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Interlocutory Appeals of Claim Construction in the Patent Reform Act of 2009, Part II[1]

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I. Introduction

In an earlier article, we described the fundamental problems with the interlocutory appeal provision in the Patent Reform Act of 2009, including how it transgresses cautions inherent in the final judgment rule, masks the true problem of *de novo* review of claim constructions, and ignores the different institutional concerns of district and appellate courts.[3] We also described how the provision would create practical problems at the trial and appellate level.

We now supplement our article to address fixes which have been proposed by the Senate Judiciary Committee to the original interlocutory appeal provision.[4] We do so with the benefit of the Supreme Court's recent decision

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[3] *See* Edward Reines and Nathan Greenblatt, *Interlocutory Appeals of Claim Construction in the Patent Reform Act of 2009*, 2009 Patently-O Patent L.J. 1 (2009).

[4] *See* S. 515 sec. 8(b). As introduced in the Senate, the provision would amend 28 U.S.C. § 1292(c) by giving the Federal Circuit exclusive jurisdiction:

in *Mohawk Industries, Inc. v. Carpenter*.[5] *Mohawk* not only reinforces our earlier conclusions by admonishing "a healthy respect for the virtues of the final-judgment rule," but its emphasis on the rulemaking process of 28 U.S.C. § 2071 *et seq.* as "the preferred means for determining whether and when prejudgement orders should be immediately appealable" casts a helpful light on the attempted fixes in the bill incorporated in the version approved by the Senate Judiciary Committee. Indeed, *Mohawk* serves as a helpful reminder that Congress allocated responsibility for managing exceptions to the final judgment rule to the federal courts' rulemaking process because of the problems that had been experienced with the *ad hoc* expansion of exceptions to the final judgment rule. Specifically, because Congress concluded that prior attempts to evolve or otherwise expand exceptions to the final judgment rule were unsatisfactory, it delegated responsibility for that area of the law to the rule-making process of the federal courts. In this article, we conclude that the proposed fixes to the patent legislation are largely ineffectual and step into the same pitfalls that led Congress to adopt the rulemaking process in the first place.

In the final analysis, we conclude that Congress should scrap the proposed interlocutory appeals provision altogether and stick with the time-tested

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> (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.

This provision was modified by the Senate Judiciary Committee, and now provides for an interlocutory appeal:

> "[O]f a final order or decree of a district court determining construction of a patent claim in a civil action for patent infringement under section 271 of title 35, if the district court finds that there is a sufficient evidentiary record and an immediate appeal from the order (A) may materially advance the ultimate termination of the litigation, or (B) will likely control the outcome of the case, unless such certification is clearly erroneous."

[5] *Mohawk Industries, Inc. v. Carpenter*, 130 S.Ct. 599 (2009).

interlocutory appeals provision applicable to civil cases generally, set forth at 28 U.S.C Section 1292(b).

II. *Mohawk Industries* – Respecting the Final Judgment Rule and the Supreme Court Rulemaking Process

The *Mohawk* decision is significant for the respect it pays to the final judgment rule and to the Supreme Court rulemaking process as the "preferred" means to expand the availability of interlocutory appeals. Decided on December 8, 2009, *Mohawk* holds that disclosure orders adverse to the attorney-client privilege do not qualify for immediate appeal under the collateral order doctrine.[6]

The Court based the *Mohawk* decision on two grounds that are very relevant to the pending interlocutory appeal legislation. First, the Court reviewed the final judgment rule and reconfirmed that it is a fundamental principle that warrants full respect with only very limited exceptions. As the Court wrote, interlocutory appeals under the collateral order doctrine must "never be allowed to swallow the general rule that a party is entitled to a single appeal, to be deferred until final judgment has been entered."[7]

Second, the *Mohawk* decision relied upon the need to defer to the congressionally-sanctioned federal court rulemaking process as the "preferred means for determining whether and when prejudgment orders should be immediately appealable."[8] Both the majority and concurring opinions urge that the rulemaking process deserves "full respect."[9] According to the Court, the rulemaking process has "important virtues," including "draw[ing] on the collective experience of bench and bar" to facilitate measured, practical solutions to the issues raised by exceptions to the final judgment rule.[10] That teaching is perspicacious. As will be shown, the

[6] *See* 130 S.Ct. at 601, 604-09.

