

# Revising *Markman*: A Procedural Reform to Patent Litigation\*

## I. Introduction

This Note presents a procedural reform to the current process of patent litigation in the United States, specifically focusing on claim construction and appellate review. This Note owes a great deal to John F. Duffy and his influential piece, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*.<sup>1</sup> Mr. Duffy's article suggested how administrative law principles could be incorporated into patent law to reduce inefficiency. At its core, this Note operationalizes and expands on the concepts of Mr. Duffy's article by using the new programs from the America Invents Act,<sup>2</sup> which was signed into law twelve years after Mr. Duffy's article was published. For a more in-depth analysis of the rationale for applying administrative law principles to patent law, please see his work.<sup>3</sup>

This Note begins by providing a brief background on the basics of patent law, patent litigation in the United States, the current problems facing our patent system, as well as background on relevant administrative law principles and how these principles can be integrated into patent law. Building off this foundation, the Note will outline the objectives of the proposed procedural reform, outline the proposal itself, and discuss implementation concerns related to the proposal.

## II. Background on Patent Law

A modern patent is separated into multiple parts including a summary page, drawing set, background of the invention discussion, brief summary of the invention, brief description of the drawings, a detailed description of the invention, and the claims.<sup>4</sup> The goal of the patent is to clearly explain the invention to the public, detail how the invention works, and illustrate utility for the invention. While all parts of the patent are necessary, in modern

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1. John F. Duffy, *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*, 2 WASH. U. J.L. & POL'Y 109 (2000).

2. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 28 U.S.C. and 35 U.S.C.).

3. See generally Duffy, *supra* note 1 (suggesting the use of primary jurisdiction administrative law to improve the patent law process).

4. PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 486 (5th ed. 2002) (explaining the specification of a patent).

patent law, the claims are the most important part. The claims are the legal mechanism that defines the invention.

A valid patent provides its owner the exclusive rights to make, use, offer, or sell the new invention;<sup>5</sup> that is, the invention as defined by the claims of the patent. The purpose of the claims is to clearly delineate the invention so that the patent can be enforced. A patent can be enforced against someone that uses, manufactures, sells, or offers to sell any product that includes the patent.<sup>6</sup>

It is important to note here that products and inventions are not synonymous. In practice, products and inventions can be hard to differentiate, but conceptually they are distinct, and the distinction is critical to understanding patent litigation. Generally speaking, inventions are what patents protect. Products are what use the invention; often these are physical products that are sold to consumers. For example, Apple has a patent on their “swipe-to-unlock” invention and their iPhone product uses the invention.<sup>7</sup> Also, allegedly some of Samsung’s products used the invention, which was the basis of one lawsuit between Apple and Samsung. In its first appeal to the Federal Circuit, Apple argued that Samsung’s phone infringed Apple’s patent because a feature of Samsung’s phone fell within the scope of Apple’s patent, as defined by the claims of Apple’s patent.<sup>8</sup> In other words, Apple argued Samsung’s phone used the Apple invention because Samsung’s unlock feature was a particular application of what was claimed in Apple’s patent.<sup>9</sup>

Claims are important because they specify the bounds of the invention and the patent. However, the scope of a patent, as defined by the claims, is frequently far from firmly established. Lawyers often write claims as broadly and vaguely as the U.S. Patent and Trademark Office will permit in hopes of expanding the patent’s scope, thereby making the patent more valuable because it will cover the largest possible set of applications. As a way of illustrating the previous example, the claims of Apple’s “swipe-to-unlock” patent were written vaguely enough to create disagreement—and eventually costly litigation—as to whether or not the unlock feature on the Samsung

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5. 35 U.S.C. § 271(a) (2012).

6. *Id.*

7. This patent is currently valid; although it was invalidated previously by the Federal Circuit, the Federal Circuit, sitting en banc, vacated that invalidation. *Apple Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1038–40 (Fed. Cir. 2016) (en banc), *vacating in part*, 816 F.3d 788, 793–94 (Fed. Cir. 2016).

8. *Apple Inc. v. Samsung Elecs. Co.*, 809 F.3d 633, 642–43 (Fed. Cir. 2015), *aff’d*, 839 F.3d 1034 (Fed. Cir. 2016) (en banc).

9. How a product infringes a patent, especially in our modern world, is conceptually difficult to understand. In the present example, Apple did not argue that the unlock feature on the Samsung phone was not specifically disclosed by Apple’s patent but rather that Samsung’s unlock feature represented a particular application of Apple’s patent and was therefore within the scope of the patent.

phone fell within the scope of the patent. While broad claims can expand the scope of a patent, broad claim language also introduces uncertainty over the exact scope of the claims.

Patent litigation begins when a patent owner accuses another party of infringing the patent owner's rights by creating, distributing, or selling a product that falls within the scope of the patent. Therefore, the first step of the litigation is to define precisely the scope of the patent-in-suit, in order to later determine if the accused product falls within the patent's scope. This always requires the court to interpret the language of claims to decide what the patent covers, frequently done in a special pretrial hearing. The pretrial hearing is called a *Markman* hearing, in reference to the 1996 Supreme Court case, *Markman v. Westview Instruments, Inc.*,<sup>10</sup> which held that the language of a patent is to be interpreted as a matter of law, not a matter of fact.<sup>11</sup> After 1996, U.S. district courts began routinely performing claim interpretation as a matter of law in a pretrial hearing. This claim interpretation, called a claim construction, is frequently the central issue in the case because different interpretations can have dramatic effects on the finding of infringement.<sup>12</sup>

Given the relative importance of the claim construction on the outcome of a patent litigation, the Federal Circuit has made frequent attempts to reduce uncertainty in claim construction. Since the mid-1990s, the Federal Circuit has sat en banc on several cases to clarify and resolve conflicts in claim-construction jurisprudence.<sup>13</sup> But problems persist. Since claim construction must resolve any substantial disputes over the scope of the patent, it is important that it be done accurately. However claim construction can be considered "inherently indeterminate" where multiple reasonable interpretations are possible, instead of one correct answer.<sup>14</sup> As a matter of interpretive theory, the Federal Circuit has recognized that "there is no magic formula or catechism for conducting claim construction," and the court must

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10. 517 U.S. 370 (1996).

