

# THE (HIDDEN) EFFECTS OF PATENT APPEALS

---

R. POLK WAGNER



@ProfPolkWagner

The background of the slide is a dark blue-grey color. Faintly visible in the background are several interlocking gears of different sizes, creating a technical or mechanical theme. The gears are rendered in a lighter shade of the background color, making them subtle but noticeable.

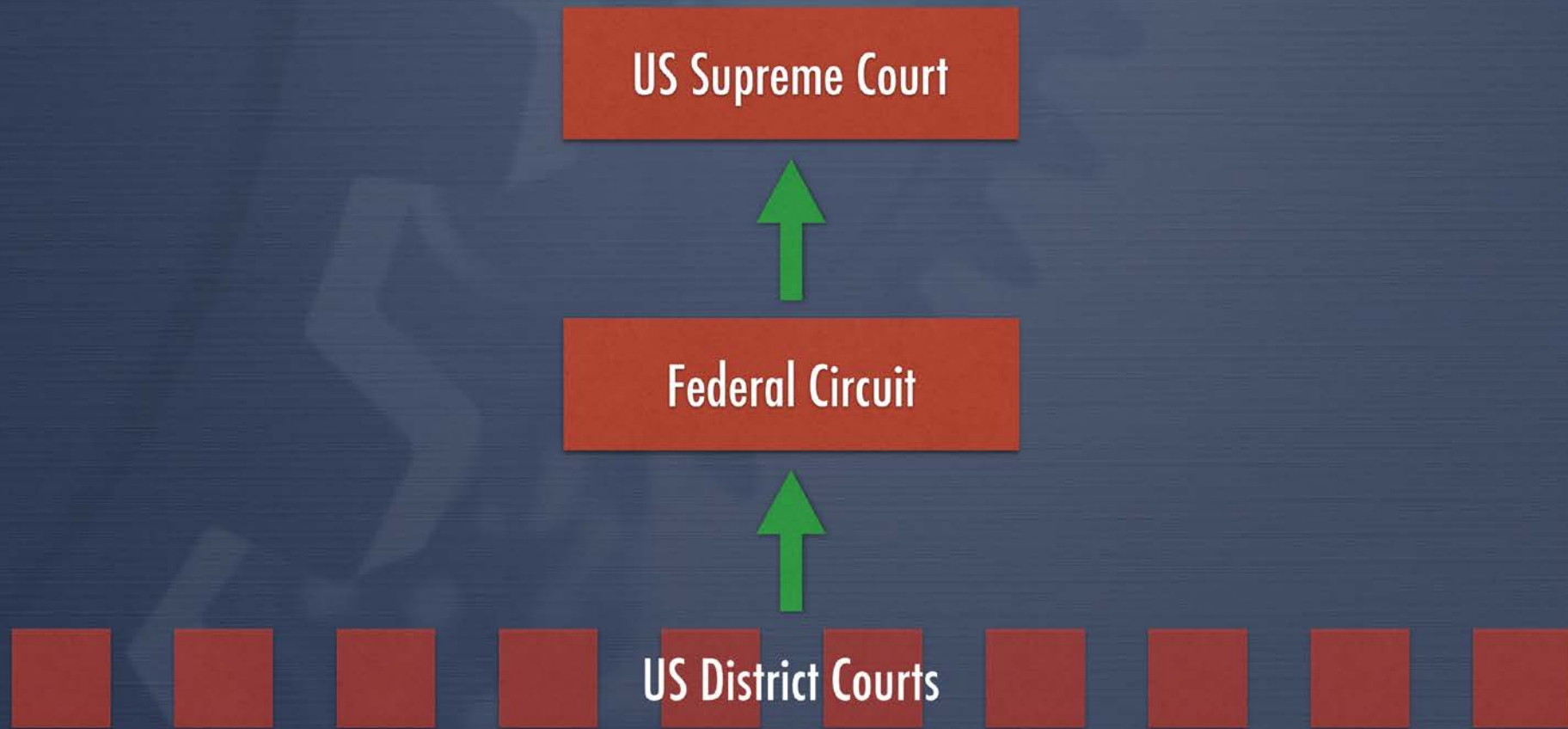
1

# INTRODUCTION

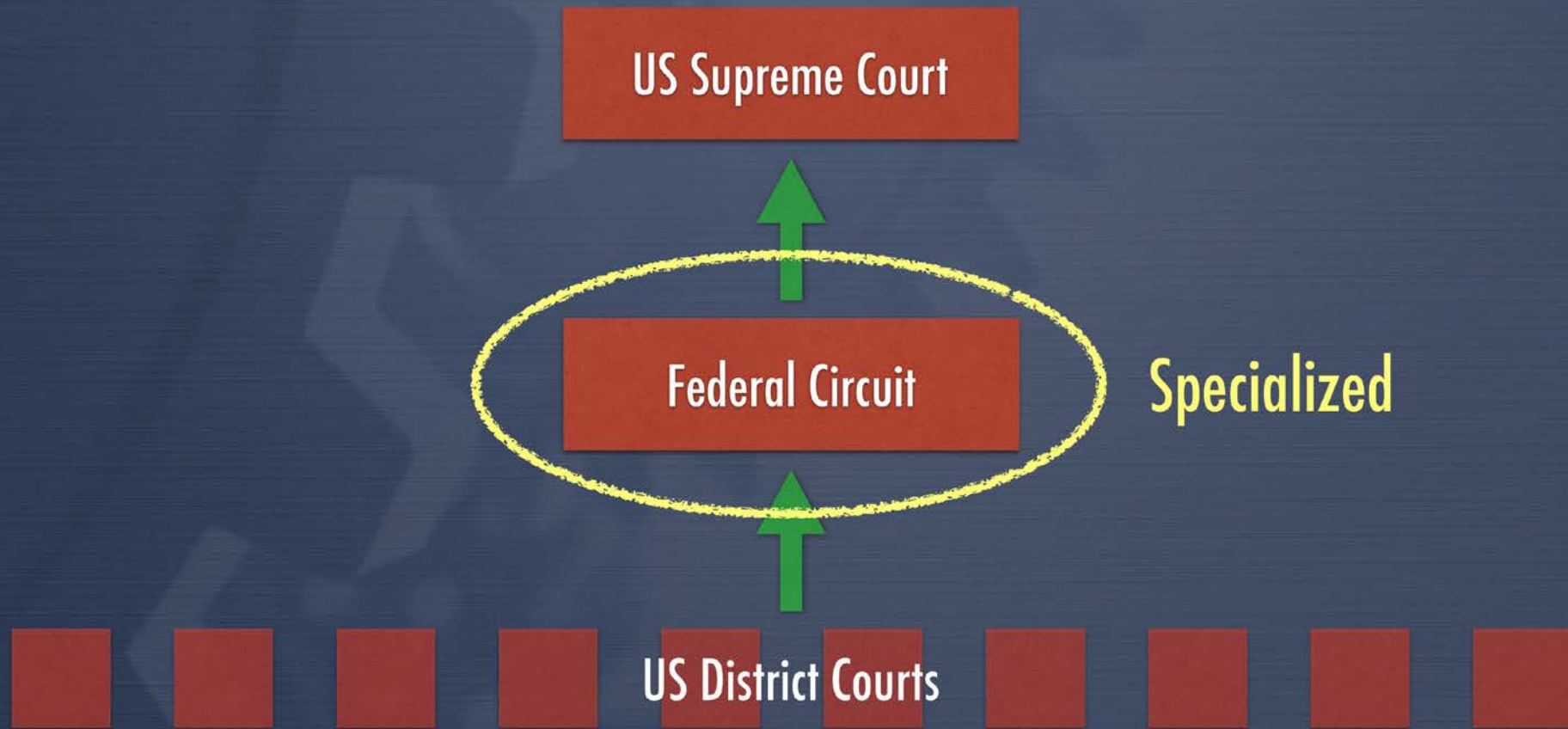
## My Argument

The Unified Patent Court system is likely to (over time) change the substantive law of patents through the interplay between the lower and appellate courts.