[7] *Id.* at 605.

[8] *Id.* at 609.

[9] *Id.* at 609-10 (quoting *Swint v. Chambers County Comm'n*, 514 U.S. 35, 48 (1995)).

[10] *Id.* at 609 (citing 28 U.S.C. § 2073).

proposed patent legislation draws on the very features of the *Cohen* doctrine that prompted the rulemaking amendments in the first place.

III. The Interlocutory Appeals Rulemaking Process

As *Mohawk* describes, Congress consigned expansion of interlocutory appeals to the Supreme Court rulemaking process through amendments to 28 U.S.C. § 2072(c) and 1292(e) in 1990 and 1992.[11] The process was specifically designed to bring order to an area of law that had become hopelessly complicated due to such procedural complexities as defining what constitutes a "final" decision under the collateral order doctrine. The amendments implemented recommendations by the Federal Courts Study Committee, which Congress had commissioned in 1988 to draft a comprehensive report on the problems facing federal courts.[12] Among the Committee's recommendations, later adopted as 28 U.S.C. § 2072(c) and 1292(e), were proposals to delegate to the Supreme Court authority to define what constitutes a final decision and to expand classes of decisions subject to interlocutory appeals.[13]

Behind the recommendations was the Committee's consensus that "[t]he state of the law on when a district court ruling is appealable because it is 'final' . . . strikes many observers as unsatisfactory in several respects."[14] Specifically, the Committee noted that defining what constitutes a "final" decision has "produced much purely procedural litigation and require[s]

[11] *See id.* at 609; *see also* Robert J. Martineau, *Defining Finality and Appealability by Court Rule: Right Problem, Wrong Solution*, 54 U. Pitt. L. Rev. 717, 718-26 (1992) (detailing history of Federal Courts Study Committee and enactment of 28 U.S.C. § 2072(c) and 1292(e)); 28 U.S.C. § 2072(c) ("Such rules may define when a ruling of a district court is final for the purposes of appeal under section 1291 of this title."); 28 U.S.C. § 1292(e) ("The Supreme Court may prescribe rules, in accordance with section 2072 of this title, to provide for an appeal of an interlocutory decision to the courts of appeals that is not otherwise provided for under subsection (a), (b), (c), or (d).").

[12] Martineau, *supra* note 9, at 722.

[13] *See Report of the Federal Courts Study Committee*, 22 Conn. L. Rev. 733, 834 (1990).

[14] *Id.*

repeated attention from the Supreme Court."[15] The Committee singled out the collateral order doctrine as being especially troublesome. The doctrinal landscape has been characterized as "hopelessly complicated," "legal gymnastics," "dazzling in its complexity," "unconscionable intricacy," "an unacceptable morass," "dizzying," "tortured," "a jurisprudence of unbelievable impenetrability, "helter-skelter," "a crazy quilt," "near-chaotic," and "a Serbonian bog."[16]

To create order out of this chaos, the Study Committee recommended that this area of law be delegated to the Supreme Court rulemaking committees.[17] The committees would bring their specialized focus and diverse experience to bear on the thorny problems of defining interloctory appellate jurisdiction. As the Supreme Court points out in *Mohawk*, the rulemaking process "draws on the collective experience of bench and bar, see 28 U.S.C. § 2073, and it facilitates the adoption of measured, practical solutions."[18] Notably, the rulemaking committees further require participation of both district and appellate judges.[19] As we pointed out previously, the proposed legislation does not respect the necessary balance in power between the district and appellate courts.

The rulemaking process has been used successfully to allow carefully confined expansion of interlocutory appeals. As an example, Federal Rule of Civil Procedure 23(f) was adopted in 1998 after extensive study through the

[15] *Id.*

[16] Adam N. Steinman, *Reinventing Appellate Jurisdiction*, 48 B.C. L. Rev. 1237, 1238-39 (2007).

[17] Federal Courts Study Committee Report, *supra* note 11, at 834.

[18] *Mohawk*, 130 S.Ct. at 609.

