* App. at 134-37. The order of the District Court on claim construction was entered on November 22, 2002, and is also unpublished. *See* App. at 89-133.

JURISDICTION

The jurisdiction of the District Court was invoked under 28 U.S.C. §1331 and §1338(a). The jurisdiction of the Court of Appeals was invoked under 28 U.S.C. §1295(a)(1). On April 8, 2004, a panel of the Court of Appeals issued its judgment. On July 21, 2004, the Court of Appeals ordered an *en banc* rehearing of the appeal. *See* App. at 137-42. The Court of Appeals issued its *en banc* judgment on July 12, 2005. On September 29, 2005, Justice Breyer extended the time within which to petition for a writ of certiorari to and including November 9, 2005. The time to file an opposition to the petition has been

extended to January 4, 2006. This Court has jurisdiction under 28 U.S.C. §1254(1).

RULE INVOLVED

Petitioners contend that Federal Rule of Civil Procedure 52(a) is involved on the ground that matters of fact were reviewed *de novo* by the Court of Appeals for the Federal Circuit. Respondents believe the issue of claim construction is a conclusion of law as a matter of law and there is no violation of Rule 52(a) which reads as follows:

Findings by the Court; Judgment on Partial Findings:

(a) Effect.

> In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion

or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rule 12 or 56 or any other motion except as provided in subdivision (c) of this rule.

STATEMENT OF THE CASE

This action was filed on February 3, 1997, alleging the infringement of U.S. Patent 4,677,798 (the '798 patent) and misappropriation of trade secrets by Defendants. On September 12, 1997, Judge Edward W. Nottingham set the claims construction ("Markman") hearing to be held on February 1, 1998, with dispositive motions to be heard on April 1, 1998. On September 3, 1997, Defendants moved for summary judgment on the trade secret claim. The parties filed a Joint Claims Construction Statement on November 10, 1997. On March 3, 1999, Judge Edward W. Nottingham granted Defendants' Motion for Partial Summary Judgment on the trade secret claim.

On October 3, 2000, a Markman hearing where testimony was taken was held before Judge Edward W. Nottingham, but no ruling was ever made by Judge Nottingham.

On December 8, 2000, Defendants filed summary judgment motions on non-infringement and validity. On December 21, 2001, Judge Edward W. Nottingham ordered the case reassigned to Judge Walker D. Miller. On February 14, 2002, Judge Miller ordered the case reassigned to Judge Marcia S. Krieger. All the outstanding summary judgment motions were denied by Judge Krieger in the Court's Order of May 8, 2002.

After soliciting supplementary briefs but taking no testimony or oral argument on November 22, 2002, Judge Krieger issued a Memorandum Opinion and Order construing the asserted claims. The November 22 Order states on page 2 (*see* App. at 90) that it was based upon the following materials:

> 1. The parties' Joint Claim Construction Statement dated November 10, 19997 [sic];
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> 2. The parties' opening briefs regarding claim construction;
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> 3. The reporter's transcript of the Markman hearing conducted on October 3, 2000;
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> 4. All briefs filed in support of and opposition to the parties' motions for summary judgment following the Markman hearing;
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> 5. The exhibits admitted at the Markman hearing and submitted in support and opposition to the motions for summary judgment;
>
> 6. The parties' supplemental briefs in claim construction filed, at the Court's request, on May 31, 2002.

The District Court did not make any findings of fact either as expressly numbered findings of fact or implicitly, in accordance with its statement on page 6 (*see* App. at 94), "This issue is exclusively a question of law. *Markman v. Westview Instruments*, 517 U.S. 370 (1996)." On January 2, 2002, Defendants filed a Motion to Reconsider Defendants' Motion for Summary Judgment. On January 22, 2003, the Court granted Summary Judgment based upon the November 22, 2002 Order.

On February 18, 2003, Mr. Phillips filed a Notice of Appeal to the Court of Appeals for the Federal Circuit (Federal Circuit). In an opinion which was later withdrawn, a panel of the Federal Circuit affirmed both summary judgments in *Phillips v. AWH, Corp.*, 363 F.3d 1207 (Fed. Cir. 2004). Mr. Phillips applied for *en banc* rehearing, and the Federal Circuit withdrew the Opinion of the panel and granted *en banc* rehearing, *Phillips v. AWH, Corp.*, 376 F.3d 1382 (Fed. Cir. 2004). On *en banc* hearing the Federal Circuit reversed the summary judgment on the patent infringement claims and the claim construction of the November 22, 2002 Order and remanded for further proceeding in accordance with its opinion. It also affirmed the summary judgment on the trade secret claim on the basis of statute of limitations. *Phillips v. AWH, Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

The District Court on remand has docketed a trial date of February 28, 2006. Defendants filed a Renewed Motion for Summary Adjudication on the issue of patent validity on September 28, 2005. On November 9, 2005, Defendants filed a Petition for a Writ of Certiorari to the Court of Appeals for the Federal Circuit in the Supreme Court of the United States. On November 11, 2005, Defendants filed a Motion to Stay Proceedings pending Certiorari review in the District Court.

