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The Proposed Interlocutory Appeals Provision of Patent Reform[1]

Is It Dead Yet?

INTRODUCTION

The House version of the Patent Reform Act of 2009 includes a provision allowing interlocutory appeals of claim construction orders.[2] As drafted, the provision gives the authority for approval for such an appeal to the district courts, without giving the Federal Circuit discretion to decline the appeal. This approach is misguided. Failure to give the court of appeals discretion 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.

Recognizing these problems, the Senate version of the bill was amended in Committee to include various procedural limitations meant to limit ill-founded appeals.[3] However, as illuminated by the Supreme Court's recent decision in *Mohawk Industries, Inc. v. Carpenter*, the procedural limitations were largely ineffectual and invited the same problems that led Congress twenty years ago to adopt a different process as "the preferred means for determining whether and when prejudgment orders should be immediately appealable."[4] The Senate ultimately scrapped the interlocutory appeals provision entirely for its patent reform bill, released on March 4, 2010.

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. In the end, we conclude that, instead of pursing a flawed solution to a false problem, the House should follow the Senate in scrapping the proposed interlocutory appeals provision and stick with the time-tested interlocutory appeals provision applicable to civil cases generally, set forth at 28 U.S.C Section 1292(b).

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FOUNDATIONAL PRINCIPLES

The bedrock foundation of appellate practice is the final judgment rule. Enacted in the First Judiciary Act of 1789, the rule exists to "prevent the protraction of litigation to an indefinite period by reiterated applications for an exercise of the revisionary powers of the appellate tribunal."[5] As the Supreme Court recently emphasized, interlocutory appeals 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."[6]

Exceptions to the final judgment rule traditionally have been limited almost exclusively to situations where lack of review will cause irreparable harm.[7] The

1. This article is adapted from longer articles on the same topic, published as 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), and Edward Reines and Nathan Greenblatt, Interlocutory Appeals of Claim Construction in the Patent Reform Act of 2009, Part II, 2010 Patently-O Patent L.J. 7 (2010). Both authors are attorneys at the Silicon Valley office of Weil, Gotshal & Manges LLP. The views expressed in this article are those of the authors and do not necessarily reflect the views of their law firm or any of its clients.
2. *See* H.R. 1260 sec. 10(b). The provision provides for "[A]n appeal from an interlocutory order or decree determining construction of claims in a civil action for patent infringement under section 271 of title 35. . . . The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during pendency of the appeal."
3. *See* S. 515 sec. 8(b).
4. *Mohawk Industries, Inc. v. Carpenter*, 130 S.Ct. 599 (2009).
5. *Waverly Mut. & Permanent Land, Loan & Bldg. Ass'n v. Buck*, 64 Md. 228, 342 (1885); Carleton M. Crick, "The Final Judgment Rule as a Basis for Appeal", 41 Yale L.J. 539, 549 (1932) (quoting 1 Stat. 72 (1789)).
6. *Mohawk*, 130 S.Ct. at 605.
7. Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction 2d § 3920.

interlocutory appeal of claim construction orders falls outside that class, and thus it even departs from the limited exceptions to the final judgment rule that exist. The legislation also fails to heed Congress's past concern 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."[8] Based on this concern, district and appellate courts have in the past been given equal discretion in the interlocutory appeals process.[9]

INSTITUTIONAL PRESSURES

The current provision does not permit the Federal Circuit discretion to decline an appeal, while it gives district courts unfettered discretion to allow one. From a practical standpoint, this imbalance will systematically inflate the number of interlocutory appeals based on institutional pressure in the district courts. "[T]here exists what might be termed a conflict of interest between the trial and appellate courts."[10] Both courts have institutional pressure to reduce their own workload by requiring a final decision from the other court. 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 1,000 cases per year and a doubling of time for appeal from 11 to 22 months.[11] 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.[12]

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INEFFECTUAL LIMITATIONS

Recognizing that it is unwise to allow district courts to approve interlocutory appeals unilaterally, the Senate amended its version of the same provision to place some constraint on a district court's interlocutory appeal determination before scrapping the provision entirely. 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 Appeals would only be allowed to refuse an appeal if it determines that the district court's findings were "clearly erroneous." These limitations, however, would fail to ameliorate the practical problems caused by excessive and ill-founded interlocutory appeals and will create new concerns.

