

# **Interlocutory Appeals of Claim Construction in the Patent Reform Act of 2009**

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## I. Introduction

The Patent Reform Act of 2009 includes a provision allowing interlocutory appeals of claim construction orders.<sup>1</sup> As drafted, the provision gives the authority for approval of such an appeal to the district courts, without giving the Federal Circuit discretion to decline the appeal.<sup>2</sup> This approach is misguided. Failure to give the court of appeals a voice in the interlocutory appeals process flouts cautions inherent in the final judgment rule since its enactment in 1789, ignores the different institutional concerns of district and appellate courts, and will create problems of piecemeal appeals, undue delay, and crowded dockets that will impair the effectiveness of the Federal Circuit and contravene the purpose for enacting the provision in the first place.

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<sup>1</sup> See S. 515 sec. 8(b).

<sup>2</sup> *Id.* (amending 28 U.S.C. § 1292(c)(2) by giving the Federal Circuit exclusive jurisdiction):

(3) of an appeal from an interlocutory order or decree determining construction of claims in a civil action for patent infringement under section 271 of title 35. Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree. The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during the pendency of such appeal.

In addition, the perceived problem of excess reversals of claim construction rulings that has motivated the current provision is a function, if anything, of the *de novo* review standard applicable to claim construction, not the final judgment rule.<sup>3</sup> Thus the proposed solution does not address the true issue in any event – it masks it.

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<sup>3</sup> *See, e.g.*, 6/6/2007 Testimony of Mary E. Doyle before the Senate Committee on the Judiciary regarding “Patent Reform: The Future of American Innovation” at 9-10 (arguing that interlocutory appeal is needed because “claim construction rulings are so frequently reversed by the Federal Circuit”).

## II. Interlocutory Appeal Provisions Must Be Carefully Assessed

The bedrock foundation of appellate practice is the final judgment rule.<sup>4</sup> Enacted in the first judiciary act of 1789, the rule provides for appeals from “final judgments or decrees” only.<sup>5</sup> The object of the rule is to “prevent the protraction of litigation to an indefinite period by reiterated applications for an exercise of the revisionary powers of the appellate tribunal.”<sup>6</sup> Justice Story explained the “great importance” of this rule:

“It is of great importance to the due administration of justice, and is in the furtherance of the manifest intention of the legislature, in giving appellate jurisdiction to this court upon final judgments only, that causes should not come up here in fragments, upon successive appeals. It would occasion very great delays, and oppressive expenses.”<sup>7</sup>

The final judgment rule has been respected as the foundation of appellate practice since the founding of this country.

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<sup>4</sup> “Interlocutory Appeals in the Federal Courts Under 28 U.S.C. § 1292(b),” 88 Harv. L. Rev. 607, 608 (1974).

<sup>5</sup> Carleton M. Crick, “The Final Judgment Rule As A Basis For Appeal,” 41 Yale L.J. 539, 549 (1932) (quoting 1 STAT. 72 (1789)).

<sup>6</sup> *Waverly Mut. & Permanent Land, Loan & Bldg. Ass’n v. Buck*, 64 Md. 228, 342 (1885).

<sup>7</sup> *Id.* at 551 (quoting Canter, *Admx. v. Amer. Ins. Co.*, 3 Peters 307, 318 (U.S. 1830)).

Interlocutory appeals are a limited exception to the final judgment rule.<sup>8</sup> For that reason, they must be carefully assessed, with particular attention paid to the judicial efficiency concerns recognized by Justice Story, the Supreme Court, and the Founders in 1789. In this case, there is yet another reason to be careful. Interlocutory appeals have traditionally been limited almost exclusively to situations where lack of review will cause irreparable harm.<sup>9</sup> For example, a recent statute allows interlocutory appeals of district court decisions to declassify information, where the absence of such information would encumber the trial court proceedings.<sup>10</sup>

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<sup>8</sup> *See, e.g.*, Charles Allan Wright, *The Interlocutory Appeals Act of 1958*, 23 F.R.D. 199 (1959). Professor Wright, one of the foremost experts in civil procedure, writes that:

“The historic policy of the federal courts has been that appeal will lie only from a final decision. In general this policy has been demonstrated to be sound. Interlocutory appeals add to the delay of litigation. This delay can be justified only if its is outweighed by the advantage of settling prior to final decision an important issue in the case. In most cases such advantage is not present: the interlocutory issue which seemed crucial at the time may fade into insignificance as the case progresses . . . For these interlocutory review has long been available in federal court in certain limited situations.”