ARGUMENT AGAINST GRANTING PETITION

For the reasons discussed below, the Court should deny certiorari in any petition seeking review of the Federal Circuit's *de novo* review of claims interpretation decisions by a federal district court.

However, even if a case some day may be brought to this Court presenting this issue in the proper posture, this is not that case. Here, the Court of Appeal for the Federal Circuit declined to make a ruling on the very issue brought to this Court. Furthermore, there is no final judgment; the matter has been remanded back to the District Court for further proceedings. Finally, unusual in its procedural posture, the District Judge who made the claims construction ruling did not preside over the claims construction hearing itself, and relied solely on the written record of the proceedings – nothing more than written record reviewed by the Court of Appeals *en banc*.

A. Even If An Important Issue Could Be Presented On *De Novo* Review, This Case Does Not Present It In Its Current Posture.

For at least the above three reasons, this case presents a poorly constructed framework for consideration of the issue presented.

1. The Court Of Appeals Declined To Rule On This Issue In This Case, Yet Indicated It Would Likely Address The Issue In A Later Case.

Here, the Court of Appeal for the Federal Circuit declined to make a ruling on the very issue brought to this Court. The issue had not been presented in Appellant Phillips' Notice of Appeal, but the Court of Appeal itself invited briefing on the issue for possible consideration. However, it then stated expressly in its *en banc* opinion, "After consideration of the matter, we have decided not to

address that issue *at this time.*" (*See* App. at 50-51. Emphasis added.)

Contrary to the unfounded assertion by Petitioner that the Court of Appeals is adamant in its view on appellate review, this statement strongly indicates the Court of Appeal's likely intention, in the proper case, to fully review and address the issue of *de novo* review.

If the issue presented – appellate *de novo* review of matters expressly accepted by this Court as well as the Federal Circuit as matters of law – merits further attention by this Court, then surely this is not a fleeting opportunity, nor is this the right case. The Federal Circuit was established in part to become the sole circuit for hearing appeals on patent infringement cases. This Court will likely strongly prefer to have the benefit of the Federal Circuit's considered opinion on the subject before granting certiorari.

2. The Issue Is Not "Ripe" For Decision.

This is also a Petition for Writ of Certiorari in a matter which is not ripe for decision. There is no final judgment. The Federal Circuit remanded to the District Court for further proceedings. (*See* App. at 50.) Those proceedings are ongoing. Petitioner may again, some day, file a Petition for Writ of Certiorari on this case. However, first the matter must go to trial, then judgment must be rendered against it, then it must choose to appeal, and – after all that – then the Court of Appeal must affirm the decision rendered below. That time has not arrived. One cannot determine yet whether Petitioner has been, or will be harmed by the decision in question. For many of the sound reasons underlying the ripeness doctrine,

certiorari should be denied. *See, e.g., Coffin v. Malvern Fed. Sav. Bank*, 90 F.3d 851, 854 (3rd Cir. 1996).

Petitioners are thus put back into the position which existed prior to the flawed summary judgment. They still face trial on the merits. In removal actions, orders granting motions to remand to state court are interlocutory and not appealable. *See 16 Moore's Federal Practice* §107, App. 113[2][a] (citing *Railroad Co. v. Wiswall*, 90 U.S. 507 (1874)). Since the *en banc* decision remanded for further proceedings, it too is interlocutory in nature and should not yet be subjected to review.

3. The Case Is Uniquely Unsuited For Review On Issues Of Fact-Finding.

Whatever the merits of the issue of deference to the District Court's "fact-finding" role in ordinary claims construction hearings, claims construction in this case did not follow the usual course. If anything, this record presents a unique case *in favor* of permitting *de novo* appellate review because the appellate court had not only the entire record considered by the District Court but also in exactly the same written form. Unlike claims construction hearings where witnesses may testify and oral arguments may be made by counsel, the District Court saw or heard nothing in any manner different from that reviewed by the Court of Appeal. There was neither an opportunity nor need to make factual determinations based on witness demeanor or credibility. In fact, the record reflects no specific findings of fact under Rule 52.

