

Footnote 17: Love, Hate, and *Markman*

Mark T. Banner



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FOOTNOTE 17: LOVE, HATE AND *MARKMAN*

Mark T. Banner
Banner & Witcoff, Ltd.
Chicago, IL

“My law clerk Sabrina Fève requests that I disclose that she now despises patent law. I cannot believe that anyone who displays such competence in a field of inquiry feels so vehemently. Her response must be less than forthcoming: the traditional line between love and hate lives on.”

Illinois Tool Works, Inc., v. Ion Systems, Inc., 250 F.Supp.2d 477, 505, fn. 17 (E.D. Pa. 2003) (Anita B. Brody, Judge).

What could make a law clerk so vigorous in her denunciation of patent law, and a Federal District Court Judge so moved by the sentiment, to include this footnote in an opinion? An analysis of the decision might give guidance.

The quotation comes at the end of a long *Markman* opinion. In nearly 30 pages, the District Court construed at least 19 disputed terms from two of the four patents in suit. All the patents involved systems that control the amount of static electricity in a room by supplying ions of the opposite polarity from the charges built up in the room. The footnote appears at the very end of the opinion, following a lengthy discussion of the sometimes conflicting and confusing legal principles that govern claim construction, the contentions of the parties, and the construction of the disputed terms.

As the footnote comes at the end of such a lengthy decision, one might be tempted to say the footnote followed the “ultimate” claim construction. However, it is far from “ultimate” in today’s legal climate. At best it is the penultimate claim construction. The prevailing wisdom is that reversals of District Court judgments on claim construction issues continue to run at a very high rate.

When *Markman* was new, a high reversal rate could be attributed to lower courts being unaccustomed to the procedures and idiosyncrasies associated with a new process. In the middle years, an explanation for the relatively high reversal rate could be that the appellate court and lower courts were fine-tuning the process. The Federal Circuit *en banc Markman* decision was nearly ten years ago, and the affirming Supreme Court decision was nearly nine years ago. The fine tuning should be done by now, yet the prevailing belief is that reversal rates on claim construction have remained high. To determine whether reversals on claim construction are continuing at a high rate, we studied and tabulated the written decisions of the Federal Circuit in appeals from district courts and the ITC from January of 2003 through August of 2004 to determine: (1) whether claim construction was at issue; and if so, (2) whether the claim construction was reversed in any way; and if so, (3) whether the reversal impacted the result. Our goal was to learn whether claim construction has remained an issue worthy of continued discussion. The analysis excluded the “Rule 36 affirmances” where the lower court was affirmed without opinion. What we learned is summarized in the table on the next page.²

1 Mr. Banner is a Senior Shareholder of Banner & Witcoff, Ltd., an Intellectual Property law firm. He practices in the firm’s Chicago office. This article is adapted from a column that appeared in Summer 2003 newsletter of the American Bar Association Section of Intellectual Property Law. “Keeping Current with the Chair,” IPL NEWSLETTER, Vol. 21, No. 4, (ABA, Summer 2003), located online at: http://www.abanet.org/intelprop/bulletin/summer_03.pdf

2 A copy of the table, as well as our analysis of the decisions whose claim construction holdings are summarized, is attached to this paper.

<p align="center">Summary of Federal Circuit Opinions from District Court and ITC Patent Cases 1/1/03 to 8/30/04</p>			
Non-precedential: 64 Cases (26%)	Claim construction at issue: 41 cases (64%)	Claim construction reversed: 18 cases (44%)	Result impacted: 15 cases (83%)
		Claim construction not reversed: 23 cases (56%)	Result not impacted: 3 cases (17%)
	Claim construction not at issue: 23 cases (36%)		
Precedential: 180 Cases (74%)	Claim construction at issue: 94 cases (52%)	Claim construction reversed: 56 cases (60%)	Result impacted: 48 cases (86%)
		Claim construction not reversed: 38 cases (40%)	Result not impacted: 8 cases (14%)
	Claim construction not at issue: 86 cases (48%)		