11. *Id.* at 388 ("[J]udges, not juries, are . . . better suited to find the acquired meaning of patent terms.").

12. *See, e.g., Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 989 (Fed. Cir. 1995) (en banc) (Mayer, J., concurring in the judgment) ("[T]o decide what the claims mean is nearly always to decide the case."), *aff'd*, 517 U.S. 370 (1996).

13. *See Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1276, 1292 (Fed. Cir. 2014) (en banc) (interpreting whether the claim term "voltage source means" was not subject to means-plus-function limitation to decide the appeal), *vacated sub nom.* 135 S. Ct. 1173 (mem. op.); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1324–28 (Fed. Cir. 2005) (en banc) (holding that the construction of "baffles" was not limited to "non-perpendicular", projectile-deflecting structures); *see also Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1458–59 (Fed. Cir. 1998) (en banc) (finding that a limitation requiring that fluid flow "to" second pumping means did not preclude fluid from passing through intervening components and was thus literally infringed); *Markman*, 52 F.3d at 982–84 (holding that "inventory" meant "articles of clothing," rather than cash or inventory receipts because of the patent specification and patent history).

14. Thomas Chen, Note, *Patent Claim Construction: An Appeal for Chevron Deference*, 94 VA. L. REV. 1165, 1177 (2008).

use a flexible process.<sup>15</sup> In deciding the scope of a claim, different judges can reach different, yet still reasonable, interpretations by weighing evidence differently based on different interpretive theories or even within the same interpretive theories.<sup>16</sup> Despite recognizing that multiple reasonable interpretations likely exist, the Federal Circuit and Supreme Court have created a procedural system that values the “correct” interpretation above all else. This singular focus on the “correct” interpretation has undermined the effectiveness of the patent system by weighing it down with overly burdensome costs and inefficiencies.<sup>17</sup>

With an eye to the difficulties of “correctly” interpreting the claims of a patent, the Federal Circuit moved in 1996 to resolve whether claim construction was a legal or factual question.<sup>18</sup> The en banc Federal Circuit, held that claim construction was purely a matter of law and therefore should receive de novo review on appeal.<sup>19</sup> The court justified de novo review by comparing claim construction to statutory interpretation, taking the opinion that there is “only one correct interpretation.”<sup>20</sup> The Supreme Court affirmed citing “functional considerations,” including relative interpretive abilities of judges versus juries.<sup>21</sup> The Federal Circuit has regularly reaffirmed the position that claim construction is to be done by the court rather than by the jury.<sup>22</sup> This judicial ruling is meant to achieve more consistent and accurate

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15. *Phillips*, 415 F.3d at 1324. Although, it should be noted that it is far from established truth that claim construction does not have one “correct” interpretation rather than multiple reasonable interpretations. The Federal Circuit and the Supreme Court have, in some cases, related claim interpretation to statutory interpretation, thus driving toward the conclusion that, much like statutory interpretation, there should be only one “correct” interpretation. *See generally* Duffy, *supra* note 1 (analyzing why a single source of interpretation leads to beneficial predictability, which would better serve the interpretation of claim language and thus the patent system as a whole).

16. *See* Chen, *supra* note 14, at 1177 (noting that judges’ interpretations can vary dramatically by applying different theories of construction within the broad net of interpretative theories recognized by the Federal Circuit).

17. *See* Dan L. Burk & Mark A. Lemley, *Quantum Patent Mechanics*, 9 LEWIS & CLARK L. REV. 29, 56 (2005) (arguing that, because claim construction is inherently indeterminate, the Federal Circuit could promote certainty and predictability by making determinations regarding claim construction earlier in the life cycle of a patent case, rather than by spending more time looking for the single right answer).

18. *Markman*, 52 F.3d at 976.

19. *Id.* at 979; *see also* Chen, *supra* note 14, at 1170 (noting the historical development of appellate deference established in *Markman*).

20. *Id.* at 987.

21. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384–88 (1996).

22. *See, e.g., Markman*, 52 F.3d at 970–71 (reaching the conclusion that “the interpretation and construction of the patent claims . . . is a matter of law exclusively for the court.”); *R+L Carriers, Inc. v. Qualcomm, Inc.*, 801 F.3d 1346, 1350 (Fed. Cir. 2015) (same); *Am. Calcar, Inc. v. Am. Honda Motor Co., Inc.*, 651 F.3d 1318, 1336 (Fed. Cir. 2011) (same); *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1347 (Fed. Cir. 1998) (same).

claim constructions,<sup>23</sup> but it has repercussions later in the litigation on appeal.<sup>24</sup>

One of the most persistent problems in today's patent litigation is claim-construction uncertainty lingering beyond the *Markman* hearing. This is because, since claim construction is a matter of law, it can be easily changed by reviewing courts. In 1998, the Federal Circuit held that district court claim-construction decisions are reviewed without deference in the appeal.<sup>25</sup> In 2014, the Federal Circuit reaffirmed that conclusion in *Lighting Ballast*,<sup>26</sup> although this time with a very strong dissent.<sup>27</sup> Most recently in *Teva*,<sup>28</sup> the Supreme Court attempted to fix the issue by drawing distinctions between questions of fact and questions of law during claim construction and varying appellate deference accordingly.<sup>29</sup>

