En Banc Federal Circuit Again Declines to Apply "Clearly Erroneous" Deference to Factual Findings in Patent Claim Construction Rulings

by David R. Todd

On February 21, 2014, the Federal Circuit issued its long-awaited decision in *Lighting Ballast Control LLC v. Philips Electronics North America Corp*. Sitting *en banc*, the Federal Circuit voted 6-4 to continue to adhere to its controversial precedent in *Cybor Corp. v. FAS Technologies, Inc.*[1] *Cybor* held that patent claim construction is "a purely legal question" and that the Federal Circuit would therefore "review claim construction *de novo* on appeal including any allegedly fact-based questions related to claim construction."[2] Claim construction is the process of determining what a person of ordinary skill in the art would understand to be the meaning employed by the patent applicant for a particular term in the claims of a patent. The focus is on "how the patentee used the claim term."[3] The law assumes that the patentee used the ordinary meaning in the relevant art unless the patent or its prosecution history show otherwise.[4] Thus, "[t]he inquiry into how a person of ordinary skill in the art understands a claim term provides an objective baseline from which to begin claim interpretation."[5]

Cybor was decided on the heels of the Supreme Court's decision in *Markman v. Westview Instruments, Inc.*,[6] in which the Supreme Court held that patent claim construction was a task properly allocated to judges rather than juries and that doing so did not run afoul of the Seventh Amendment. In *Markman*, the Supreme Court did not expressly address what level of deference should be applied to a trial court's claim construction determinations on appeal, but some subsequent Federal Circuit panels relied on language in the Supreme Court's decision to conclude that claim construction could involve subsidiary questions of fact subject to "clearly erroneous" review under Federal Rule of Civil Procedure 52.[7] Whereas legal determinations are reviewed on appeal *de novo* (without any deference), Rule 52 requires a different standard of review for factual determinations: "Findings of fact, whether based on oral or other evidence, must not be set aside unless clearly erroneous…." In spite of Rule 52, *Cybor*overruled those panel decisions and held that all aspects of a trial court's claim construction decision (including "any allegedly fact-based questions") would be subject to *de novo* review.

Although the Supreme Court in *Markman* did not expressly address the standard of review for

claim construction decisions on appeal, it used language that may be seen to support both the approach adopted in *Cybor* and the panel decisions that it overruled. On one hand, the Supreme Court recognized that claim construction required "evidentiary underpinnings" and characterized it as a "mongrel practice,"[8] falling "somewhere between a pristine legal standard and a simple historical fact."[9] On the other hand, the Supreme Court began by framing the issue before it as "whether the interpretation of a so-called patent claim…is a matter of law,"[10] analyzed the issue by quoting with approval a treatise explaining that a court interpreting patent claims acts "as an arbiter of the law,"[11] and concluded by observing that the advantage of "interjurisdictional uniformity" would be achieved by "*treating* interpretive issues *as purely legal*."[12] *Cybor* opted to "treat" all claim construction questions as "purely legal" over strong dissenting opinions from Judges Newman, Mayer, and Rader.[13]

Over the years, litigants and *amici* have asked the Federal Circuit to overrule *Cybor*, and several Federal Circuit judges have expressed the view that *Cybor* should be revisited and overruled. In 2005, the Federal Circuit granted rehearing *en banc* in *Phillips v. AWH Corp*. to address how to properly perform claim construction. The order granting rehearing also asked the parties and *amici* to address whether the court should "afford any deference to any aspect of trial court claim construction rulings."[14] However, in resolving the case, the *Phillips* majority "decided not to address that issue at [that] time"[15] in spite of a dissent on that point by Judge Mayer, joined by Judge Newman.[16] In 2006 and then again in 2011, the court denied petitions for rehearing *en banc* on the issue in *Amgen Inc. v. Hoechst Marion Roussell, Inc*.[17] and in *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*[18] In *Amgen*, the denial of the petition evoked multiple dissenting opinions (from Chief Judge Michel and Judges Newman, Rader, and Moore), urging the court to defer to factual components of claim construction rulings.[19] Judges Gajarsa, Linn, and Dyk concurred in the denial, but explained that "[i]n an appropriate case we would be willing to reconsider limited aspects of the *Cybor* decision."[20] In *Retractable Technologies*, the denial of the petition resulted in dissents from Judges Rader, Moore, and O'Malley, all arguing that *Cybor* should be overruled.[21]