<sup>9</sup> Wright, Miller & Cooper, *Federal Practice and Procedure Jurisdiction 2d* § 3920 at 8 (stating interlocutory review has traditionally been limited to situations where lack of review “may have consequences that cannot effectively be cured by formal reversal” later).

<sup>10</sup> *See* Wright, Miller & Cooper, *Federal Practice and Procedure Jurisdiction 2d* § 3920 at 7 n.8.5 (referring to, for example, 18 U.S.C.A. § 2339B).

The interlocutory appeal of claim construction orders falls outside that class. Thus, not only does the current provision swim against the foundation of appellate practice, but it goes against Congress's rationale for the limited exceptions to that practice that exist.

Congress heeded those concerns when enacting the current discretionary interlocutory appeals provision, 28 U.S.C. § 1292(b). Congress enacted that provision after "considerable study" by committees of the Judicial Conference of the United States.<sup>11</sup> Congress recognized that, while in limited instances interlocutory appeals may be desirable, "the indiscriminate use of such authority may result in delay rather than expedition of cases in the district courts."<sup>12</sup> As a safeguard, Congress included the courts of appeals in the interlocutory appeals process. To ensure the appropriate checks and balances, Congress gave both district and appellate courts discretion to accept an interlocutory appeal under 1292(b).<sup>13</sup>

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<sup>11</sup> S.Rep. 85-2434, 1958 U.S.C.C.A.N. 5255.

<sup>12</sup> *Id.*

<sup>13</sup> *See* 28 U.S.C. § 1292(b).

### **III. The Federal Circuit’s Role in the Interlocutory Appeal Process For Claim Construction Should Not Be Eliminated**

District and appellate courts have different institutional concerns. Indeed, “there exists what might be termed a conflict of interest between the trial and appellate courts.”<sup>14</sup> It is to the advantage of the trial court in managing its limited resources to have a question determined at once by the appellate court, which might render a trial unnecessary. “On the other hand, the appellate court will prefer not to pass upon the question until the trial is had and judgment rendered, thus obviating the possibility of more than one appeal.”<sup>15</sup> Both courts have institutional pressure to reduce their own workload by requiring a final decision from the other court.

These different institutional concerns make giving both courts discretion to accept an interlocutory appeal essential for an efficient judicial system. Accordingly, “the rules of appeal should be a compromise between the needs of each.”<sup>16</sup> Congress recognized this fact in enacting 28 U.S.C. § 1292(b) in 1958. Congress made clear that the court of appeals could deny an application for appeal based on institutional concerns that the district court might not recognize. For

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<sup>14</sup> Crick, *The Final Judgment Rule*, *supra* note 8 at 561.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

example, the question involved might not be controlling issue, or the docket of the court of appeals might be such that the appeal could not be entertained for too long a period of time.<sup>17</sup> Distinguished commentators have likewise recognized that the court of appeals is in a better position to weigh the precedential effect of a case, the adequacy of the record for appeal, and the docket of the appellate court.<sup>18</sup> Leaving the court of appeals out of the process will systematically inflate the number of appeals based on institutional pressure in the district courts. It will unfortunately cause the “very great delays, and oppressive expenses” that Justice Story warned about over 150 years ago.

These concerns are not hypothetical. The Federal Circuit has, in its more than twenty-five years of experience, witnessed many ill-founded claim construction appeals. For instance, the court has remanded appeals based on incomplete records that the district courts nonetheless felt were adequate.<sup>19</sup> These problems of inadequate records arose despite the fact

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<sup>17</sup> *Id.*

<sup>18</sup> Interlocutory Appeals, *supra* note 7 at 624; Wright, Miller & Cooper, Federal Practice and Procedure Jurisdiction 2d § 3939 at 382-83; Crick, The Final Judgment Rule, *supra* note 8 at 561.

<sup>19</sup> See *Jang v. Boston Scientific Corp.*, 532 F.3d 1330, 1337 (Fed. Cir. 2008) (vacating and remanding judgment to the district court for clarification, because the record failed to include “vital contextual knowledge of the accused products or processes”) (“The problems with such an appeal, even within this court’s jurisdiction, have been noted in

that the district court had entered a final judgment. In the interlocutory appeal context, the problems are magnified.<sup>20</sup> The problems may even raise thorny jurisdictional issues. As the Federal Circuit has noted, an appeal based on an inadequate record “takes on the attributes of something akin to an advisory opinion on the scope of the [asserted] patent.”<sup>21</sup> The current bill may occasion a full-blown litigation of these issues, forcing the Federal Circuit to consume time and money not advancing the efficiency goals the bill is meant to promote. Worse yet, the court might find itself at times reversing its own interlocutory claim construction order after further development of the facts at trial, resulting in at least two appeals and three proceedings in the district court for the same case. Litigants unhappy with a particular construction will also appeal claim terms not essential to the ultimate resolution of the case.<sup>22</sup> Such appeals

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many of the court’s prior cases.”) (quoting *Lava Trading, Inc. v. Sonic Trading Management, LLC*, 445 F.3d 1348, 1350 (Fed. Cir. 2006)).