Commentators have frequently pointed to the uncertainty created by the historically high rate of claim-construction reversals by the Federal Circuit as a major problem in current patent litigation.<sup>30</sup> Studies have found that claim constructions, in the wake of *Markman* and *Cybor*, have been reversed between 29.6%<sup>31</sup> and 34.5% of the time.<sup>32</sup> In 1998, dissenting in part in *Cybor*, Judge Rader cited the Federal Circuit's own 1997 statistic that 53% of cases from district courts were reversed, at least in part, further remarking that an even higher reversal rate would provide more certainty in district court decisions than was currently available to parties because "this reversal rate, hovering near 50%, is the worst possible."<sup>33</sup>

### III. Major Problems Targeted

The primary objective of this proposed procedural reform is to combat the judicial inefficiency endemic to the current system for patent litigation. The reform uses the changes and new resources introduced in the America

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23. See *Markman*, at 384–88 (discussing and ultimately rejecting *Markman*'s contention that juries are responsible for determining the meaning of terms of art in patent construction).

24. Duffy, *supra* note 1, at 123–24 (noting that after *Markman* and *Cybor* questions of law receive de novo review on appeal).

25. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454–55 (Fed. Cir. 1998) (en banc).

26. *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1283–86 (Fed. Cir. 2014) (en banc), *vacated sub nom.* 135 S. Ct. 1173 (mem. op.).

27. *Id.* at 1296 (O'Malley, J., dissenting).

28. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015).

29. *Id.* at 836–38.

30. See, e.g., Mark A. Lemley & Shawn P. Miller, *If You Can't Beat 'Em, Join 'Em? How Sitting by Designation Affects Judicial Behavior*, 94 TEXAS L. REV. 451, 452 (lamenting the uncertainty created by high claim construction reversal rates).

31. Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L.J. 1075, 1104 (2001).

32. Kimberley A. Moore, *Markman Eight Years Later: Is Claim Construction More Predictable?*, 9 LEWIS & CLARK L. REV. 231, 233 (2005).

33. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1476 (Fed. Cir. 1998) (Rader, J., dissenting in part, joining in part, and concurring in the judgment).

Invents Act, specifically the Inter Partes Review program, to increase the efficiency of patent litigation by reforming procedures concerning claim construction.

Claim construction at the trial and appellate courts is wrought with challenges balancing determinacy with efficiency and costs related to obtaining information.<sup>34</sup> The Federal Circuit's goal with *de novo* review was to maximize determinacy by focusing on achieving the "correct" interpretation.<sup>35</sup> This focus on the "correct" interpretation, despite the indeterminate nature of claim language, has imposed great costs on the courts at the expense of patent litigation effectiveness.<sup>36</sup> The inability of litigants to firmly define the exact scope of a claim until after the Federal Circuit has reviewed *de novo* the claim construction presents significant costs that make patent litigation inefficient.<sup>37</sup> While *de novo* review likely produces the most accurate claim construction—a worthy goal—it does so at too high of a cost. Given the inherent indeterminacy in interpreting patent claims, the quality of a claim construction should be measured "not on its fidelity to some abstract ideal of interpretation"<sup>38</sup> but rather by an optimization of factors including accuracy, predictability, reliability, and cost to obtain. The proposed reform produces "better" claim constructions that are overall marginally less "correct" but are more reliable (less likely to be reversed on appeal), cheaper, and more predictable.

#### IV. Reform Overview

Using cost-shifting and deference standards, the proposed reform seeks to capitalize on the new programs created by the America Invents Act, specifically the Inter Partes Review program, to implement Mr. Duffy's concepts of applying administrative law principles to patent law to increase the efficiency of patent litigation. This reform draws from principles of administrative law to create a patent litigation procedure that makes use of primary jurisdiction doctrine and relies on the institutional competency and

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34. Chen, *supra* note 14, at 1175. For an illustration of the Federal Circuit's struggle with the challenges presented by claim construction, see generally *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

35. See *Cybor Corp.*, 138 F.3d at 1455 (arguing that *de novo* review of claim construction promotes certainty and uniformity in patent cases across the country).

36. Chen, *supra* note 14, at 1175.

37. See *Cybor Corp.*, 138 F.3d at 1476 (Rader, J., dissenting in part, joining in part, and concurring in the judgment) ("The meaning of a claim is not certain . . . until nearly the last step in the process—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* proceeding, past the entirety of discovery, past the entire trial on the merits, past post trial motions, past briefing and argument to the Federal Circuit—indeed past every step in the entire course of federal litigation, except Supreme Court review. In implementation, a *de novo* review of claim interpretations has postponed the point of certainty to the end of the litigation process . . .").

38. Duffy, *supra* note 1, at 159.

expertise of the U.S. Patent and Trademark Office to improve patent litigation.

#### V. Administrative Law & Primary Jurisdiction Doctrine

In order to better understand how primary jurisdiction could be applied to patent litigation in line with Mr. Duffy's article, it is important to first understand the basics of primary jurisdiction doctrine.