Of 244 total opinions (both non-precedential and precedential) in appeals from district court and ITC patent infringement cases, claim construction was at issue on appeal in 135 cases. Of those 135 cases, claim construction was reversed in 74 cases. However, not all of the reversals of claim construction impacted the result; in some cases, for example, the error was harmless. Of the 74 cases in which claim construction was reversed, the result was changed (in whole or in part) in 63 cases, which we regarded as the “effective” reversal rate. Thus, the 63 opinions containing result-impacting claim construction reversals represent 47% of the opinions where claim construction was at issue on appeal (135 cases). Put another way, the effective reversal rate for 2003 and 2004 (through August 30) for claim construction is 47%.

One can surmise that “footnote 17” - quoted at the beginning of this paper - was intended to gently (and with good humor) remind the reader of the daunting task confronting District Court judges approaching the *Markman* task knowing that there is a 47% chance of reversal if appealed. Indeed, the Federal Circuit itself acknowledged the difficulty recently in *Astrazeneva AB v. Mutual Pharmaceutical Co.*, 384 F.3d 1333, 72 U.S. PQ.2d 1276, (Fed. Cir. 2004), when it reversed a district court’s “lengthy and careful opinions” noting that the district court “relied extensively on our recent case law, *which is unfortunately complex and inconsistent.*” (Emphasis added.) The court noted the dichotomy of approaches in recent decisional law of claim construction. One approach looks primarily to intrinsic evidence, particularly the patent’s specification, including the inventor’s statutorily-required written description of the invention, and the other approach emphasizes the use of extrinsic sources such as treatises and dictionaries in determining claim meaning.³ The Appeals Court said that a resolution of this legal question “may be approaching,” citing the Order for *en banc* review of the issue.⁴

The ongoing high reversal rate of claim construction issues, and the acknowledged inconsistency in approaches taken by the Federal Circuit, makes it clear that the near-decade of experience under *Markman* has resulted in profoundly negative consequences for the patent system. This was presaged in the original Federal Circuit *Markman en banc* decision. In that decision, Judge Mayer (in an opinion concurring in the result) said:

Today the court jettisons more than two hundred years of jurisprudence and eviscerates the role of the jury preserved by the Seventh Amendment of the

³ *Edward H. Phillips v. AWH Corp.*, 376 F.3d 1382, (Fed. Cir. July 21, 2004) (granting petition for *en banc* rehearing, to address broadly the law of claim construction).

⁴ *Id.*

Constitution of the United States; it marks a sea change in the course of patent law that is nothing short of bizarre. Sadly, this decision represents secession from the mainstream of the law. *It portends turbulence and cynicism in patent litigation.*

Markman v. Westview Instruments, 52 F.3d 967, 989 (Fed. Cir. 1995) (emphasis added).

Judge Mayer predicted that separating claim interpretation from its factual foundations “will have profoundly negative consequences for the well-established roles of trial judges, juries, and our court in patent cases.” *Markman*, 52 F.3d at 990. Judge Mayer went on to argue that claim construction has always been reviewed as an ultimate question of law based on underlying factual determinations. Those factual determinations, he pointed out, were reviewed under the “clear error” standard of review (when found by a court) or under the “substantial evidence” standard (when found by a jury). The key in Judge Mayer’s observation is that appellate review of claim construction decisions frequently involved a high degree of deference to the lower tribunal based on its fact-finding function. Eliminating that deference, he predicted, would make the judicial process a charade:

Indeed, the effect of this case is to make of the judicial process a charade, for notwithstanding any trial level activity, this court will do pretty much what it wants under its *de novo* retrial. We have consistently stressed that the same rules apply to patent cases as apply to all other civil disputes. ... The court subverts this principle and the demands of the Seventh Amendment by the ruse of reclassifying factual questions as legal ones.

Markman, 52 F.3d at 993.