# Patent Appeals in the United States

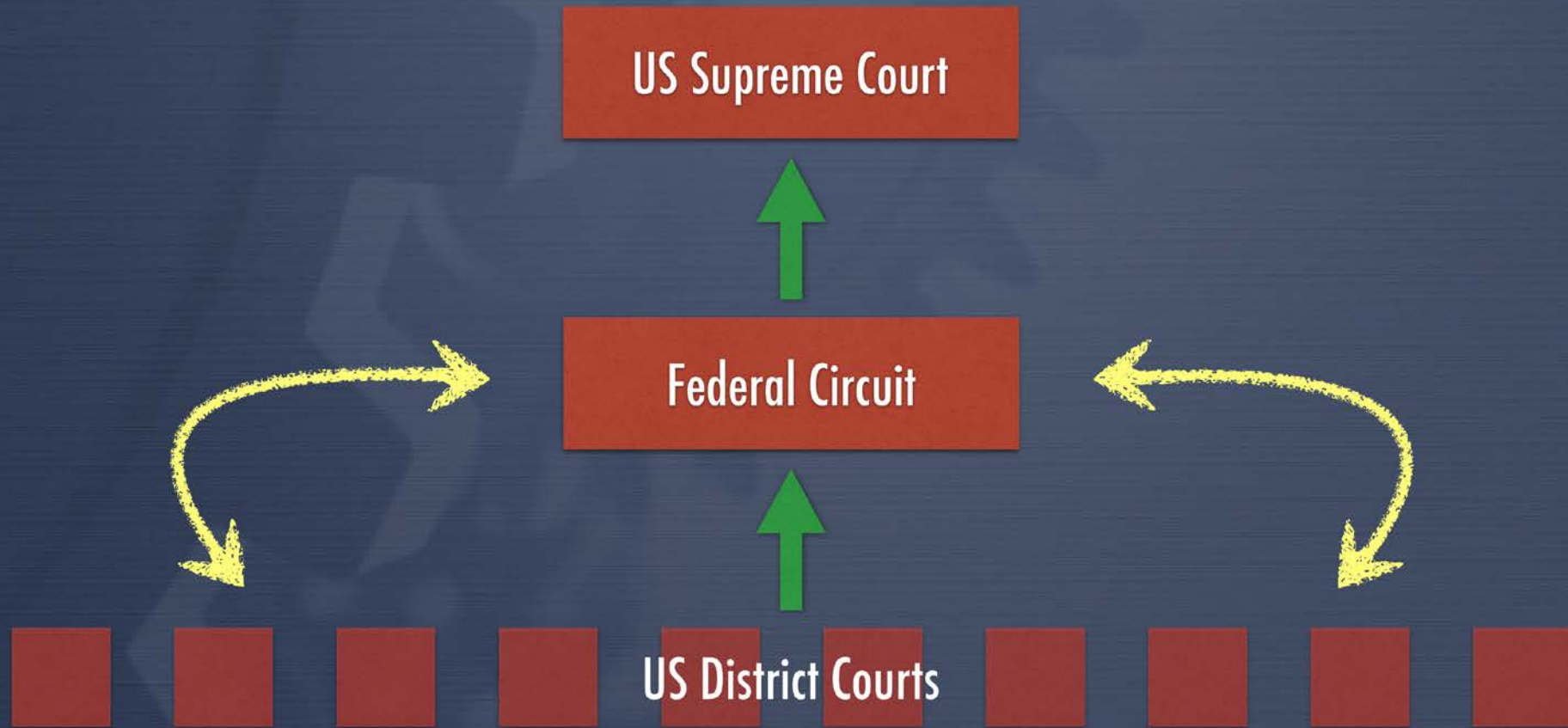


# Patent Appeals in the United States

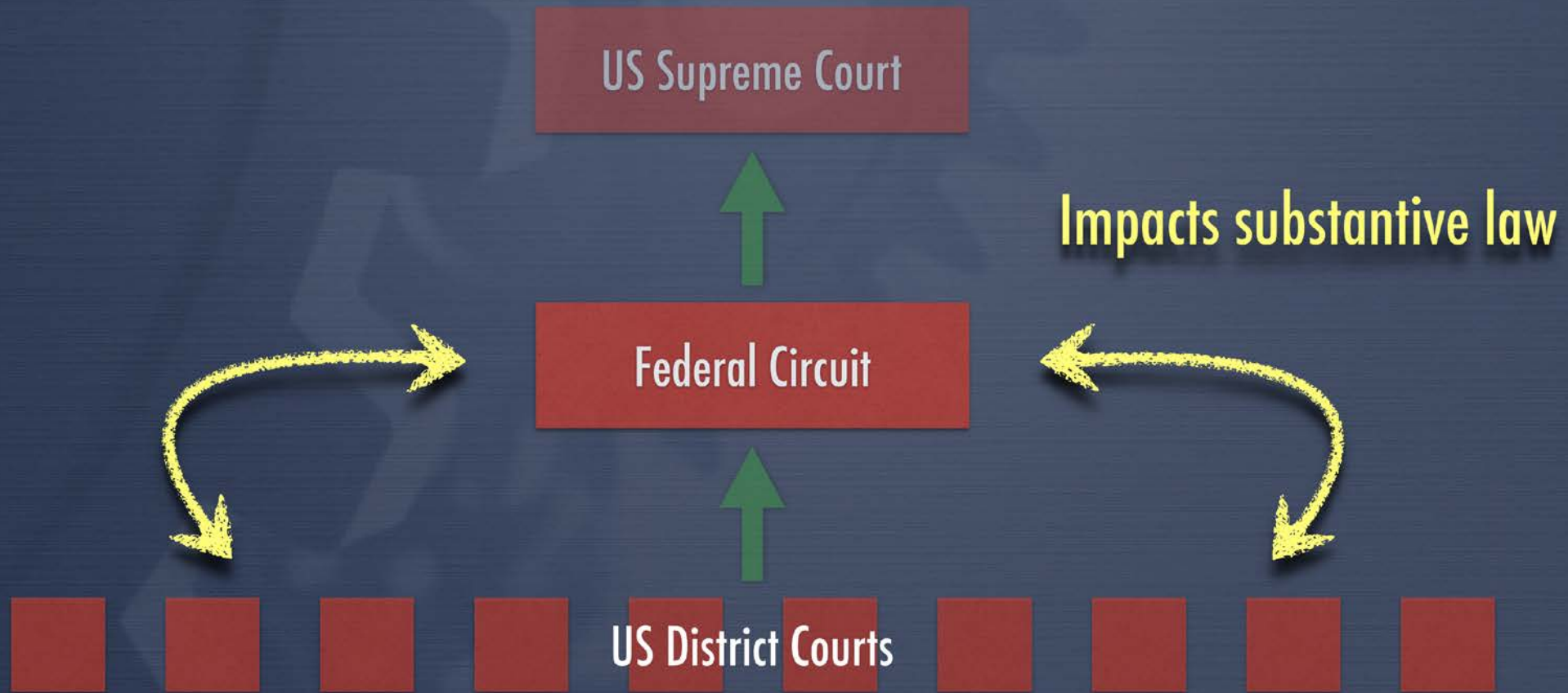




# Patent Appeals in the United States



# Patent Appeals in the United States



# A Few Examples

## Nonobviousness Requirement (§103)

Creation of "teaching or suggestion" (legal) rule.