By guiding the relationship between courts and administrative agencies with regulatory duties, primary jurisdiction seeks to increase efficiency when both groups grapple with the same subject matter.<sup>39</sup> The doctrine dates back to 1907 in *Texas & Pacific Railway Co. v. Abilene Cotton Oil Co.*<sup>40</sup> In *United States v. Western Pacific Railroad Co.*,<sup>41</sup> a case about railroad tariffs, the Court cited a desire for uniform and expert regulatory administration, reasoning that having the agency construe the tariffs first would create more uniformity and prevent conflicting results between the administrative agency and the court.<sup>42</sup>

The Court's view toward agencies has developed over time. Over time, the Court struggled to balance the competing interests of valuing the specific expertise of agencies with the Court's role as arbiter of legal interpretation.<sup>43</sup> Initially this balancing act led to *Skidmore v. Swift & Co.*<sup>44</sup> and the establishment of the *Skidmore*-deference standard (the "power to persuade" standard) given to executive branch agencies.<sup>45</sup> Since *Skidmore*, the Supreme Court has revisited the subject of the appropriate level of deference a court should give to administrative agencies by balancing concerns of judicial efficiency and agency expertise in a detailed regulatory scheme and on concerns regarding agency capture and judicial activism.<sup>46</sup>

Primary jurisdiction can be instituted simply by the court allowing referral to the relevant agency (in this case the Patent Trial and Appeals Board within the U.S. Patent and Trademark Office) by granting a stay to give the

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39. Christopher Ilardi, Note, *The Broken System of Parallel Patent Proceedings: How to Create a Unified, One-Judgment System*, 36 CARDOZO L. REV. 2213, 2240 (2015) (citing *United States v. W. Pac. R.R. Co.*, 352 U.S. 59, 63 (1956)).

40. 204 U.S. 426 (1907).

41. 352 U.S. 59 (1956).

42. *Id.* at 64; *see also* Duffy, *supra* note 1, at 139–40.

43. *See, e.g.*, *Universal Elecs., Inc. v. United States*, 112 F.3d 488, 492 (Fed. Cir. 1997) ("Questions of law such as these lie within the domain of the courts, for '[i]t is emphatically the province and duty of the judicial department to say what the law is.'") (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803)).

44. 323 U.S. 134 (1944).

45. *Id.* at 140.

46. *See, e.g.*, *United States v. Mead Corp.*, 533 U.S. 218, 227–28 (2001) (reinvigorating *Skidmore*); *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 843 (1984) ("[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute").

parties a “reasonable opportunity to seek an administrative ruling” on a relevant issue.<sup>47</sup> Referring the issue to the Patent and Trial Appeals Board would not deprive the court of jurisdiction.<sup>48</sup> The court can regulate any aspect of the doctrine including creating a timeline.<sup>49</sup> Therefore, the court can establish timing mechanisms for administrative rulings, including a time limit for an administrative ruling to be made beyond which the court will proceed without the agency’s input.<sup>50</sup>

A. *Applying Primary Jurisdiction & Administrative Law to Patent Law*

Courts have used a four-factor test to identify circumstances where applying primary jurisdiction may be appropriate:

(1) whether the question at issue is within the conventional experience of judges or whether it involves technical or policy considerations within the agency’s . . . field of expertise, (2) whether the question at issue is . . . within the agency’s discretion, (3) whether there exists a substantial danger of inconsistent rulings, and (4) whether a prior application to the agency has been made.<sup>51</sup>

In the patent context, the question of patent validity satisfies all these factors. The desirability of uniformity and the benefits of specialized knowledge toward that goal have long been valued in this field and were the very reasons that Congress created the Federal Circuit in 1982.<sup>52</sup> The Supreme Court has acknowledged that patent cases present complex issues, and several courts have expressed a lack of competence in resolving these issues.<sup>53</sup> Further, questions of validity and defining the appropriate scope of a patent’s claim are within the Patent and Trademark Office’s discretion because the Patent and Trademark Office, during patent prosecution, is responsible for determining the allowable scope and validity of patent applications.<sup>54</sup> Also, the initial patent application by the inventor to the Patent and Trademark Office, prior to the granting of the patent, can

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47. Duffy, *supra* note 1, at 137 (citing *Reiter v. Cooper*, 507 U.S. 258, 268 (1993)).

48. *Id.* (citing *Reiter*, 507 U.S. at 268).

49. *Id.* (citing *Am. Auto. Mfrs. Ass’n v. Mass. Dep’t of Env’tl. Prot.*, 163 F.3d 74, 86–87 (1st Cir. 1998)).

50. *Id.*

51. *Ellis v. Tribune Television Co.*, 443 F.3d 71, 82–83 (2d Cir. 2006).

52. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study In Specialized Courts*, 64 N.Y.U. L. REV. 1, 3, 7 (1989) (noting that the Federal Court Improvements Act of 1982, which established the Federal Circuit, was designed to create a uniform, more predictable application of law).

53. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 331 (1971) (“We are also aware that some courts have frankly stated that patent litigation can present issues so complex that legal minds, without appropriate grounding in science and technology, may have difficulty in reaching decision.”).

54. See *Ilardi*, *supra* note 39, at 2242–44 (2015) (citing 35 U.S.C. § 2(a)(1) (2012)).

reasonably be considered a prior application regarding patent validity to the Patent and Trademark Office.<sup>55</sup>

After establishing the appropriateness of courts using the Patent and Trademark Office's expertise to help them efficiently litigate a patent case, the appropriate deference for the court to give to the Patent and Trademark Office's decision must be established. Several embodiments of administrative law deference have developed over the past few decades, all established for different purposes and providing varying levels of deference to administrative law decisions.<sup>56</sup> These deference standards can vary from *Chevron* deference, which holds that courts are required to defer to an agency's construction of a statute when the agency administers the statute, as long as the interpretation is reasonable,<sup>57</sup> to *Seminole Rock*,<sup>58</sup> which requires courts to defer to agency interpretations of its own regulations on a plainly erroneous standard,<sup>59</sup> to *Skidmore*, which makes an agency's construction binding on the court only to the extent it is persuasive.<sup>60</sup>