The importance of the deference given by appellate courts to trial court findings of disputed facts was pointed out by Judge Newman in her dissent of the original *Markman* decision:

I wonder how this new system will work. ... What of the trial process, if trial judge and jury are ciphers upon appellate review?

* * *

In patent cases, no less than for other causes of action, it is the trier of fact on whom the system of justice is founded. The extensive exposition of disputed facts that is available at trial can not be duplicated on appeal. *Even were there no constitutional infirmity, I can discern no practical benefit sufficient to justify this court’s departure from the established procedures of trial and appeal. Implicit in the appellate process is an expected degree of deference to the trial process.* The majority’s elimination of the jury as trier of fact, and elimination of the deference owed to the judge upon bench trial of disputed facts, removes from the parties the benefit of the trial process. It distorts the trial/appellate relationship in a manner unique to patent litigation, and manifests a heady misperception of our assignment as a national appellate court.

Markman, 52 F.3d at 1008 (emphasis added). She doubted that “correct” results were more likely with *de novo* review:

However, the meaning and scope of disputed technologic and other terms of art in particular usage are classical questions of fact. Their nature as fact does not change because their finding, like most findings in litigation, has a legal consequence.

* * *

The trial process is the vehicle for determining truth. Thus the trier of fact is present in the courtroom along with the witnesses, the advocates, the exhibits, and the demonstrations. Indeed, when the technologic issues are complex,

appellate fact finding is probably the least effective path to accurate decisionmaking. And if a factual question is technologically simple, it is not thereby transformed into a matter of law and removed from the trial process. Even were there no constitutional infirmity, *I doubt that the correct resolution of technologic or scientific disputes is more likely to be achieved by removing disputed facts from the procedures of trial and consigning them to the appellate court.* Appellate briefs and fifteen minutes per side of attorney argument are not designed for *de novo* findings of disputed technologic questions

Markman, 52 F.3d at 999 (emphasis added).

To hammer home the point that these technologic decisions are factual, not purely legal, Judge Newman wrote:

The character of what is a fact does not change even in those special cases that have been held to warrant plenary appellate review? The subject matter that the majority now designates as “law” - the disputed meaning and scope of technologic terms and words of art as used in particular inventions--is not law, but fact. On any definition of fact and law, the question of whether “inventory” as used in *Markman*’s Claim 1 means only clothing or can include invoices is a question of fact: on Thayer’s criterion of whether the fact exists; on Morris’ criterion of whether there is a need for evidence; on Bohlen’s inquiry of whether the meaning is specific to the situation *sub judice*. The meaning of “inventory” is specific to this invention, this patent, this claim, this system, this defendant. Its determination is for the trier of fact.

Markman, 52 F.3d at 1009-10.

By making patent cases different from other types of civil cases, and by separating them from the mainstream of judicial thought, the *Markman* decision would create a “different, and uncertain, appellate role” for the Federal Circuit, said Judge Newman:

The Federal Circuit is responsible for establishing consistent national law in its areas of assigned subject matter. The court early in its existence took note that patent cases were only one of many areas of commercial dispute, only one of many areas of intellectual property dispute, that are tried in the district courts. We have striven to assure that unnecessary burdens are not placed upon the district courts of the nation by virtue of the separate path of appellate review of patent cases. We acted to assure that the same procedures would apply in the trial of patent cases as in other civil actions. ... Thus the litigation process that served other civil disputes also served in patent litigation. Today’s ruling, with its departures from the rules of evidence, its changed standards of deference and review, its conflict with established jury and bench procedures, challenges the principle on which this comity was based.

Patent cases are not unique in their usage of specialized terms and words of art, in their reliance on technologic or scientific evidence, in their dependence on findings of technologic fact. Evidentiary conflicts with respect to technology and science arise in a variety of cases; and the conflicting testimony of expert witnesses is ubiquitous. Trial judges have extensive experience in assuring a fair trial, and finding, within human limitations, the truth. Today this court severs patent cases from all others, requiring different (and uncertain) procedures at trial, taking unto ourselves a different, and uncertain, appellate role.