[19] *See* 28 U.S.C. § 2073(a)(2) ("The Judicial Conference may authorize the appointment of committees to assist the Conference by recommending rules to be prescribed under sections 2072 and 2075 of this title. Each such committee shall consist of members of the bench and the professional bar, and trial and appellate judges.").

rulemaking process over a period of six years.[20] The study included academic conferences, a two-year study of class actions in four large districts, consideration of hundreds of pages of written comments and testimony at public hearings, and publication of a four-volume, 3,000 page compendium of the committee's working papers.[21] The product of this study—Rule 23(f)—gives the appellate courts complete discretion to accept interlocutory appeals.[22]

The foregoing history shines a helpful light on the proposed patent legislation. As detailed below, the legislation draws on the very features of the *Cohen* doctrine that prompted Congress to reform this area in the first place, only after many years of waste and sustained criticism.

III. The Attempted Fixes To The Interlocutory Appeal Provision

Recognizing that it is unwise to allow district courts to approve unilaterally interlocutory appeals based on mid-case claim constructions, modifications were made to the patent reform bill by the Senate Judiciary Committee. The modifications attempted to place some constraint on a district court's interlocutory appeal determination. The original proposal would have removed the appellate court completely from that process.

The modifications place three qualifications on when interlocutory appeals can be designated by the district court. To be eligible, the district court would have to find that: (1) the claim construction order is "final," (2) it is based on a "sufficient evidentiary record" for appeal, and (3) interlocutory treatment of the order "(A) may materially advance the ultimate termination of the litigation, or (B) will likely control the outcome of the case." The Court of

[20] Steinman, *supra* note 14, at 1246; Summary of the Report of the Judicial Conference Committee on Rules of Practice and Procedure, Agenda F-18, at 16-20 (Sept. 1997) (recommending Rule 23(f) for approval and transmission).

[21] Summary Report, *supra* note 18, at 16-17.

[22] Rule 23(f) has been lauded in the academic literature as an example of good rulemaking, even though its application by appellate courts has been criticized by some as biased against certification. *See* Linda S. Mullenix, *Some Joy in Whoville: Rule 23(f), A Good Rulemaking*, 69 Tenn. L. Rev. 97 (2001); Charles Silver, *"We're Scared to Death": Class Certification and Blackmail*, 78 N.Y.U. L. Rev. 1357 (2003).

the Appeals would, however, only be allowed to refuse an appeal if it determines that the district court's findings were "clearly erroneous."

These modification represent an admirable effort to respond to problems with the original proposal. However, regardless of that good intent, these attempted fixes fail to ameliorate the practical problems documented in our original article and create new concerns.

A. "a final order . . . determining construction of a patent claim"

The requirement that a claim construction be labeled "final" before it can be designated by the district court for interlocutory appeal has some logic in the abstract. An interlocutory order that is subject to change is a poor candidate for appeal because, until it is conclusive, there is a risk that an interlocutory appeal would be a wasteful and unnecessary detour that sidetracks an entire case.

But a finality requirement for interlocutory claim construction orders is quixotic. This is because a district court judge cannot tell *a priori* whether she or he will receive new information or later recognize old information that will render a prior claim construction order worthy of revision. Indeed, if a judge anticipated receiving new information that would likely require change to a claim construction under consideration, the court would not normally issue the order before receiving such information. Put colloquially, this is a "you don't know, what you don't know" problem. Claim constructions typically evolve when the court learns of something of which it was unaware when it issued its ruling and which it did not even know it should learn when

it issued its order.[23] As a practical matter, unforeseen changes to claim construction orders are not rare.[24]

Compounding the intractable problem that a district judge cannot generally predict beforehand when an issued claim construction ruling will benefit from a modification, is that there is no existing body of law that distinguishes between a so-called "final" and "non-final" claim construction that can be used reliably as a resource. The concept of a "final" order in the collateral order doctrine provides the closest analog. Under that doctrine, orders are deemed non-final "so long as there is a plain prospect that the trial court itself may alter the challenged ruling."[25] But nearly all claim constructions satisfy those criteria because altered claim constructions are not rare and are legally permissible.[26] Simply stating that claim constructions must be "final" glosses over the doctrinal conflict with the so-called rolling claim construction phenomena and perpetuates the imprecision that the Federal

[23] *See Jang v. Boston Scientific Corp.*, 532 F.3d 1330, 1337 (Fed. Cir. 2008) ("Indeed, a better understanding of the context of the claim construction as a case proceeds through an infringement determination can appropriately lead a district court to change its initial claim construction."); *see also Utah Medical Products, Inc. v. Graphic Controls Corp.*, 350 F.3d 1376, 1382 (Fed. Cir. 2003) (approving district court clarification of its initial claim construction, because the "trial court had not intended to foreclose factual issues about equivalent structures" with its original construction.).