In the case of patent claim interpretation, the Federal Circuit has previously acknowledged that the Patent and Trademark Office has interpretive expertise worthy of deference.<sup>61</sup> Given that the language of claims is highly technical and the Patent and Trademark Office "itself has been responsible for 'developing a complex and rigid code of rules to govern claim format,'" deference to the Patent and Trademark Office's expertise in claim construction is particularly appropriate.<sup>62</sup> On the other hand, courts have also influenced claim format, and the Federal Circuit also has expertise in claim interpretation.<sup>63</sup> Therefore, requiring binding deference would be inappropriate because it would insinuate that courts lack the capacity to adequately perform claim constructions. Many courts, particularly the Federal Circuit and district courts with heavy patent dockets, have expertise in claim interpretation and have capacity to perform claim constructions. Since the courts have already recognized the Patent and Trademark Office's

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55. *Id.* at 2244–45.

56. *See supra* note 46 and accompanying text.

57. Duffy, *supra* note 1, at 129.

58. *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410 (1945).

59. *Id.* at 414.

60. *See Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) ("[T]he rulings, interpretations and opinions of [an administrative agency] while not controlling upon the courts by reason of their authority, do constitute a body of experience and informed judgment to which courts and litigants may properly resort for guidance.").

61. Duffy, *supra* note 1, at 130 & n.77 (citing *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1367 (Fed. Cir. 2000), and *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984), *abrogated on other grounds*, *Therasense, Inc. v. Becton, Dickson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011)).

62. *Id.* at 130–31 (quoting Karl B. Lutz, *Evolution of the Claims of U.S. Patents*, 20 J. PAT. & TRADEMARK OFF. SOC'Y 457, 488 (1938)).

63. *Id.* at 131.

expertise and the courts have expertise themselves, a *Skidmore* level of deference for Patent and Trademark Office claim constructions is most appropriate—the agency’s decision would be given deference to the extent that it is persuasive to the court. The courts in *Skidmore* and in *Mead*<sup>64</sup> outlined factors for determining the weight of an agency decision including: “the thoroughness evident in the agency’s interpretation, the validity of its reasoning, [the interpretation’s] consistency with earlier and later pronouncements,” the degree of the agency’s care, the agency’s relative “expertness” and specialized experience, the highly detailed nature of the regulatory scheme, the value of the uniformity in the agency’s understanding of what a national law requires, and “all those factors which give it power to persuade.”<sup>65</sup>

By making use of the Patent and Trademark Office’s expertise and administrative law deference, the proposed plan will produce better claim constructions and reduce inefficiency. The Federal Circuit has already recognized that the Patent Trial and Appeal Board has the expertise to make accurate interpretations.<sup>66</sup> Further, nationally unified constructions will be more predictable than the variation caused by district-by-district constructions.<sup>67</sup> The proposed plan gives additional deference to Patent Trial and Appeal Board claim constructions at the Federal Circuit, which will make initial claim interpretations more reliable.<sup>68</sup> Patent Trial and Appeal Board claim constructions will cost less than those conducted by general courts because of the Patent Trial and Appeal Board’s specialized knowledge.<sup>69</sup> Finally, additional deference to initial claim interpretations will reduce litigation costs by reducing the currently high rate of Federal Circuit claim-construction reversals that lead to decision reversals and remands to district court.<sup>70</sup> Any claim likely supports several “correct” interpretations that different judges can reasonably find using Federal Circuit-endorsed canons

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64. 533 U.S. 218 (2001).

65. *Mead*, 533 U.S. at 227–28 (quoting *Skidmore*, 323 U.S. at 140).

66. Duffy, *supra* note 1, at 130 n.77 (citing *Am. Hoist*, 725 F.2d at 1359, and *Ultra-Tex Surfaces*, 204 F.3d at 1367).

67. *See id.* at 159 (“[T]he history of patent administration suggests that specialized institutions advance predictability.”).

68. *See id.* at 129 (arguing the results of the relevant case law “show that reviewing courts . . . should afford[] much greater deference to administrative agencies on mixed questions of fact and law than to lower courts.”); Burk & Lemley, *supra* note 17, at 56 (“[T]he inherent indeterminacy of language might paradoxically incline us to procedural mechanisms that force courts to make [claim interpretations] earlier in litigation.”).

69. Duffy, *supra* note 1, at 158.

70. *See* Chu, *supra* note 31, at 1104 (“In sum, the Federal Circuit reversed 29.6% of cases involving an express review of claim construction.”); Moore, *supra* note 32, at 233 (“The reversal rate . . . for appealed claim terms from 1996 . . . through 2003 [was] 34.5%.”).

of construction.<sup>71</sup> Therefore, the interpretations found by the Federal Circuit reviewing claim constructions *de novo* are not so much more “correct” as to justify their high cost. *De novo* review by the Federal Circuit is extremely costly because it creates frequent reversals and remands on claim constructions, resulting in a whole new district court trial and making any previous analysis of validity or infringement irrelevant.<sup>72</sup>

## VI. Benefits

The successful implementation of the proposed procedural reform will reap benefits primarily by increasing the efficiency of patent litigation: making it less costly, more consistent, and more quickly resolved. One of the major improvements will be to eliminate the judicial inefficiencies introduced by multiple claim constructions. Currently, one patent suit is likely to have several claim constructions performed on the same set of claims: one done by the Patent Trial and Appeal Board during an *inter partes* review, another done by the district court during trial, and perhaps yet another by the Federal Circuit if the Federal Circuit finds error in the trial construction and reverses (which frequently is the case).<sup>73</sup> The proposed procedural reform adds incentives for defendants to file *inter partes* reviews early in the timeline of the district court case, incentivizes district courts to accept the claim construction performed by the Patent Trial and Appeal Board rather than perform its own, and increases the deference standard the claim construction receives on appeal. The efficiency of a single claim construction is most impactful for the roughly one-third of patent cases whose claim constructions are reversed at the Federal Circuit and wholly remanded, because these claims may have been interpreted as many as three separate times.<sup>74</sup>