Markman, 52 F.3d at 1025.

That “different, and uncertain” role has resulted in nearly ten years of confusion, if not chaos. As Chief Judge Mayer said, in dissenting to the Order for *en banc* consideration of the Phillips case, until the court is willing to reconsider its basic assumptions in *Markman* and *Cybor Corp v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), “any attempt to refine the process is futile.” He added:

Nearly a decade of confusion has resulted from the fiction that claim construction is a matter of law, when it is obvious that it depends on underlying factual determinations which, like all factual questions if disputed, are the province of the trial court, reviewable on appeal for clear error. To pretend otherwise inspires cynicism. Therefore, and because I am convinced that shuffling our current precedent merely continues a charade, I dissent from the *en banc* order.

Phillips v AWH Corp., 376 F.3d at 1384.

These sentiments from the bench echo comments received by this author when he suggested in 2002 a comprehensive review of the *Markman* process. (See “Is *Markman* Right?” published in the November 2002 issue of the *Chair’s Bulletin*⁵). Letters, e-mails, and comments came from members of the user community, District Court judges, individual inventors, and colleagues in the outside bar. Few submissions were as colorful as the quotes attributed to Judge Samuel Kent of the Eastern District of Texas, who was quoted in a March 2002 issue of *IP Worldwide*, as having said (during a summary judgment hearing in a patent case), “Frankly, I don’t know why I’m so excited about trying to bring this [patent case] 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.” In that same article he was quoted as having told *The National Law Journal* that the Federal Circuit is full of “little green men who don’t know Tuesday from Philadelphia.”

The mail and comments to this author may not have been as colorful, but they certainly were as heartfelt. The main thrust of the comments was that the appellate court must give deference to the implicit or explicit findings and expertise of the trial court. To that end the decision to rehear the *Phillips* case *en banc* may provide some hope for a more consistent and clearheaded claim construction methodology. Although this author’s view is that Chief Judge Mayer has the best approach - reverse both *Markman* and *Cybor* - the court may yet significantly improve the *Markman* procedure by adopting a degree of deference for trial court factual findings. The order invited particular guidance on seven questions, the seventh of which raises the question of whether deference should be given to aspects of the trial court claim construction ruling. It stated:

Consistent with the Supreme Court’s decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), and our *en banc* decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998), is it appropriate for this court to accord any deference to any aspect of trial court claim construction rulings? If so, on what aspects, in what circumstances, and to what extent?

Phillips v AWH Corp., 376 F.3d at 1383.

Thus, the court is considering adding a degree of deference to trial court claim construction rulings. Many of the Briefs of Amici on this issue support a concept of giving some deference to the trial courts. For example, the brief of the American Bar Association urges the Federal Circuit to give deference to a trial court finding of fact made in connection with a claim construction ruling, using the clearly erroneous standard of review. The Association brief said that the court’s current practice of affording no deference, as mandated by the *Cybor* decision, “has led to substantial uncertainty in patent infringement litigation.” ABA Brief at 17.

5 <http://www.abanet.org/intelprop/nov02chair.html>.

The American Intellectual Property Law Association brief takes a similar viewpoint. It urges that claim construction necessarily involves underlying questions that “are inescapably factual, not legal, and in appellate court should defer to the district court’s findings.” AIPLA Brief at 19. The brief pointed out that the Federal Circuit routinely defers to lower court factual determinations in other legal judgments, citing as an example the obviousness determination, which rests on factual underpinnings. The AIPLA concludes that the Federal Circuit should “afford deference to district courts’ inferences or findings about factual issues encountered in claim construction.” AIPLA Brief at 21. Numerous other *amicus* briefs take similar positions.

The positions of the *amicus* participants on the issue of deference, and perhaps even the Federal Circuit having asked the question in the first place, may reflect a recognition that the *Markman* procedure is broken. The lack of predictability is not serving the patent system well.