The judge who presided over the claims construction hearing (Judge Nottingham) did not render a decision on claims construction. The decision was rendered by Judge

Marcia Krieger over two full years after the hearing was held. (*See* App. at 90.) Judge Krieger had been assigned to the case nearly a year and a half after the Markman hearing had been held. (*See* App. at 90.) In making her ruling, moreover, Judge Krieger not only acknowledged that she had not presided over the Markman hearing but explicitly recited the documents and record which were the sole basis for her making her ruling. As set forth at App. at 90, they are:

> 1. The parties' Joint Claim Construction Statement dated November 10, 19997 [sic];
>
> 2. The parties' opening briefs regarding claim construction;
>
> 3. The reporter's transcript of the Markman hearing conducted on October 3, 2000;
>
> 4. All briefs filed in support of and opposition to the parties' motions for summary judgment following the Markman hearing;
>
> 5. The exhibits admitted at the Markman hearing and submitted in support and opposition to the motions for summary judgment; and
>
> 6. The parties' supplemental briefs on claims construction filed, at the Court's request, on May 31, 2002.

Judge Krieger in fact determined that oral arguments were unnecessary in light of the state of the record.

Thus, the Court of Appeal had the *complete* record before it. There is no credible argument – in this case at least – that the Federal Circuit sitting *en banc* was in a less favorable position to review *de novo* briefs, exhibits and a transcript any less ably than the District Court.

This is not simply a matter of a successor judge entering judgment based on findings by a predecessor judge, as in *Mesa Petroleum Co. v. C. John Coniglio, et al.*, 787 F.2d 1484 (11th Cir. 1986); here no findings were made by the predecessor judge.

B. Even If This Case Presented The Issue Of Appellate *De Novo* Review Of Patent Claims Construction In A Suitable Posture, The Petition Should Be Denied.

Even if the procedural framework of this case lent itself well to the issue posed, certiorari should not be granted.

1. The Federal Circuit's Standard Of Claims Construction Review Reflect The Guidance Of The Supreme Court; It Does Not Conflict With Precedent.

Petitioners' request is intellectually dishonest because it fails to acknowledge the Supreme Court's current view on Markman rulings, or that it seeks a change in existing law. The sole reason stated in the Defendants' Petition for Certiorari is a claim that the *de novo* standard of review in claim construction on appeal is in violation of the rulings of the United States Supreme Court. This is a misstatement of law. The Supreme Court has suggested otherwise in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), which settled the issue that claim interpretation is an issue of law.

That opinion first referred to English common law where construction of language in documents has always been an issue of law for the court. This precedent was

followed throughout the 19th century in the United States. The Supreme Court summarized their reasoning as follows:

> Since evidence of common law practice at the time of the framing does not entail application of the Seventh Amendment's jury guarantee to the construction of the claim document, this Court must look elsewhere to characterize this determination of meaning in order to allocate it as between judge or jury. Existing precedent, the relative interpretive skills of judges and juries, and statutory policy considerations all favor allocating construction issues to the court. As the former patent practitioner, Justice Curtis, explained, the first issue in a patent case, construing the patent, is a question of law, to be determined by the court. The second issue, whether infringement occurred, is a question of fact for a jury. *Winans v. Denmead*, 15 How. 330, 338 (1853). Contrary to Markman's contention, *Bischoff v. Wethered*, 9 Wall. 812 (1869), and *Tucker v. Spalding*, 13 Wall. 453 (1871), neither indicate that 19th-century juries resolved the meaning of patent terms of art nor undercut Justice Curtis's authority. Functional considerations also favor having judges define patent terms of art. A judge, from his training and discipline, is more likely to give proper interpretation to highly technical patents than a jury and is in a better position to ascertain whether an expert's proposed definition fully comports with the instrument as a whole. Finally, the need for uniformity in the treatment of a given patent favors allocation of construction issues to the court. 52 F.3d 967, affirmed.

Id. at 384.

Likening a patent to a contract between the inventor and the body politic, the Supreme Court used the construction of document terms (a traditional legal issue) as a model for patent claims.

A second ground for the decision was that as a functional matter, judges are more capable of making the decision as to the meaning of terms as a matter of training and temperament. The Court expressly overruled the argument that the jury could make the distinction with the aid of expert testimony. In addressing the argument that the Seventh Amendment required a jury trial, the Supreme Court in clear terms stated:

> The question here is whether the interpretation of a so-called patent claim, the portion of the patent document that defines the scope of the patentee's rights, 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. We hold that the construction of a patent, including terms of art within its claim, is exclusively within the province of the court.