Additionally, the decreased likelihood of a subsequent court finding error in the claim construction and reversing it gives the parties greater certainty in litigation. Under the current system, the claim construction for a case is not firmly set until after the Federal Circuit has made a ruling on the construction.<sup>75</sup> The proposed reform increases judicial efficiency by making

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71. See *supra* notes 14–17 and accompanying text (discussing the inherent indeterminacy of patent claims and that claims are more likely to have multiple reasonable interpretations rather than a singular correct interpretation).

72. Duffy, *supra* note 1, at 112 (noting that “a significant number of infringement trials may be wasted if, as is likely, institutional differences create frequent divergence between trial and appellate interpretations”).

73. See *supra* notes 25–32 and accompanying text (discussing the judicial resources frequently spent on claim construction).

74. See *supra* notes 25–32 and accompanying text (discussing the high frequency of claim construction reversals by the Federal Circuit).

75. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015) (holding the “ultimate interpretation” of a patent claim to be “a legal conclusion” and that the Federal Circuit can “review the district court’s ultimate construction of the claim *de novo*”).

the claim construction firmer earlier in the life cycle of a suit. Certainty in the claim construction earlier in the litigation allows parties and the courts to make better use of district court proceedings rather than treating district court proceedings as a cumbersome formality necessary to reach the Federal Circuit and a binding claim construction before the infringement analysis can begin in earnest.<sup>76</sup>

Another benefit of the proposed procedural reform is overall improvement in the quality and consistency of claim constructions. As discussed previously, primary jurisdiction doctrine in administrative law can be used to empower an administrative agency to aid trial courts in their decision making when the subject matter involves a detailed regulatory scheme and the agency has specialized experience.<sup>77</sup> Here the U.S. Patent and Trademark Office would be very helpful. The proposed reform will allow the U.S. Patent and Trademark Office, and specifically the Patent Trial and Appeal Board, to use its relative “expertness” in the field of patents and the process of performing claim constructions to produce more consistent and accurate claim constructions.

A tangential benefit to this reform is reducing the value to plaintiffs of forum shopping in patent cases. Forum shopping in patent cases and the concentration of patent suits in particular districts has recently been the target of great skepticism among commentators and legislators.<sup>78</sup> This reform would decrease the incentive for plaintiffs to forum shop for favorable claim constructions. As previously noted, much of a patent case is determined by what the court interprets the claims of the patent-in-suit to mean during claim construction. Currently, plaintiffs are incentivized to forum shop for a court that is likely to give them a favorable claim construction.<sup>79</sup> This procedural reform will take claim construction out of the hands of district court judges and place it with a Patent Trial and Appeal Board panel that has been assigned to it (not chosen by the plaintiffs). As noted earlier, this procedure will not eliminate all of the incentives for plaintiffs to engage in forum shopping because there are a wide variety of other factors for plaintiffs to consider in choosing a forum, notably including favorable local procedure rules.<sup>80</sup> Nonetheless, by having the Patent Trial and Appeal Board panel perform the

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76. The American Intellectual Property Law Association recently found that the cost of a district court litigation with less than \$1 million at issue was approximately \$700,000 and \$5.5 million when there was \$25 million or more at issue. AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2013, at 34 (2013).

77. *United States v. Mead Corp.*, 533 U.S. 218, 227–28 (2001).

78. See generally Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) (investigating the scale of forum shopping for patent cases, the impact of forum shopping, and how it might be reduced or eliminated).

79. See *supra* notes 8–13 and accompanying text (discussing the high significance of claim construction on a patent suit).

80. See Moore, *supra* note 78, at 907–12 (discussing the variations between district courts for patent suits in light of different local patent-litigation rules and the impact on forum shopping).

majority of claim constructions, this procedural reform will promote uniformity in claim constructions across the country and the timeline of cases. Uniformity—an oft-cited benefit of primary jurisdiction<sup>81</sup>—is desirable for national and complex regulatory schemes, such as patent law.

## VII. Proposal

The following Part outlines the proposed procedural reform, broken down into four main chronological steps for how a case would proceed through litigation under the proposed plan.

### A. *Step 1(a): Denial of Pre-Claim-Construction Motions to Dismiss*

The first step of the proposed procedural reform is to eliminate pre-claim-construction motions to dismiss on the basis of invalidity, specifically Federal Rule of Civil Procedure 12(b)(6) motions. Particularly with the recent growth of computer-based, business-method patents and dramatic uncertainty for patentability in light of *Alice*,<sup>82</sup> courts have inappropriately begun granting 12(b)(6) motions on the basis of invalidity. To survive a Federal Rule of Civil Procedure 12(b)(6) motion, the plaintiff must make factual allegations enough to “raise a right to relief above the speculative level . . . on the assumption that all the allegations in the complaint are true.”<sup>83</sup> Further, patents themselves are presumed valid.<sup>84</sup> Therefore, in order to grant a pre-trial motion declaring invalidity, the judge must determine that, despite presuming the patent is valid and the allegations are true, the patent holder has failed to state a claim upon which relief could be granted.