[24] *See, e.g.*, *Jack Guttman, Inc. v. KopyKake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002) ("District courts may engage in a rolling claim construction, in which the court revisits and alters its interpretation of the claim terms as its understanding of the technology evolves."); *Jang*, 532 F.3d at 1337; *see also* William F. Lee and Anita K. Krug, *Still Adjusting to Markman: A Prescription for the Timing of Claim Construction Hearings*, 13 Harv. J. L. & Tech. 55, 80-81 (1999); T.J. Chiang, *The Levels of Abstraction Problem in Patent Law*, George Mason U. Law and Economics Research Paper Series 09-33, at 30 n.154 (2009).

[25] Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction 2d § 3911.1.

[26] *See supra*, note 22; *see also Philips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (stating that claim constructions depend on evidence developed during discovery, including "extrinsic evidence concerning relevant scientific principles, the meaning of technical terms, and the state of the art."); *compare United States v. MacDonald*, 435 U.S. 850, 858-59 (1978) (holding that a "pretrial denial of a speedy trial claim can never be considered a complete, formal, and final" order, because the claim requires consideration of facts developed at trial).

Courts Study Committee singled out as leading to "much purely procedural litigation."

In short, the creation of the legal construct of an interlocutory, final claim construction may sound good in theory but it would be unworkable in practice.[27]

B. "there is a sufficient evidentiary record"

The requirement that a claim construction be based upon a "sufficient evidentiary record" also has some logic. However, in practical terms, this requirement suffers the same problem as the concept of "finality" for an interlocutory claim construction order. To wit, knowing whether an evidentiary record is sufficient requires the ability to predict what additional evidence might be helpful. Often the evidence that necessitates a change to existing claim construction order is not evidence that bears directly on the proper construction, but, rather, recognition of previously unknown context, such as the consequences of applying a particular claim construction on the issues in the case. Additional context can have the effect of unexpectedly opening the Court's eyes such that it would like to refine its construction.

C. "immediate appeal . . . may materially advance the ultimate termination of the litigation, [or] will likely control the outcome of the case"

A key requirement in the revised statute is that the interlocutory appeal of a claim construction "may materially advance the ultimate termination of the litigation, [or] will likely control the outcome of the case." This language does not appear to impose any meaningful limits on interlocutory appeals as drafted.

[27] The only definite, and beneficial, effect of this provision would be to prevent interlocutory appeals of avowedly tentative claim constructions entered as part of a preliminary injunction proceeding. *See Int'l Comm. Material, Inc. v. Ricoh Co., Ltd.*, 108 F.3d 316, 318 (Fed. Cir. 1997) (allowing trial judges to defer "final determination of the meaning of a patent claim when the court perceive[s] that there are substantial issues and questions pertaining to claim construction that need to be litigated.").

The "may materially advance" language is drawn from the current interlocutory appeals statute, 28 U.S.C. § 1292(b).[28] Under the settled interpretation of that language, an appeal need only "involve the possibility of avoiding trial proceedings, or at least curtailing and simplifying pretrial or trial" to qualify.[29] Because most claim construction proceedings involve disputed terms that may affect the outcome of the case,[30] claim construction orders will, in the broadest sense, ordinarily meet the "may materially advance" requirement. The language therefore would not appear to impose a meaningful constraint on interlocutory appeals of claim construction orders.

In addition, this requirement would spur wasteful satellite disputes as to whether a particular claim construction will materially advance the litigation at both the district court and appellate level. These disputes would require consideration of the merits and could implicate a broad spectrum of issues involving infringement, invalidity, and even potentially ownership and damages.[31] Given the many shapes and forms of patent cases, it would also involve consideration of case management issues such as the expected stages of the litigation, the scope of discovery and more.