"facts" to "law" allows easier review ability

## The Doctrine of Equivalents

Development/expansion of "legal limitations" on DOE

"legal limitations" have essentially swallowed the doctrine

## Disclosure Requirements (§112)

creation of new 'written description' requirement

"facts" to "law" allows easier review ability

## Claim Construction

"de novo" review of patent scope

"facts" to "law" allows easier review ability



## Aside: "Facts," "Law," and Appellate Review

"Facts" found by District Courts are given deferential review. ('Clear Error')

"Law" analyzed by District Courts is not given deference. ('De Novo')

But there is no universal understanding of what is "fact" and what is "law".

These categories can be (and are) adjusted (manipulated) by the appellate courts.

( The UPC Convention makes clear that this distinction is in play. )

The background of the slide is a dark blue-grey color. Faintly visible in the background are several interlocking gears of different sizes, creating a mechanical or industrial theme. The gears are rendered in a lighter shade of blue, making them subtle but noticeable.

2

# THE CLAIM CONSTRUCTION CASE STUDY

# For Nearly Two Decades: The Markman-Cybor Framework

**United States Patent** [19] [11] B. **Patent Number:** Re. 33,054  
**Markham** [45] Reissued **Date of Patent:** Sep. 12, 1989

## INVENTORY CONTROL AND REPORTING SYSTEM FOR DRYCLEANING STORES

[76] Inventor: Herbert Markham, 631 Pariston Dr., Wynewood, Pa. 19386

[21] Appl. No.: 90,697

[22] Filed: Aug. 28, 1987

### Related U.S. Patent Documents

Reissue of:  
[64] Patent No. 4,550,246  
Invent. No. 399,248  
Filed: Apr. 13, 1984

[51] Int. Cl. G06F 15/26; G06F 15/26

[52] U.S. Cl. 235/385; 235/333;

[58] Field of Search 235/487; G06F 15/26; G06F 15/26

### References Cited

#### U.S. PATENT DOCUMENTS

2,883,098 4/1959 Crowe et al.  
3,376,089 4/1961 Sack et al.  
3,479,314 11/1969 Block et al.  
3,608,666 6/1972 Bernecker et al.  
3,698,666 6/1973 Werner  
3,798,666 6/1974 Werner  
4,284,000 12/1979 Stewart  
4,340,130 7/1982 Gian

### OTHER PUBLICATIONS

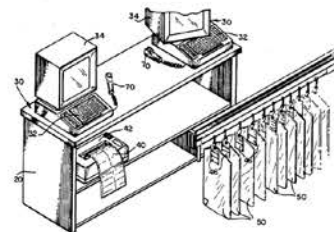
Computerized Labeling Systems Prints Labels As They're Needed, "Modern Materials Handling", Apr. 84.  
The Latest Trends in Automatic Identification, "Modern Materials Handling", Dec. 6, 1983.  
How We Know Our Customers Receive What They Ordered, "Modern Materials Handling", Mar. 21, 1983.

Primary Examiner—Harold I. Pitt  
Attorney, Agent, or Firm—Steels, Gould & Fried

### ABSTRACT

An inventory control and reporting system especially for retail drycleaners includes a data input keyboard having key blocks corresponding to information for identification and calculation of processing costs of laundry articles to be cleaned, a data processor adapted to calculate pricing information and to generate reports based upon such data input, the processor being connected to a printer and the processor and printer producing sequential multiple part bar code records and tags for attachment to the laundry articles in sequential transactions, and also as hard copies for the customer and for the establishment. The bar code portions of the records are generated by a dot matrix printer operating in a high resolution mode, the bar code portions being generated for a transaction contemporaneously with the transaction. The bar code portions are generated by a dot matrix printer operating in a high resolution mode, the bar code portions being generated for a transaction contemporaneously with the transaction.

15 Claims, 2 Drawing Sheets



## Markman v Westview Instruments (1996)

## Cybor v. FAS Techs (Fed. Cir. 1998)

1448

188 FEDERAL REPORTER, 3d SERIES

a copyright case, for the proposition that for a nonwillful infringer the award should be based on post-tax profits.

Nike argues that the award should be based on pre-tax profits, citing *Schlesinger Corp. v. Gessen Mfg. Co.*, 605 F.2d 1166, 1169-71, 206 USPQ 202, 207-09 (9th Cir. 1980), a 1:280 case; and *Kalman v. Berlin Corp.*, 914 F.2d 1473, 1482-83, 14 USPQ2d 1055, 1102 (Fed.Cir.1994), a case involving a 1:284 lost profits calculation. Nike points out that an award of only the infringers' post-tax profits would leave the appellants in possession of their tax refunds, and that if the appellants still enjoy a profit the award can not be their "total profits" as mandated by the statute. See *Hawover Shoe Inc. v. United Shoe Mach. Corp.*, 302 U.S. 481, 505, 68 S.Ct. 224, 226, 30 L.Ed.2d 123 (1946); *Kalman*, 914 F.2d at 1482-83, 14 USPQ2d at 1102 (citing *Hawover Shoe*). The district court agreed with that position, as do we. The statute requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their

**SUMMARY**  
We reverse the district court's ruling that the marking statute does not apply to recovery for design patent infringement under § 286, and remand for determination of whether Nike in fact complied with the marking requirement. We affirm the district court's methodology on the accounting issues.