Beyond the logical conclusion that invalidity decisions at this early stage are inappropriate in the vast majority of cases, eliminating these motions incentivizes defendants to file inter partes reviews to challenge the validity of the patent-in-suit. In the present system, which is not hostile to these pretrial motions, a ruling of invalidity on one of these motions is the fastest and cheapest way to invalidate the plaintiff’s patent because it can be done prior to substantial discovery and can be filed immediately upon receiving the complaint. This makes it a more desirable path for defendants striving for a ruling of invalidity. In the absence of a realistic chance of success on 12(b)(6) invalidity motions, defendants will seek the next most efficient way to attempt to invalidate the patent. Specifically, defendants will look to use

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81. See, e.g., *United States v. W. Pac. R.R. Co.*, 352 U.S. 59, 64 (1956) (explaining the Court’s emphasis on the “desirable uniformity which would obtain if initially a specialized agency passed on certain types of administrative questions”).

82. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014).

83. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007).

84. 35 U.S.C. § 282(a) (2012) (stating “[a] patent shall be presumed valid. Each claim of a patent . . . shall be presumed valid independently of the validity of other claims . . . . The burden of establishing invalidity . . . shall rest on the party asserting such invalidity.”).

an inter partes review, due to the time constraints placed on inter partes reviews,<sup>85</sup> as the next best way to potentially invalidate the patent-in-suit.<sup>86</sup> This will push defendants to seek a ruling from the Patent Trial and Appeal Board. This is the first major step for this procedural reform plan to efficiently make use of the U.S. Patent and Trademark Office's subject-matter expertise in patent litigation.

*B. Step 1(b): Immediate Inter Partes Review & District Court Stay Pending Inter Partes Review*

In addition to doing away with pre-claim-construction motions to dismiss on the basis of invalidity, the proposed plan also includes incentives for the defendants to immediately file an inter partes review and incentives for the district court to stay the district court case pending the inter partes review. The inter partes review process has already gained popularity as a tool for defendants facing patent infringement suits in district court. A full 80% of inter partes reviews were instituted in cases where “the challenged patent was also asserted in litigation between the petitioner and respondent.”<sup>87</sup> In order to further incentivize defendants to file inter partes reviews in parallel with district court litigation, the proposed procedural reform includes a cost-shifting program. If the challenged patent is invalidated by the Patent Trial and Appeal Board in the inter partes review, then the patent owner would be liable for the cost of the inter partes review. The cost of instituting an inter partes review pales in comparison to the average cost of district court litigation, which already provides some incentive to use the inter partes review system.<sup>88</sup> However, this cost-shifting program further incentivizes defendants to file inter partes reviews in response to district court litigation and provides some deterrence to plaintiffs (particularly nonpracticing entities) from filing patent infringement cases in district court with patents that are likely to be invalidated.<sup>89</sup>

To be effective, the proposed procedural reform also requires district court judges to stay the patent cases, pending the resolution of an inter partes review. Judges already grant stays at a consistently high rate.<sup>90</sup> To increase

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85. Congress mandated that inter partes reviews be concluded in 12 months, extendable to 18 months on a showing of cause for the extension. 35 U.S.C. § 316(a)(11) (2012).

86. See Brian Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 99 (2014) (finding that inter partes review is “more likely [than inter partes reexamination] to serve its intended purpose as an alternative to full-blown litigation”).

87. *Id.* at 11–12.

88. See *supra* note 76 and accompanying text (discussing the cost of patent litigation).

89. Given that the cost of a single inter partes review is likely considered trivial in light of overall patent litigation costs, this cost-shifting program only becomes a substantial burden on plaintiffs if they assert a large number of patents and the Patent Trial and Appeal Board invalidates them all.

90. In cases with parallel inter partes reviews and district court proceedings, 76% had motions to stay district court litigation pending the inter partes review. Love & Ambwani, *supra* note 86, at

judges' staying district court cases, the reform imposes different deference standards for claim constructions on appeal, depending on the claim construction's source. If a judge allows a stay for an inter partes review and then accepts the Patent Trial and Appeal Board's claim construction rather than performing her own, then the claim construction receives greater deference on appeal. This makes it less likely that the district judge will have the case reversed and remanded on a claim-construction error—an incentive to the district judge.<sup>91</sup> Additionally, since the referral of the issue to the administrative agency does not deprive the court of jurisdiction, the court may, in its discretion to prevent further delay, establish a time limit for the stay beyond which the court would proceed without the agency's ruling or allow limited discovery during the stay. This will give sufficient incentive for defendants to file inter partes reviews and sufficient flexibility to district court judges to grant stays pending inter partes reviews. Immediate inter partes reviews and stays for district court are necessary for the success of the proposed reform because the judicial efficiencies created by having the Patent Trial and Appeal Board conduct claim constructions are only available with parallel proceedings.<sup>92</sup>

*C. Step 2: Inter Partes Review and Patent Trial and Appeal Board Claim Construction*

Next, the Patent Trial and Appeal Board conducts a claim construction using the Person of Ordinary Skill In The Art (POSITA) standard in order to make an invalidity decision. Currently, the Patent Trial and Appeal Board does its claim construction using the Broadest Reasonable Interpretation (BRI) standard consistent with other appeals from Patent and Trademark Office proceedings;<sup>93</sup> in contrast, district courts use the POSITA standard.<sup>94</sup> Despite distinctions, early post-America Invents Act cases that have had claim constructions from both the Patent Trial and Appeal Board and the district courts suggest that the difference between the two standards is negligible but still present.<sup>95</sup> Therefore, it is not clear that conforming the

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103. Of those 76% of cases where a motion to stay was filed, courts granted stays, at least in part, 84% of the time. *Id.*

91. See *infra* notes 96–94 and accompanying text (discussing the proper appellate deference to the district court's claim construction, depending on whether the district court accepted the Patent Trial and Appeal Board's claim construction).

