What Are The Odds? The Dangers Of Handicapping Patent Litigation

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"What are the odds?" That's the question every businessperson wants to know at the onset of litigation. Patent litigation is no exception.

Each day clients and their counsel glibly calculate odds and outcomes, and base fundamental business decisions on "likelihoods" and "probabilities." Patent litigation, however, has never been easy to predict.

Nearly 20 years ago, the bar and Congress were discussing the creation of the Court of Appeals for the Federal Circuit—the court that now hears all appeals from U.S. district courts in patent cases. The lack of consistency in dealing with patent matters among the various regional Circuit Court of Appeals was a major problem. Corporate America and other users of the patent system decried the lack of uniformity and predictability, with its consequent inevitable increase in costs. Important patent rights were being sought, commercially exploited, and then litigated without the benefit of a coherent national patent policy and uniform application of patent laws. Patent enforcement costs for legal fees alone "approached half a million dollars" in the 1980s, according to a history of the Federal Circuit. It was widely believed that to obtain a patent was to "buy a lawsuit."

The primary charter of the new court was to unify, and thus hopefully clarify, the U.S. patent laws. This goal was substantially achieved in some areas of patent law. But, true to Murphy's Law, one solution bred new problems: claim construction has now become the unpredictable area.

What Is The Invention

One reason for uncertainty in patent litigation is illustrated in the March 25 *in banc* decision of the Federal Circuit in *Cybor* v. *Fas.*[1] This decision clearly established that "claim construction" in patent litigation—that is, defining the scope of the exclusive rights conferred by the patent—is exclusively a question of law and has no factual underpinnings. In other words, there is no necessary factual predicate for defining the scope of the grant.

This distinction has great practical impact. Most often, since the claim of a patent defines the "metes and bounds of the right which the patent confers on the patentee to exclude others from making, using, or selling the protected invention,"[2] the claim construction step determines the outcome. By excluding the possibility that claim construction is even a mixed question of fact and law, and proclaiming that it is *solely* a question of law *solely* for the court, the standard of review on appeal is the so-called *de novo* review. That is the least deferential standard of review, and leads to more reversals at the appellate level than would have been the case under a "clearly erroneous" standard applicable to fact findings. The result, according to a dissent in that case, is that a key step—claim construction—does not occur until the appellate review, which is "nearly the last step in the process."

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The meaning of a claim is not certain (and the parties are not prepared to settle) until nearly the last step in the process, the decision by the Court of Appeals for the Federal Circuit. To get a certain claim interpretation, parties must go past the district court's *Markman I* [pretrial claim construction] proceeding, past the entirety of discovery, past the entire trial on the merits, past posttrial motions, past briefing and argument to the Federal Circuit—indeed past every step in the entire course of federal litigation except Supreme Court review.

Indeed, the dissenting judge cited statistics to show that the issue of claim construction has been *reversed* in as many as 40 percent of the cases since the courts first adopted this approach. This readiness to reverse trial courts causes trial attorneys to "devote much of their trial strategy to positioning themselves for the 'endgame'—claim construction on appeal," said the dissent, adding, "As the focus shifts from litigating for the correct claim construction to preserving ways to compel reversal on appeal, the uncertainty, cost, and duration of patent litigation only increase."

In our view, this relatively high reversal rate is expected. The decision to denominate claim construction as a matter of law was widely supported in the patent bar because it was believed juries were not well suited to the task of interpreting complex technical and legal documents. Those who opposed that approach argued that defining exactly what was invented was and is inherently a fact-based inquiry. They also urged that characterizing it as a question of fact would implicate a higher standard of review on appeal, and, hence, would lead to greater certainty earlier in the litigation. The former approach, however, won out. In a widely anticipated case in which numerous amicus briefs were filed, the Supreme Court in the 1996 *Markman*[3] decision ruled that claim construction was a matter of law for judges—not juries—to decide. That choice having been made, the die was cast for more reversals at the appellate level.

The policy choice has thrust district court judges into difficult, and generally unfamiliar, territory. Interpreting patent claims "as a matter of law" is a fundamental difference from interpreting a statute, where precedent often provides guidance on the meaning of the terms used.

Patent cases are unique. A particular technical term will need to be interpreted anew in every case in which the issue arises. Decades of precedents provide little guidance to a district court in interpreting, as a matter of law, the meaning of technical terms used in patent claims. Each patent has its own unique "legislative history" (termed the "patent prosecution history"), and in a very real sense, each claim interpretation is a case of first impression.

Next Time Ask: What's The Margin Of Error?

Another even better question than "what are the odds" in a patent case is "what is the margin of error?" Virtually every political poll reports both the "approval rating" and the error factor, which illustrates the confidence level in the prediction. A poll reporting candidate Jones leading the race by a margin of 56 percent in favor, 40 against, with 4 percent undecided would present happy news if the error were plus or minus 3 percentage points. If the possible error were plus or minus 40 percentage points—the reversal rate in claim construction issues—that same prediction would be of little use.

Yet, this is a question almost never asked of trial counsel. The answer to the question almost always will illustrate the dangers in handicapping patent litigation.

[1] *Cybor Corporation* v. *Fas Technologies, Inc.*, Appeal Nos. 96-1286, -1287, slip op. (Fed. Cir. March 25, 1998). The opinion is available at *http:/www.ba-iplaw.com.*

[2] *Corning Glass Works* v. *Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257-58, (Fed. Cir. 1989).

[3] *Markman* v. *Westview Instruments, Inc.*, 116 S. Ct. 1384 (1996).

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