Id. at 372.

The opinion did not directly address the issue of the standard on appellate review or the degree of deference to be given the trial court's decision. Implicitly, however, the Court has permitted a lack of deference. First of all it expressly ruled in *Markman* that the issue was one of law; no deference is required. Secondly if claims construction did not involve "fact finding" for purposes of the Seventh Amendment jury trial rights, it could not logically involve

"fact finding" by a judge. Moreover, in the original appellate case from which Certiorari was granted, *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995), the Federal Circuit expressly stated the appellate review was to be *de novo*. Not having commented on that, the Supreme Court apparently took as a given that legal determinations are done *de novo*. Implicit approval is also found at the end of the *Markman* opinion where the Supreme Court stated:

> Making them jury issues would not, to be sure, necessarily leave evidentiary questions of meaning wide open in every new court in which a patent might be litigated, for principles of issue preclusion would ordinarily foster uniformity. Cf. *Blonder-Tongue Laboratories, Inc. v. University of Ill. Foundation*, 402 U.S. 313 (1971). But whereas issue preclusion could not be asserted against new and independent infringement defendants even within a given jurisdiction, treating interpretive issues as purely legal will promote (though it will not guarantee) intrajurisdictional certainty through the application of stare decisis on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court. Accordingly, we hold that the interpretation of the word "inventory" in this case is an issue for the judge, not the jury, and affirm the decision of the Court of Appeals for the Federal Circuit. It is so ordered.

Id. at 391.

It certainly follows that interjurisdictional uniformity would not result if the Federal Circuit (a court of special competence in patent matters) were forced to defer to the

judgments of lower courts which generally lack such expertise.

No cases were found where the Supreme Court has addressed the issue of deference accorded to lower court's claim construction on appeal. The issue of deference given to legal determinations on appeal is however addressed in nearly every appeal. As was stated in *Elder v. Holloway*, 510 U.S. 510, 516, "That question of law, like the generality of such questions, must be resolved *de novo* on appeal. *See, e.g., Pierce v. Underwood*, 487 U.S. 552 (1988)." An example in the intellectual property field of *de novo* review on issues of law is *Cooper Industries, Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424 (2001).

The Court of Appeals for the Federal Circuit confirmed this reasoning in *Cybor Corp. v. FAS Technologies Inc.*, 138 F.3d 1448, 1451 (Fed. Cir. 1998) (*en banc*), stating:

> In so doing, we conclude that the Supreme Court's unanimous affirmance in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (Markman II), of our *in banc* judgment in that case fully supports our conclusion that claim construction, as a purely legal issue, is subject to *de novo* review on appeal. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*in banc*) (Markman I).

The Supreme Court has not reversed *Markman* or *Cybor* in ten (10) years and they are cited in virtually every Federal Circuit appellate case as precedent for setting the standard for review in claim construction. They are cited to show the standard of review on appeal in all briefs, including the initial briefs in *Phillips*. There is no conflict among circuits and there is no confusion about the applicable standards.

2. The Federal Circuit's Standard Of Claims Construction Review Does Not Conflict With Federal Rule 52(A) And This Court's Decisions On "Mixed Questions" Of Fact And Law.

The Court of Appeals for the Federal Circuit has clearly set forth the standards it uses in reviewing claims construction, summary judgments and related patent issues. This is perhaps most concisely stated in *Beckson Marine v. Nfm, Inc.*, 292 F.3d 718, 722-723 (Fed. Cir. 2002):

> This court decides for itself whether "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). This court also reviews without deference questions of claim construction. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998) (*en banc*). Infringement, however, is a question of fact, *Bai v. L&L Wings, Inc.*, 160 F.3d 1350 (Fed. Cir. 1998), that a court is not to resolve on summary judgment unless no genuine factual issue remains, *Bell Atl. Network Servs., Inc. v. Covad Communs. Group, Inc.*, 262 F.3d 1258, 1265 (Fed. Cir. 2001). Obviousness is a question of law, *Graham v. John Deere Co.*, 383 U.S. 1 (1966), premised on underlying factual determinations, *Dennison Mfg. v. Panduit Corp.*, 475 U.S. 809, 810-811 (1986). Anticipation is a question of fact. *Atlas Powder Co. v. Ireco, Inc.*, 190 F.3d 1342, 1346 (Fed. Cir. 1999). Therefore, the district court properly may grant summary judgment on obviousness or anticipation only

when the underlying factual inquiries present no lingering genuine issues.