**Costs**  
No costs.

**AFFIRMED IN PART, REVERSED IN PART AND REMANDED.**



**CYBOR CORPORATION,**  
Plaintiff-Appellant,

**FAS TECHNOLOGIES, INC., and Fastar Ltd.,**  
Defendants-Cross Appellants.

No. 96-1286, 96-1287.

United States Court of Appeals,  
Federal Circuit.

March 25, 1998.

Manufacturer of dual stage pump used to apply liquid in precise, small volumes onto semiconductor wafers brought action against patent owner and its licensee, seeking declaratory judgment of non-infringement, invalidity, and unenforceability of patent. Defendants counterclaimed for infringement. The United States District Court for the Northern District of California, Ronald M. Whyte, J., entered judgment upon jury verdict finding willful infringement and denied manufacturer's summary judgment of non-infringement. Plaintiff sought summary judgment of non-infringement, invalidity, and unenforceability of patent. Defendants sought summary judgment of infringement. The district court granted summary judgment of non-infringement, invalidity, and unenforceability of patent. The district court also granted summary judgment of infringement. The district court's ruling that the marking statute does not apply to recovery for design patent infringement under § 286, and remand for determination of whether Nike in fact complied with the marking requirement. We affirm the district court's methodology on the accounting issues.

We reverse the district court's ruling that the marking statute does not apply to recovery for design patent infringement under § 286, and remand for determination of whether Nike in fact complied with the marking requirement. We affirm the district court's methodology on the accounting issues.

**Affirmed.**  
Plager, Circuit Judge, filed concurring opinion.



# The Markman-Cybor Framework Was Built on The Uniformity Thesis

## The Uniformity Thesis:

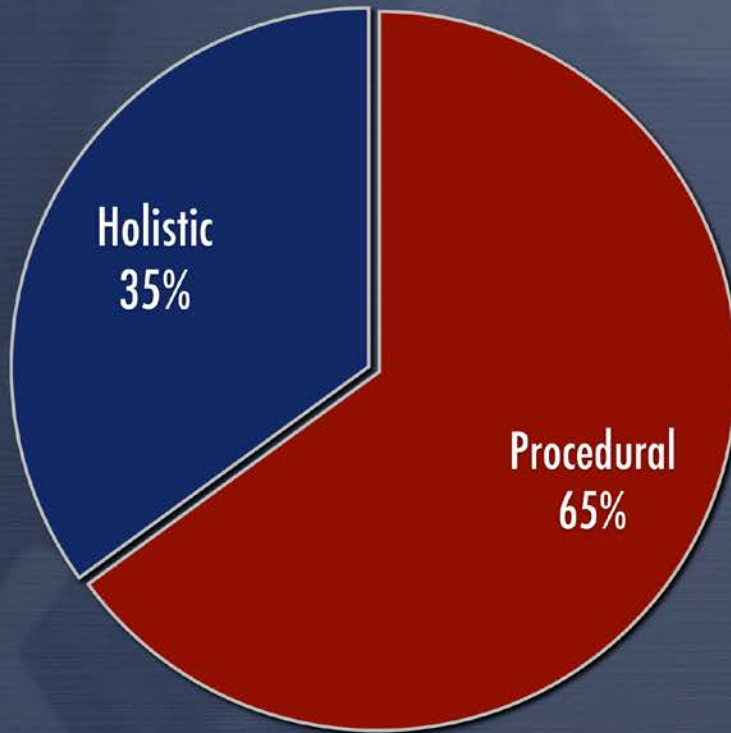
Allowing judges to review claim construction more rigorously will result in the development of more uniform jurisprudence.



The background is a dark blue gradient. Faint, light blue motifs are visible, including a large gear on the left and a sun-like shape in the upper center.

... but ...

# The Jurisprudence Was not Uniform!



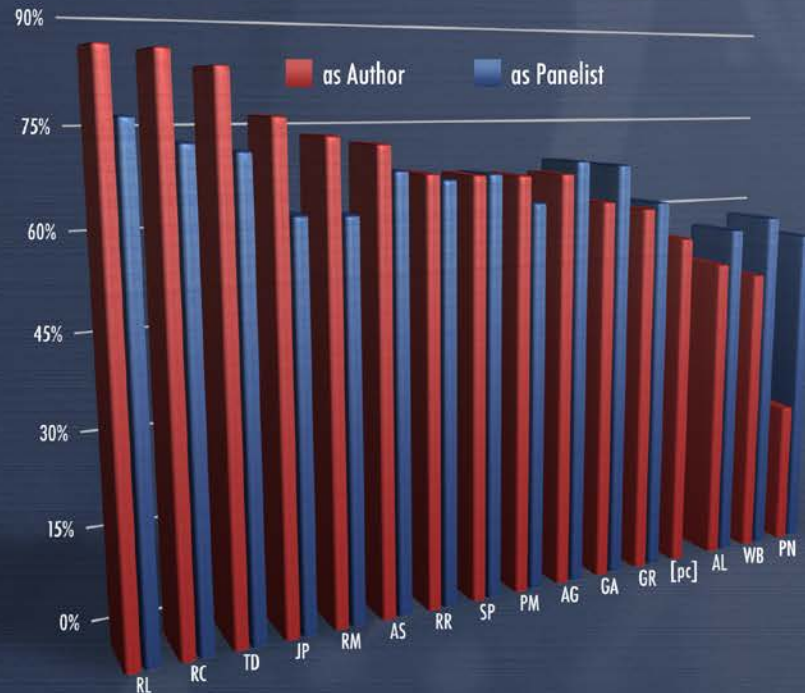
For most of the Markman-Cybor years, the results were deeply split at the Federal Circuit.