As is commonly known, the Federal Circuit was created to bring uniformity to the law of patents. Prior to its creation hefty criticism was leveled at the various Circuit Courts of Appeals for lacking uniformity in the application of the patent laws. The outcome of a patent infringement lawsuit, it was said, often depended on the regional circuit in which the case was filed. At the time, the Eighth Circuit was widely criticized for never holding a patent valid, while other circuits were criticized for almost never holding a patent invalid. The “race to the courthouse” was considered outcome-determinative, leading to unpredictability. The prevailing wisdom reasoned that it made no sense to have the value of significant research and development investments - and the validity of the patents that flowed from and protected those investments - depend on what circuit would hear the appeal of a patent infringement lawsuit. The situation, said the user community, diminished the value of patents because the outcome of litigation was so uncertain and so highly dependent on the circuit in which the case was filed.

Were those the “good old days?” At least then the race to the courthouse often provided a significant predictor of the outcome early in the litigation! Today, the uncertainty inherent in the manner in which *de novo* review of *Markman* rulings takes place has created a widely held belief in the business and user community that the outcome of patent cases cannot be determined until after the Federal Circuit has ruled on claim construction. The Federal Circuit, the argument goes, has created a morass of confused and contradictory claim construction canons. As the court said in *Illinois Tool Works*:

The Federal Circuit’s enthusiasm for dictionary definitions as a means of determining the proper scope and meaning of a claim illustrates the conundrum that claim construction can pose for the courts. The blackletter law of patent analysis presents a clear hierarchy of authority: the court should consider first the claim language, then the remaining intrinsic evidence, and, thereafter, in limited circumstances, extrinsic evidence. See, e.g., *Interactive Gift*, 231 F.3d at 866. Yet cases like *Texas Digital* suggest that the court should begin its claim construction by looking to a dictionary. This apparent paradox recalls the oft-cited decision of *Autogiro Company of America v. United States*, 384 F.2d 391, 397 181 Ct.Cl. 55, 155 U.S.P.Q. 697 (1967), wherein the predecessor to the Federal Circuit, the U.S. Court of Claims, noted with exasperation that “[p]atent law is replete with major canons of construction of minor value,” and concluded that, despite previous judicial decisions to the contrary, claims “cannot be clear and unambiguous on their face. A comparison must exist.” Similarly, while the doctrine of claim construction urges courts to limit their analysis to the claim language itself, the practice of claim construction requires the courts to refer to intrinsic and extrinsic evidence to determine the proper meaning of a term. This reality raises confusion as to how and when a court should consult evidence other than the claim language.

Illinois Tool Works, 250 F.Supp.2d at 483-84.

Statistics about reversal rates are not the whole story and, when the merits of any individual case are considered, are irrelevant. As many who defend the work of the Federal Circuit say, the court's job is to decide the case correctly, not to decide it in accord with a statistical model. The job of the judge is to 'do the *right* thing', not to do the *predictable* thing.

Yet the same was true before the Federal Circuit was created. The commentators who criticized the Eight Circuit for never holding a patent valid, or other circuits for never holding a patent invalid, did not question the integrity or sincerity of the members of those courts. Everyone assumed that each judge in each case was trying to 'do the right thing' and that their decisions reflected their true beliefs that the outcomes reached were, indeed, 'right.' The statistical arguments about the performance of the Federal Circuit are as valid - or invalid - today as were the statistical arguments that were voiced then regarding the regional circuits. The regional circuits were criticized as disserving the public interest. Despite the fact that they were trying to 'do the right thing', they were replaced by the Federal Circuit.

There is a doctrine in the law called *res ipsa loquitur*, "the thing speaks for itself." The phrase may have significance here. District court judges, so highly talented in assessing facts, evaluating witnesses, judging credibility, and sifting through complex and difficult arguments in areas of law with which they are unfamiliar, simply cannot be the 'doing the *wrong* thing' nearly half the time.