The claim construction issue in the *Lighting Ballast* case is more complex than the typical claim construction issue. The claim requires "voltage source means providing a constant or variable magnitude DC voltage between…DC input terminals."[22] Under Federal Circuit law, use of the term "means" invokes a presumption that the claim element is a means-plus-function element subject to 35 U.S.C. § 112(f), formerly known as 35 U.S.C. § 112, paragraph 6.[23] That presumption may be rebutted, however, if the claim itself recites sufficient structure for performing the recited function.[24] That inquiry, in turn, depends on whether the term "voltage source" "is used in common parlance or by persons of skill in the pertinent art to designate structure."[25] The law explains that a term can be structural "even if the term covers a broad class of structures."[26] The question in *Lighting Ballast*, therefore, not only concerned the meaning of the term "voltage source" in the context of this particular patent, but also a logically antecedent question of whether the term "voltage source" is a term for structure in this particular art. The accused infringer argued that the term was not a term for structure, that the claim element was subject to 35 U.S.C. § 112(f), that no structure was disclosed in the specification for performing the recited function, and therefore the claim was invalid for indefiniteness.[27] Relying on expert testimony, the district court found that the term would be "understood by persons of skill in the lighting ballast design art to connote a class of structures, namely a rectifier, or structure to rectify the AC power line into a DC voltage for the DC input terminals"[28] and therefore the claim element was not subject to 35 U.S.C. § 112(f). The district court then instructed the jury that the term referred to "a rectifier."[29] The jury found infringement, and the district court entered judgment in favor of the patentee.[30]

On appeal, the Federal Circuit panel assigned to this case, applying *Cybor*, concluded that the expert testimony relied upon by the district court was insufficient to establish that the term "voltage source" was "used synonymously with a defined class of structures at the time the invention was made."[31] The panel therefore concluded that the term was not a structural term, that the claim element was subject to 35 U.S.C. § 112(f), that no structure was disclosed in the specification for performing the recited function, and therefore the claim was invalid for indefiniteness.[32] The patent owner petitioned for rehearing *en banc*, arguing

that *Cybor* should be overruled and that under the appropriate standard of review, the Federal Circuit should defer to the district court's finding that the term "voltage source" is a term for structure. The Federal Circuit granted the petition, asking the parties and *amici*to brief whether *Cybor* should be overruled and, if so, which aspects of a district court's claim construction should be accorded deference.[33]

In its briefing, the patent owner argued that the ultimate claim construction question is a question of fact and is therefore subject to the "clearly erroneous" standard of review required by Federal Rule of Civil Procedure 52.[34] The defendant and several *amici*, including the United States, argued that the ultimate claim construction question is a question of law to be reviewed *de novo* but that it is subject to subsidiary factual findings to which the Federal Circuit should apply the "clearly erroneous" standard of review.[35] Other *amici* urged the court not to overrule*Cybor*, arguing that uncertainty in the claim construction process has arisen more from inconsistency in application of substantive claim construction law than from the lack of deference on appeal and expressing fears that greater deference to district courts would lead to even more inconsistency.[36] The *en banc* court held oral argument on September 13, 2013 and issued its decision on February 21, 2014. The *Lighting Ballast* majority declined to overrule *Cybor*.

The court's majority opinion was written by Judge Newman and was joined by five other judges, including Judge Moore. The fact that these two judges voted to continue to adhere to *Cybor* is surprising. Judge Newman dissented from the decision in *Cybor* and had since advocated overruling *Cybor* on at least two occasions.[37] Judge Moore had also advocated overruling *Cybor* on at least two occasions.[38] But the main rationale underlying the majority's decision in this case was that "the proponents of overruling *Cybor* have not met the demanding standards of the doctrine of *stare decisis*."[39] As Judge Newman explained for the court: "The question now before this en banc court is not the same question that was before the en banc court in 1998 when *Cybor* was decided. The question now is not whether to adopt a *de novo* standard of review of claim construction, but whether to change that standard adopted fifteen years ago and applied in many hundreds of decisions."[40]

The dissent was written by Judge O'Malley and joined by Chief Judge Rader and Judges Reyna and Wallach.[41] The dissenting judges would have concluded that "the ultimate question of claim meaning should remain subject to de novo review" but would have applied Rule 52 to defer to subsidiary findings of fact unless they are "clearly erroneous."[42] In this particular case, the disputed factual question was whether skilled artisans understood the term "voltage source" to be a structural term.[43] The dissent argued that a district court's resolution of this kind of question should only be reversed if "clearly erroneous" under Rule 52.[44] In the dissent's view, *Cybor*contravenes the clear language of Rule 52, and *stare decisis* did not mandate adherence to *Cybor*.[45]