# The Jurisprudence Was not Uniform!

District Court claim construction Analyses were reversed at exceptionally high rates (20%-50%).



# The Jurisprudence Was not Uniform!

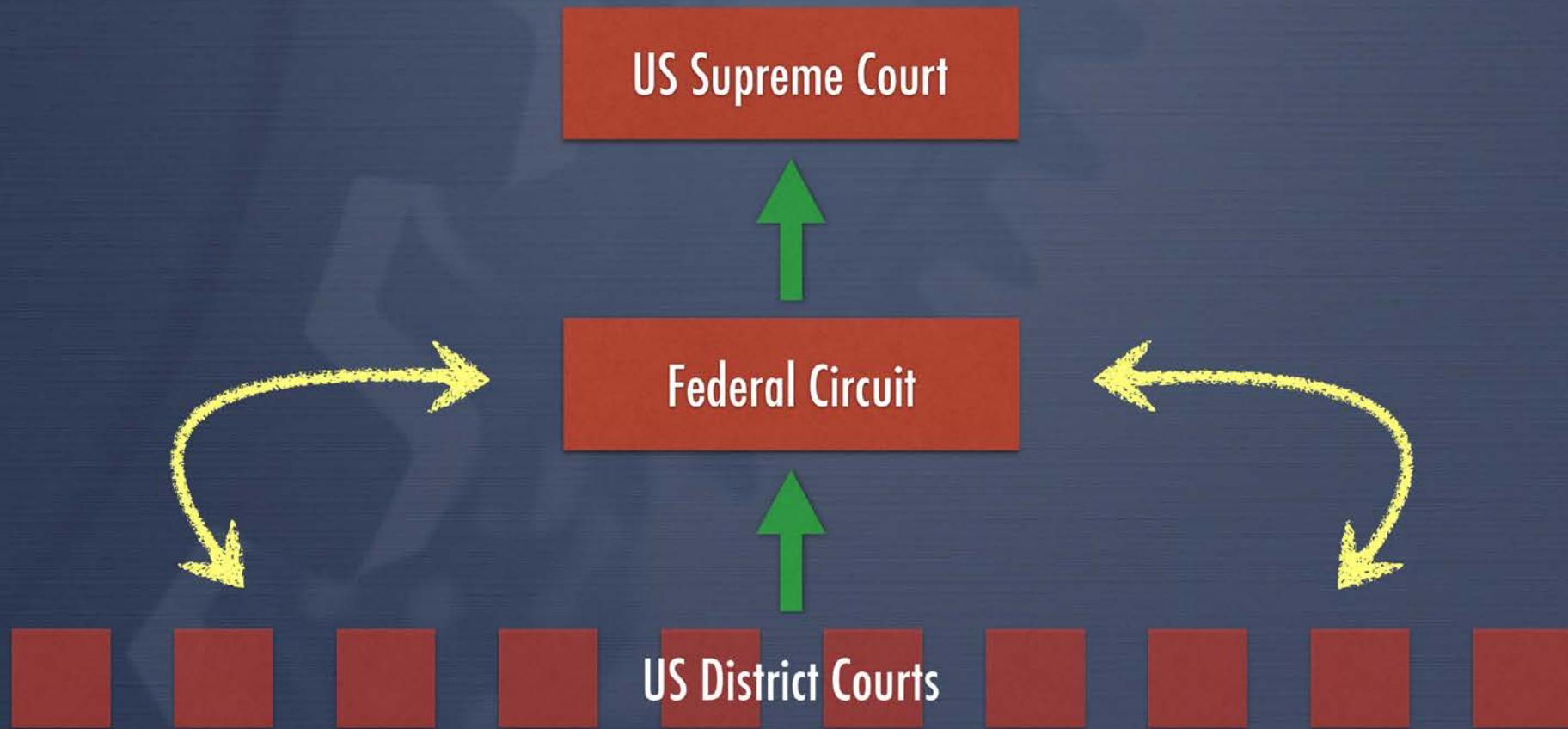


This split largely  
mapped onto  
individual judges.

So which three-judge panel you  
drew would often determine your  
result.



# District Courts Responded



# District Courts Responded

First effort was interlocutory appeals.  
[ Single-issue appeals, case stayed ]

These were rejected by the Federal Circuit

District Courts responded by granting summary judgment at very high rates.