Petitioners thus begin their argument with an invalid premise when they state that, "it cannot be disputed that the claims construction process involves factual findings." Reference to the decisions above shows that the claims construction has been determined by case law to be a purely legal determination.

The primary case from this Court used to explain Petitioners' position is *Anderson v. Bessemer City*, 470 U.S. 564 (1984). However, this case itself serves as an exception rather than the rule. *Anderson* involved a claim of employment discrimination under Title VII of the Civil Rights Act 42 U.S.C. § 2000e *et seq*. The district court conducted a two-day hearing including testimony of a variety of witnesses and issued formal findings of fact and conclusions of law. *See* lower court decision at 557 F.Supp. 412, 413-419 (1983). The findings of fact included such matters as the state of mind of the witnesses, qualifications of job applicants, relevance of experiences of applicants, questions asked during interview, and biases of individuals. The district court then rendered judgment for Plaintiff. Defendant appealed and the Fourth Circuit Court of Appeals then reversed after conducting what amounted to a *de novo* review based solely on the record. This Court then accepted certiorari and reversed the Fourth Circuit on the basis that the district court was better able to assess the factual matters in that case and its findings should be followed unless clearly erroneous under F.R.C.P. 52(a). In subsequent cases *Anderson's* applicability has been largely limited to civil rights matters. *See Easley v. Cromartie*, 532 U.S. 234, *St. Mary's Honor Ctr. v. Hicks*, 509 U.S. 502 (1993), *Ornelas v. United States*, 517

U.S. 690 (1996), and *Thompson v. Keohane*, 516 U.S. 99 (1995). Although the Court continues to stress that *de novo* review is inappropriate in cases where a basic personal right is involved, claims construction cases do not fit within the principle cited by Petitioners, nor do other cases falling outside the civil rights area.

In fact, in another case cited by Petitioners, *Ornelas v. United States*, 517 U.S. 690, 699 (1996), determinations of reasonable suspicion and probable cause were held reviewable *de novo* on appeal, and the *Anderson* case was cited in the dissent. *Id.* at 703. This Court held then – as it would in the case at bar – that issues of "historical fact" are far different from matters of law, reviewable *de novo* by appellate courts.

Petitioners also cite *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986), a case dealing with the obviousness defense in patent law. There the Court noted that prior precedent recognized numerous subsidiary factual elements, such as long-felt need, which could be part of the defense. In contrast, in the case at bar long-standing precedent exists from the Federal Circuit and the Supreme Court (*Markman*) that claims construction is entirely a matter of law. Even then, in *Dennison* the Court refused to apply a "clearly erroneous" standard under Rule 52(a) to reversal of explicit findings made by the District Court. It was not apparent that fact findings had anything to do with the Federal Circuit's ruling that the District Court had failed to apply prior art and cited reference principles correctly.

Petitioners cite *Salve Regina College v. Russell*, 499 U.S. 225, 233 (1991) and *First Options of Chicago, Inc. v. Kaplan*, 514 U.S. 938, 948 (1995) for the proposition that

"Sometimes, functional considerations of the institutional strengths of trial and appellate courts leads the Court to apply deferential review even to the ultimate issues." However, here functional considerations favor *de novo* review. The Court of Appeals for the Federal Circuit is a specialty court created for the express purpose of reviewing exactly this type of decision, because as this Court said in *Markman*, "treating interpretive issues as purely legal will promote (though it will not guarantee) intrajurisdictional certainty . . . under the authority of a single appeals court." *Markman v. Westview Instruments, Inc., supra*, 517 U.S. at 391.

Petitioners' discussion of regional circuit courts deferring to administrative agencies where *de novo* review might otherwise be applied are all beside the point. Those courts have decided to defer to such agencies due to lack of expertise on the subject, in contrast to the Court of Appeals for the Federal Circuit which has this expertise.

3. Claims Construction Is And Should Remain Purely An Issue Of Law.

While Petitioners have not contended that they are trying to change the law, it is apparent they are doing exactly that. There is no reason to do so. Keeping claim interpretation a legal issue is preferable on functional considerations. As the Supreme Court said in *Miller v. Fenton*, 474 U.S. 104, 114 (1985), when an issue "falls somewhere between a pristine legal standard and a simple historical fact, the fact/law distinction at times has turned on a determination that, as a matter of the sound administration of justice, one judicial actor is better positioned than another to decide the issue in question."