<sup>20</sup> Wright, Miller & Cooper, *Federal Practice and Procedure Jurisdiction* 2d § 3939 at 382-83 (“[A]n underdeveloped record may lead to ill-informed decision of an important question.”).

<sup>21</sup> *Id.*

<sup>22</sup> June 13, 2007 Letter To Hon. Patrick Leahy and Hon. Arlen Specter From Hon. Chief Judge Paul Michel at 2 (citing a study by Professor Jay Kesan, of the University of Illinois Law School).

will consume the time of the litigants and the appeals court without any ultimate benefit.

Leaving the Federal Circuit out of the interlocutory appeals application process may have pernicious effects beyond delay and expense for litigants. As commentators have noted, the district courts are not best situated to recognize the pressures on the appellate court's docket or the significant legal issues the appellate court should focus on. These concerns are intertwined. Requiring the Federal Circuit to hear a large number of interlocutory appeals of claim construction orders—which by and large do not raise significant questions of law—may impair the court's ability to focus its attention on questions with broader significance. The time for the disposition of appeals will increase. Such delay is not only “intolerable from the standpoint of corporate litigants,” but may impair the Federal Circuit's ability to focus its resources on controlling legal issues of great significance.<sup>23</sup>

#### **IV. The Federal Circuit, Not The New Provision, Can Solve The Actual Issue**

The fundamental issue underlying any excess reversal rate is the Federal Circuit's *de novo* standard of review for claim construction orders

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<sup>23</sup> *Id.*

– not the lack of frequent claim construction appeals in the middle of district court proceedings.

Unfortunately, the proposed solution in the Bill (regular interlocutory appeals) is a poor match with the actual problem (*de novo* review). Indeed, the interlocutory appeal proposal is counterproductive in this regard. It would mask the true issue with a false solution and, ironically, accelerate the frequency of *de novo* reviews of claim construction orders by encouraging mid-case reviews of claim construction issues. The right solution to the perceived problem of excess reversal rates lies in the reconsideration of the Federal Circuit’s *en banc Cybor* decision, which established the *de novo* review standard.<sup>24</sup> A solid majority of the Federal Circuit are on record supporting the reconsideration of the *de novo* standard of review.<sup>25</sup> Given the inevitable

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<sup>24</sup> *Cybor Corp. v. FAS Technologies., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*); see *Amgen v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039 (Fed. Cir. 2006) (denial of the petition for rehearing *en banc*);

<sup>25</sup> Five judges are on record supporting reconsideration of the *de novo* standard of review for claim construction, while another three have indicated willingness to reconsider the standard “in an appropriate case.” Thus, eight out of twelve active Federal Circuit judges are willing to reconsider the *de novo* standard of review. See *Amgen*, 469 F.3d at 1040-41 (Michel, C.J., joined by Rader, J., dissenting from the denial of the petition for rehearing *en banc*); *id.* at 1041-43 (Newman, J., dissenting from the denial of the petition for rehearing *en banc*); *id.* at 1044-45 (Rader, J., dissenting from the denial of the petition for rehearing *en banc*); *id.* at (Gajarsa, Linn, Dyk, JJ. indicating willingness “in an

reconsideration of *Cybor*, the proposed tampering with the basics of our appellate process is hasty, unnecessary and unwise.

## V. Conclusion

The Patent Reform Act of 2009 represents a concerted effort to improve patent law. The efforts of the sponsoring legislators and their staffs are to be commended. However, as drafted, the interlocutory appeals provision is short-sighted. It unwisely deprives the Federal Circuit of its role in the interlocutory appeal process. It proposes a false solution to the wrong issue. Most profoundly, it fails to respect concerns seen as essential by the Founders in 1789, the Supreme Court, Congress, distinguished commentators, and the Federal Circuit itself.

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appropriate case” to reconsider the *Cybor* decision.”); *id.* at 1045-46 (Moore, J., dissenting from the denial of the petition for rehearing *en banc*); *Philips v. AWH Corp.*, 415 F.3d 1303, 1330 (Mayer, J., joined by Newman, J., dissenting, “Now more than ever I am convinced of the futility, indeed the absurdity, of this court’s persistence in adhering to the falsehood that claim construction is a matter of law devoid of any factual component.”).