The patent community needs to find a way to make claim construction more predictable. The *en banc* review of the Phillips case may provide an answer. If not, it may be necessary to resort to corrective legislation or, perhaps, Supreme Court review. Whatever it takes, the patent community needs to find a way to make footnote 17, so charming in its prose but damning in its point, a true footnote in the history of patent law.

POSTSCRIPT

Since this original paper was prepared in the Summer of 2004 the stream of claim construction cases, and reversals from the Federal Circuit, has continued unabated. On July 12, 2005, the Federal Circuit issued its opinion in the much-anticipated *Phillips* case. Although the order taking the case *en banc* invited specific guidance on whether deference should be given to aspects of a trial court claim construction ruling, and although many of the briefs *Amici* supported giving deference to the trial courts, the Federal Circuit decided not to address the issue, saying only, "After consideration of the matter, we have decided not to address that issue at this time." *Phillips v. AWH Corp.*, slip op. at 38.

The decision of the *en banc* court in *Phillips* prompted another stinging dissent from Judge Mayer, joined by Judge Newman. That dissent said:

But after proposing no fewer than seven questions, receiving more than thirty *amici curiae* briefs, and whipping the bar into a frenzy of expectation, we say nothing new, but merely restate what has become the practice over the last ten years—that we will decide cases according to whatever mode or method results in the outcome we desire, or at least allows us a seemingly plausible way out of the case.

* * *

Eloquent words can mask much mischief. The court's opinion today is akin to rearranging the deck chairs on the Titanic—the orchestra is playing as if nothing is amiss, but the ship is still heading for Davey Jones' locker.

Phillips v. AWH Corp., dissenting slip op. at 2, 9.

Up to and including the *Phillips* decision the Federal Circuit continues to frequently reverse lower court claim construction rulings, when they are on appeal. Below is an update of the table contained in the article, and it shows Federal Circuit treatment of decisions from January 2003 through and including *Phillips* on July 12, 2005. As can be seen the "effective reversal rate" has gone down only from 47% (at the time the paper was written) to 45%.

Perhaps *Phillips* has rationalized the law of claim construction and perhaps district courts will now find their rulings reversed fewer times by the Federal Circuit. Only time will tell. However, if the dissenting judges in *Phillips* are correct, the final paragraph we pose in the main article remains true: the patent community will need to find a way to make claim construction more predictable, and to make the high reversal rate and its attendant wasteful litigation a mere footnote in the history of patent law.

<p style="text-align: center;">Summary of Federal Circuit Opinions from District Court and ITC Patent Cases 1/1/03 to 7/12/05</p>			
Non-precedential: 123 Cases (30%)	Claim construction at issue: 61 cases (50%)	Claim construction reversed: 26 cases (43%)	Result impacted: 21 cases (81%) Result not impacted: 5 cases (19%)
		Claim construction not reversed: 35 cases (57%)	
	Claim construction not at issue: 62 cases (50%)		
Precedential: 287 Cases (70%)	Claim construction at issue: 137 cases (48%)	Claim construction reversed: 76 cases (55%)	Result impacted: 68 cases (89%) Result not impacted: 8 cases (11%)
		Claim construction not reversed: 61 cases (45%)	
	Claim construction not at issue: 150 cases (52%)		

The bottom line: Out of 410 total opinions (both non-precedential and precedential) in appeals from district court and ITC patent infringement cases, 89 opinions contained reversals of claim construction where the reversal impacted the result. The 89 opinions represent 22% of the total of 410 cases.

The 89 opinions containing result-impacting claim construction reversals represent 45% of the opinions where claim construction was at issue on appeal (198 cases). **Where claim construction is at issue on appeal, the effective reversal rate for 2003 and the *Phillips v. AWH Corp.* decision on July 12, 2005 is 45%.**

Data compiled by Mark T. Banner, Banner & Witcoff, Ltd., Chicago, Illinois, with the assistance of William Allen, and Aseet Patel. A complete list of the cases analyzed is attached.