First, the requirement that a claim construction be labeled "final" before it can be designated by the district court for interlocutory appeal is quixotic. 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.[13] As a practical matter, unforeseen changes to claim construction orders are not rare.[14] Compounding the intractable problem that a district judge cannot generally predict beforehand when an issued claim construction ruling will warrant a modification, is that there is no existing body of law that distinguishes between

8. S.Rep. No. 85-2434, (1958), reprinted in 1958 U.S.C.C.A.N. 5255.
9. *See, e.g.*, 28 U.S.C. § 1292(b); Fed. R. Civ. P. 23(f).
10. Crick, The Final Judgment as a Basis for Appeal, *supra* note 5 at 561.
11. Letter from Hon. Chief Judge Paul Michel to Hon. Patrick Leahy and Hon. Arlen Specter, June 13, 2007, at 2 (citing a study by Professor Jay Kesan, of the University of Illinois Law School).
12. *Id.*
13. *See Jang v. Boston Scientific Corp.*, 532 F.3d 1330, 1337 (Fed. Cir. 2008).
14. *See, e.g., Jack Guttman, Inc. v. KopyKake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002); *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).

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."[15] But nearly all claim constructions satisfy those criteria because altered claim constructions are not rare. Simply stating that claim constructions must be "final" glosses over the doctrinal conflict with the rolling claim construction doctrine and perpetuates a troublesome imprecision that led Congress to reform this area of law twenty years ago.[16] The recent Supreme Court case *Mohawk Industries, Inc. v. Carpenter* has brought these issues to the fore.[17]

Second, the requirement 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" does not appear to impose any meaningful limits on interlocutory appeals. Under the settled interpretation of that language in the current interlocutory appeals statute, 28 U.S.C. § 1292(b), an appeal need only "involve the possibility of avoiding trial proceedings, or at least curtailing and simplifying pretrial or trial" to qualify.[18] Because most claim construction proceedings involve disputed terms that may affect the outcome of the case,[19] all claim construction orders may be argued in some sense to meet the "may materially advance" limitation. This requirement would also 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 potentially even ownership and damages.[20]

The final limitation would allow the Federal Circuit to remand cases if a district court's certification is "clearly erroneous." Giving the Federal Circuit some authority to reject ill-founded interlocutory appeals is a step in the right direction, but it does not go far enough. Moreover, it creates the risk of delay as cases ping-pong between courts and promotes collateral disputes that would divert resources from simply resolving the case under the normal rules governing appeals that apply to civil litigation generally. For those reasons, any attempt by the House to follow the lead of the Senate in modifying the interlocutory appeals provision with procedural limitations would be ill-advised.

Instead, the House should follow the lead of the Senate and scrap the provision entirely. 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. Given the inevitable reconsideration of that standard by the Federal Circuit,[21] the proposed tampering with the basics of our appellate process is hasty, unnecessary and unwise.

CONCLUSION

The interlocutory claim construction appeals provision in the Patent Reform Act of 2009 diverts attention from the real issue of *de novo* review of claim construction orders and could subject the Federal Circuit to a deluge of wasteful appeals. Compensating for the Federal Circuit's lack of discretion with procedural limitations would create wasteful satellite litigation criticized by the Supreme Court in *Mohawk*. It would be the wrong solution to the wrong problem. ■

15. Wright, Miller & Cooper, Federal Practice and Procedure, § 3911.1 (2d ed. 1992).
16. In 1990 and 1992, Congress consigned expansion of interlocutory appeal jurisdiction to the Supreme Court rulemaking process through amendments to 28 U.S.C. §§ 2072(c) and 1292(e). This reform was spurred by recommendations from the congressionally appointed Federal Courts Study Committee, which criticized imprecise definition of "final" orders as "produc[ing] much purely procedural litigation." *See Mohawk Industries, Inc. v. Carpenter*, 130 S.Ct. 599 (2009); Report of the Federal Courts Study Committee, 22 Conn. L. Rev. 733, 834 (1990); Robert J. Martineau, "Defining Finality and Appealability by Court Rule: Right Problem, Wrong Solution," 54 U. Pitt. L. Rev. 717, 718-26 (1993); Adam N. Steinman, "Reinventing Appellate Jurisdiction," 48 B.C. L. Rev. 1237, 1238-39 (2007).
17. 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. Materials, Inc. v. Ricoh Co., Ltd.*, 108 F.3d 316, 318 (Fed. Cir. 1997).
18. Wright, Miller & Cooper, Federal Practice and Procedure, § 3930 (2d ed. 1992).
19. *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).
20. *See* Wright, Miller & Cooper, Federal Practice and Procedure, § 3930 (2d ed. 1992). ("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 Int'l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009) (finding claim construction arguments moot); *T.F.H. Publications, Inc. v. Hartz Mountain Corp.*, 67 Fed.App'x 599, 604 (Fed. Cir. 2003); *Hester Indus., Inc. v. Stein, Inc.*, 142 F.3d 1472, 1485 (Fed. Cir. 1998).
21. A solid majority of the Federal Circuit are on record supporting the reconsideration of the *de novo* standard of review. *Cybor Corp. v. FAS Technologies, Inc.,* 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*); *see Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040-46 (Fed. Cir. 2006); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (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.").