# Impact on the Substantive Law

Claim Construction dominated every case.

Less attention paid to validity issues.

Even infringement questions became subsumed into claim construction.

Very high rates of appeals in patent cases. High costs, long delays.



The interplay between the inherent difficulty of claim construction, the split in approaches at the Federal Circuit, and the intra-court struggles yielded a deeply unsatisfactory situation.

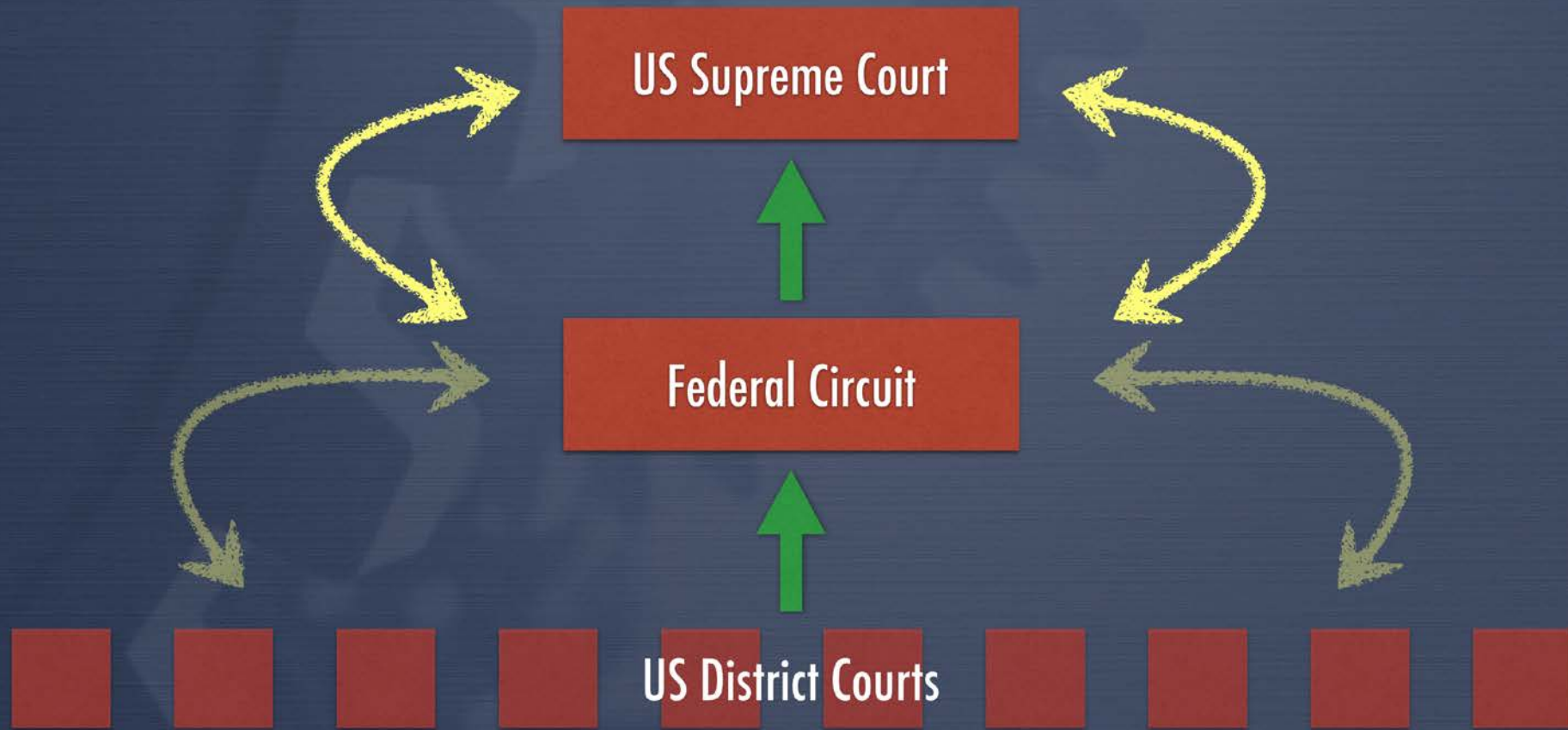
As a result, many patent practitioners have developed a specialized tool for predicting claim construction.





3

THE NEXT ROUND: POST-TEVA v SANDOZ (2015)



## Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

## SUPREME COURT OF THE UNITED STATES

## Syllabus

TEVA PHARMACEUTICALS USA, INC., ET AL. *v.*  
SANDOZ, INC., ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

No. 13–854. Argued October 15, 2014—Decided January 20, 2015

Petitioners, Teva Pharmaceuticals (and related firms), own a patent that covers a manufacturing method for the multiple sclerosis drug Copaxone. When respondents, Sandoz, Inc. (and other firms), tried to market a generic version of the drug, Teva sued them for patent infringement. Sandoz countered that the patent was invalid. Specifically, Sandoz argued that the claim that Copaxone's active ingredient had "a molecular weight of 5 to 9 kilodaltons" was fatally indefinite, see 35 U. S. C. §112 ¶2, because it did not state which of three methods of calculation—the weight of the most prevalent molecule, the weight as calculated by the average weight of all molecules, or weight as calculated by an average in which heavier molecules count for more—was used to determine that weight. After considering conflicting expert evidence, the District Court concluded that the patent claim was sufficiently definite and the patent was thus valid. As relevant here, it found that in context a skilled artisan would understand that the term "molecular weight" referred to molecular weight as calculated by the first method. In finding the "molecular weight" term indefinite and the patent invalid on appeal, the Federal Circuit reviewed *de novo* all aspects of the District Court's claim construction, including the District Court's determination of subsidiary facts.