The majority did not dispute that there are factual components to claim construction, but concluded that *stare decisis* required that *Cybor*'s *de novo* standard of review should continue to apply even to those determinations.[46] The majority analyzed whether *stare decisis* should govern by assessing (1) whether post-*Cybor* developments have "undermined its doctrinal underpinnings," (2) whether *Cybor* has proved "unworkable," and (3) whether there is "a considerable body of new experience" that augurs in favor of changing the law.[47] The majority quickly concluded that there have been no "post-*Cybor* developments, whether from the Supreme Court, from Congress, or from this court, that may have undermined the reasoning of *Cybor*."[48] The majority then concluded that "no proponent of change has shown that *de novo* review of claim construction is unworkable."[49] It asserted that although early studies had shown an extraordinarily high reversal rate on claim construction issues, more recent data showed that the reversal rate has become "'much closer to that of other patent-related issues.'"[50] Not only did the majority find that *Cybor* had not been proven to be unworkable, it appears that the majority was worried that the opposite would be true. It asserted that "no consensus has emerged as to how to adjust *Cybor* to resolve its perceived flaws" and therefore "reversing *Cybor* or modifying it…has a high potential to diminish workability and increase burdens."[51] The majority observed that "[d]espite probing questioning at the en banc hearing, and despite the extensive amicus curiae participation, there is no agreement on a preferable new mechanism of appellate review of claim construction," and asserted that not even the dissent had proposed "any

workable standard for distinguishing between legal and factual components of claim construction."[52] Rather, the majority perceived that adopting a "clearly erroneous" standard of review for subsidiary fact questions would be "sure to engender peripheral litigation"[53] about what constitutes a "fact."

It remains to be seen whether this case will make its way to the Supreme Court. In the *Retractable Technologies*case, the Supreme Court was interested enough in the standard-of-review issue to ask for the views of the Solicitor General.[54] But in that case, the Solicitor General urged the Court not to grant certiorari because "the district court's claim-construction ruling did not depend on the resolution of *any* questions of fact," and therefore the case was not an appropriate vehicle for addressing whether subsidiary fact questions in claim construction should be subject to "clearly erroneous" review.[55] In this case, the question of whether skilled artisans would consider "voltage source" to be a term for structure may present the subsidiary fact issue that was not present in *Retractable Technologies*.

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[1] 138 F.3d 1448 (Fed. Cir. 1998) (en banc).

[2] *Id*. at 1456.

[3] *Phillips v. AWH Corp*., 415 F.3d 1303, 1321 (Fed. Cir. 2005) (en banc).

[4] *Id*. at 1312-13.

[5] *Id*. at 1313.

[6] 517 U.S. 370 (1996).

[7] *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1555-56 (Fed. Cir. 1997); *Wiener v. NEC Electronics, Inc.*, 102 F.3d 534, 539 (Fed. Cir. 1996); *Metaullics Sys. Co. v. Cooper*, 100 F.3d 938, 939 (Fed. Cir. 1996); *see also Serrano v. Telular Corp.*, 111 F.3d 1578, 1586 (Fed. Cir. 1997) (Mayer, J., concurring); *Fromson v. Anitec Printing Plates, Inc.*, 132 F.3d 1437, 1444 (Fed. Cir. 1997).

[8] *Id*. at 390, 378.

[9] *Id*. at 388.

[10] *Id*. at 372.

[11] *Id*. at 388.

[12] *Id*. at 391 (emphasis added).

[13] 138 F.3d at 1463 (Mayer, J., dissenting); *id*. at 1473 (Rader, J., dissenting from pronouncements on claim interpretation); *id*. at 1478 (Newman, J., dissenting).

[14] 376 F.3d 1382, 1383 (Fed. Cir. 2004).

[15] 415 F.3d 1303, 1328 (Fed. Cir. 2005) (en banc).

[16] *Id*. at 1330 (Mayer, J., dissenting) (joined by Newman, J.)

[17] 469 F.3d 1039 (Fed. Cir. 2006).

[18] 659 F.3d 1369 (Fed. Cir. 2011).

[19] 469 F.3d at 1040 (Michel, C.J., dissenting); *id*. at 1041 (Newman, J., dissenting); *id*. at 1044 (Rader, J., dissenting); *id*. at 1045 (Moore, J., dissenting).