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[28] 28 U.S.C. § 1292(b) ("When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order . . .") (emphasis added).

[29] Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction 2d § 3930.

[30] *See, e.g.*, *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341, 1350 (Fed. Cir. 2004) (stating that a district court is not "obliged to construe undisputed claim terms"), *reversed on other grounds*, 546 U.S. 394 (2006).

[31] *See* Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction 2d § 3930 ("Immediate appeal [under 28 U.S.C. § 1292(b)] may be found inappropriate if there is a good prospect that the certified question may be mooted by further proceedings . . ."); *e.g., Fresenius USA, Inc. v. Baxter Intern., Inc.*, 582 F.3d 1288 (Fed. Cir. 2009) (finding claim construction arguments moot based on infringement and invalidity determinations).

The alternative requirement that the claim construction "will likely control the outcome of the case" creates similar issues and may also prove fuzzy when applied in practice. The language again draws on 28 U.S.C. § 1292(b). Under a loose interpretation, it largely mirrors the "may materially advance" requirement.[32] Under a strict interpretation, however, it might require a cumbersome and premature evaluation of whether the claim construction issues would likely be mooted by other issues, or are themselves truly dispositive.[33]

D. "unless such certification is clearly erroneous."

The fourth and final limitation on interlocutory appeal under the new statute allows the Federal Circuit to remand cases if a district court's certification is "clearly erroneous." Giving the Federal Circuit some authority to reject ill-conceived interlocutory appeals is a step in the right direction, but it does not go far enough. Moreover, it creates the risk of serious delay as cases may ping-pong between courts. Also, it is almost certain to promote collateral disputes that would divert resources from simply resolving the case under the normal rules governing appeals that apply to civil litigation generally.

Finally, as we noted in our earlier article, limiting the Federal Circuit's role in approving interlocutory appeals will systematically inflate the number of appeals based on institutional pressure in the district courts. All busy courts have institutional pressure to reduce their own workload by requiring a final

[32] *Id.* (describing "the artificiality of attempting to identify a controlling question as an inquiry separate from the prediction whether appeal may materially advance the ultimate termination of the litigation," and stating that "[t]he requirement that an appeal may materially advance the ultimate termination of the litigation is closely tied to the requirement that the order involve a controlling question of law.").

[33] *See id.* ("Immediate appeal [under 28 U.S.C. § 1292(b)] may be found inappropriate if there is a good prospect that the certified question may be mooted by further proceedings . . ."); *see also Fresenius*, 582 F.3d 1288; *T.F.H. Publications, Inc. v. Hartz Mountain Corp.*, 67 Fed. Appx. 599, 604 (Fed. Cir. 2003) ("In light of our holdings, T.F.H's other claim construction arguments are moot, and we decline to address them."); *Hester Indus., Inc. v. Stein, Inc.*, 142 F.3d 1472, 1485 (Fed. Cir. 1998) ("However, the district court having held the asserted claims invalid on summary judgment, which we here affirm, there can be no question of liability and hence the claim construction issue is moot.").

decision from the other court.[34] However, given speedy trial requirements in criminal cases, published lists of motions pending longer than six months, the complexity of patent cases, and other factors, district courts will feel acute pressure to certify cases for interlocutory appeal.

Estimates by Chief Judge Michel of the Federal Circuit of the likely number of interlocutory appeals are disheartening. Citing a study by Professor Jay Kesan, Chief Judge Michel estimates a doubling of the Federal Circuit's overall patent caseload from 500 to 1000 cases per year and a doubling of time for appeal from 11 to 22 months.[35]

III. Conclusion

The four requirements Congress has proposed for interlocutory claim construction appeals signal a step in the right direction. However, the proposal remains problematic overall. Compensating for the proposed removal of the Federal Circuit from the interlocutory appeal process with procedural limitations will create wasteful satellite litigation criticized by the Supreme Court in *Mohawk* and by the congressionally-appointed committee that led to the rulemaking reforms.

[34] Carleton M. Crick, *The Final Judgment Rule as a Basis For Appeal*, 41 Yale L.J. 539, 561 (1932).

[35] 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).