**Held:** When reviewing a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit must apply a "clear error," not a *de novo*, standard of review. Pp. 4–16.

(a) Federal Rule of Civil Procedure 52(a)(6) states that a court of appeals "must not . . . set aside" a district court's "[f]indings of fact" unless they are "clearly erroneous." It sets out a "clear command,"

# In Teva, Supreme Court ruled

## The Federal Circuit must give (a little) deference to District Court claim construction.

## Deference is accorded along the traditional fact/law distinction.

## The line between fact and law is extrinsic to the patent (fact) or intrinsic to the patent (law).



## Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

## SUPREME COURT OF THE UNITED STATES

## Syllabus

TEVA PHARMACEUTICALS USA, INC., ET AL. *v.*  
SANDOZ, INC., ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

No. 13–854. Argued October 15, 2014—Decided January 20, 2015

Petitioners, Teva Pharmaceuticals (and related firms), own a patent that covers a manufacturing method for the multiple sclerosis drug Copaxone. When respondents, Sandoz, Inc. (and other firms), tried to market a generic version of the drug, Teva sued them for patent infringement. Sandoz countered that the patent was invalid. Specifically, Sandoz argued that the claim that Copaxone's active ingredient had "a molecular weight of 5 to 9 kilodaltons" was fatally indefinite, see 35 U. S. C. §112 ¶2, because it did not state which of three methods of calculation—the weight of the most prevalent molecule, the weight as calculated by the average weight of all molecules, or weight as calculated by an average in which heavier molecules count for more—was used to determine that weight. After considering conflicting expert evidence, the District Court concluded that the patent claim was sufficiently definite and the patent was thus valid. As relevant here, it found that in context a skilled artisan would understand that the term "molecular weight" referred to molecular weight as calculated by the first method. In finding the "molecular weight" term indefinite and the patent invalid on appeal, the Federal Circuit reviewed *de novo* all aspects of the District Court's claim construction, including the District Court's determination of subsidiary facts.

**Held:** When reviewing a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit must apply a "clear error," not a *de novo*, standard of review. Pp. 4–16.

(a) Federal Rule of Civil Procedure 52(a)(6) states that a court of appeals "must not . . . set aside" a district court's "[f]indings of fact" unless they are "clearly erroneous." It sets out a "clear command,"

## Why Round 3

Teva's analysis will have near-zero impact on results; almost all the time de novo review will apply.

Teva seems likely to change incentives for all the parties involved, which will change the way we do claim construction.

# The Incentives on Claim Construction Analysis

Party A (winner)	Party B (loser)	District Court	Federal Circuit
insulate the win on appeal	maximize possibilities for change on appeal	insulate decision from reversal	maximize flexibility
deference	de novo	deference	de novo

# Incentives on Claim Construction

Party A (winner)	Party B (loser)	District Court	Federal Circuit
insulate the win on appeal	maximize possibilities for change on appeal	insulate decision from reversal	maximize flexibility
deference	de novo	deference	de novo
drive decision towards fact-finding (experts, dictionaries, ordinary meaning)	drive decision towards law (language in context)	drive decision towards fact-finding (experts, dictionaries, ordinary meaning)	characterize decision as legal



# Incentives on Claim Construction

Party A (winner)	Party B (loser)	District Court	Federal Circuit
insulate the win on appeal	maximize possibilities for change on appeal	insulate decision from reversal	maximize flexibility
deference	de novo	deference	de novo
drive decision towards fact-finding (experts, dictionaries, ordinary meaning)	drive decision towards law (language in context)	drive decision towards fact-finding (experts, dictionaries, ordinary meaning)	characterize decision as legal
Role unknown at time of argument development.		Role Known	Constrained by Opinion



Federal Circuit will return (over time) to Vitronics-style policing of intrinsic/extrinsic line.

District Courts will evaluate claims accordingly. Evidentiary (Teva) hearings?

Litigants will press towards "factual" components of claim construction.

# Why Litigants want Factual Claim Construction

District Courts will want (demand!?) it

Parties' Confidence in their Case Drives Facts over Law (Extrinsic)

Even Factual Claim Construction Offers Plenty of Options on Appeal

# More Factual Claim Construction Changes the Law

Anchors claim meaning into wider context of the technology, language.

Use of objective sources narrows range of disputes over meaning.

Allows for better understanding of claims absent years of litigation.

Generates good incentives for patent drafting, USPTO examination.

... caveats ...

The Preceding Assumes Adherence to Spirit of Teva  
Will Vitronics return with a vengeance and send us back?



... to be continued ...

---

R. POLK WAGNER



@ProfPolkWagner