[20] 469 F.3d at 1045 (Gajarsa, Linn, & Dyk, JJ., concurring).

[21] 659 F.3d at 1370 (Moore, J., dissenting) (joined by Rader, J.); *id*. at 1373 (O’Malley, J., dissenting);

[22] U.S. Patent No. 5,436,529, claim 1.

[23] *York Products, Inc. v. Central Tractor*, 99 F.3d 1568, 1574 (Fed. Cir. 1996).

[24] *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531 (Fed. Cir. 1996).

[25] *Lighting World, Inc. v. Birchwood Lighting, Inc.*, 382 F.3d 1354, 1359 (Fed. Cir. 2004).

[26] *Id.* at 1359-60.

[27] Amended Memorandum and Order, Dkt. No. 107, p. 17 (N.D. Tex. 7:09-CV-29, Dec. 2, 2010).

[28] *Id*. at 22.

[29] Agreed Charge, Dkt. No. 234, p. 7 (N.D. Tex. 7:09-CV-29, June 16, 2011).

[30] Jury Verdict, Dkt. No. 241 (N.D. Tex. 7:09-CV-29, June 17, 2011); Final Judgment, Dkt. No. 256 (N.D. Tex. 7:09-CV-29, August 26, 2011).

[31] 498 Fed.Appx. 986, 991 (Fed. Cir. 2013).

[32] *Id*. at 992.

[33] 500 Fed.Appx. 951 (Fed. Cir. 2013).

[34] Rehearing En Banc Response Brief of Plaintiff-Appellee, Dkt. No. 236, pp. 18, 24 (Fed.

Cir. Appeal No. 12-2014, June 24, 2013).

[35] Rehearing En Banc Brief of Defendant-Appellant, Dkt. No. 107, pp. 27-40 (Fed. Cir. Appeal No. 12-2014, May 20, 2014); Corrected Brief for the United States as Amicus Curiae on Rehearing En Banc in Support of Neither Party, Dkt. No. 224, pp. 13-22 (Fed. Cir. Appeal No. 12-2014, June 11, 2013).

[36] Brief of Google, Inc. et al., Dkt. No. 177, pp. 4-5, 24-26 (Fed. Cir. Appeal No. 12-2014, June 4, 2013); Brief of Cisco Systems, Inc. et al., Dkt. No. 178, pp. 5, 19-20 (Fed. Cir. Appeal No. 12-2014, June 4, 2013).

[37] *Cybor*, 138 F.3d at 1463 (Mayer, J., dissenting) (joined by Newman, J.); *id*. at 1478 (Newman, J., dissenting);*Phillips*, 415 F.3d at 1330 (Mayer, J., dissenting) (joined by Newman, J.); *Amgen*, 469 F.3d at 1041 (Newman, J., dissenting).

[38] *Amgen*, 469 F.3d at 1045 (Moore, J., dissenting); *Retractable Technologies*, 659 F.3d at 1370 (Moore, J., dissenting).

[39] En Banc Majority Opinion, Dkt. No. 291, p. 26 (Fed. Cir. Appeal No. 12-2014, Feb. 21, 2014).

[40] *Id*. at 16.

[41] Dissenting Opinion of Judge O’Malley, Dkt. No. 291 (Fed. Cir. Appeal No. 12-2014, Feb. 21, 2014).

[42] *Id*. at 42-43.

[43] *Id*. at 21.

[44] *Id*. at 21-22.

[45] *Id*. at 23-28.

[46] En Banc Majority Opinion, Dkt. No. 291, pp. 20-26, 36-37 (Fed. Cir. Appeal No. 12-2014, Feb. 21, 2014).

[47] *Id*. at 20.

[48] *Id*.

[49] *Id*. at 21.

[50] *Id*. at 34 (quoting Anderson & Menell, 108 Nw. U. L. Rev. (forthcoming)).

[51] *Id*. at 21.

[52] *Id*. at 31; *see also id*. at 21 ("[N]o one, including the dissent, proposes a workable replacement standard for*Cybor*, no workable delineation of what constitutes fact and what constitutes law.").

[53] *Id*. at 24; *see also id*. at 21 ("Disentangling arguably factual aspects…—and further disentangling factual aspects from the application of law to fact—is a task ripe for lengthy peripheral litigation.").

[54] 133 S.Ct. 72 (2012).

[55] Brief for the United States as Amicus Curiae, p. 22 (U.S. No. 11-1154, Nov. 28, 2012).