92. See *supra* notes 51–72 and accompanying text (detailing how primary jurisdiction principles can be applied to patent law to make use of the Patent Trial and Appeal Board's expertise to improve judicial efficiency in patent litigation).

93. *In re Abbott Diabetes Care Inc.*, 696 F.3d 1142, 1148 (Fed. Cir. 2012).

94. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).

95. *Compare Vibrant Media, Inc. v. Gen. Elec. Co.*, IPR 2013-00172, at 5 (P.T.A.B. July 28, 2014) (showing the Patent Trial and Appeal Board approaching the second claim construction issue with the BRI standard), and *Rackspace Hosting, Inc. v. Rotatable Tech. L.L.C.*, IPR 2013-00248, at 8 (P.T.A.B. Oct. 1, 2013) (same), with *Rotatable Techs. L.L.C. v. Nokia*, No. 2:12-CV-265–

Patent Trial and Appeal Board BRI-standard to the district court POSITA standard will materially affect the Patent Trial and Appeal Board claim constructions. But changing the standard will eliminate any potential difficulty between the two standards, such as concerns over changing the patent's scope between invalidity and infringement analysis, making the Patent Trial and Appeal Board construction more acceptable to district courts, and promoting uniformity in patent litigation (particularly invalidity analysis).

Under the proposed plan, once the Patent Trial and Appeal Board has made a decision regarding most patent validity contentions,<sup>96</sup> the case will proceed. If the patent is invalidated by the Patent Trial and Appeal Board, the district court simply closes the case, subject to appeal, thereby not wasting district court resources on a patent infringement case regarding a patent that has been invalidated. The patent owner has the right to appeal the decision to the Federal Circuit, as is currently available.<sup>97</sup> On appeal, the standard of review applied by the Federal Circuit to the decisions of the Patent Trial and Appeal Board has been established as *de novo* for legal conclusions<sup>98</sup> and the "substantial evidence" standard for factual findings.<sup>99</sup>

If the patent is revalidated by the Federal Circuit, the case will be remanded to district court where the claim construction used by the Federal Circuit will be used for infringement analysis.

On the other hand, if the patent is ruled valid, the Patent Trial and Appeal Board will do any additional claim construction necessary for infringement analysis; the initial claim construction (in line with current *inter partes* review proceedings) is only to determine most contentions of patent validity.<sup>100</sup> After being ruled valid, additional claim construction may be necessary in order to make a future decision regarding infringement. It is not always the case that additional claim construction will be necessary for infringement analysis, but there may be circumstances that a term dispute is relevant only to infringement analysis and not invalidity. In such cases, the disputed terms must be construed before an infringement analysis, and the Patent Trial and Appeal Board panel that completed the claim construction for invalidity will be the best prepared to do additional construction.

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JRG, 2013 WL 3992930 at \*3 (E.D. Tex. Aug. 2, 2013) (showing a district court approaching the first claim construction issue with the POSITA standard), *and* Gen. Elec. Co. v. Kontera Techs., Inc., No. 12-525-LPS, 2013 WL 4757516 at \*3-4, \*4 n.4 (D. Del. Sept. 3, 2013) (same).

96. See 35 U.S.C. § 311(b) (2012) (stating that an *inter partes* review petition can only be filed to invalidate a patent on §§ 102 or 103 grounds based on prior art consisting of patents or printed publications).

97. 35 U.S.C. § 141(a) (2012).

98. *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000).

99. *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999); *id.*

100. See 35 U.S.C. § 311(b) (2012) (*inter partes* reviews are limited in scope to §§ 102 and 103 validity examinations).

By having an inter partes review ruling on the majority of validity contentions before any substantial district court proceedings, this program prevents wasting court resources analyzing a patent that will be invalidated by the Patent and Trademark Office. Once the inter partes review has ruled on the validity of the patent-in-suit, the parties and the court can focus entirely on infringement contentions without overhanging questions of invalidity.

This process will act in practice similarly to the German bifurcated patent law system that tests validity and infringement separately, although the German system analyzes invalidity and infringement separately but concurrently.<sup>101</sup> Similar to the German system, bifurcating the majority of validity and infringement in a system where courts accept Patent Trial and Appeal Board claim constructions improves judicial efficiency by sparing generalist district courts the difficulty of adjudicating many highly technical questions of patent law, and leaving it to those with a more developed background for such adjudication.<sup>102</sup> However, the German bifurcated system—because validity and infringement are tested concurrently—can result in incongruent decisions.<sup>103</sup> This proposed reform eliminates the risk of the “injunction gap” by incentivizing district courts to grant stays pending inter partes review resolution. Giving the Patent Trial and Appeal Board the ability to perform claim construction and primary invalidity analysis, consistent with the traditional goals of primary jurisdiction, will promote national uniformity in claim construction<sup>104</sup> and give the Patent and Trademark Office greater control over claim interpretation and patent validity.<sup>105</sup>

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101. Colleen Chien & Christian Helmers, *Inter Partes Review and the Design of Post-Grant Patent Reviews*, STAN. TECH. L. REV. (forthcoming) (manuscript at 5), <http://ssrn.com/abstract=2601562> [<https://perma.cc/HL7X-7AST>].

102. See, e.g., Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 946–48 (2004) (detailing why district courts are not the appropriate venues for complex patent validity analyses).

103. Chien & Helmers, *supra* note 101 (manuscript at 10) (“[I]nvalidity proceedings take around 18 months to complete, infringement proceedings move faster, resolving in a median of 9 months” leading to the “so-called injunction gap—the period of time after [a finding of infringement but] before the validity judgment is handed down.”).

104. See *supra* notes 66–72 and accompanying text (discussing the traditional benefits of primary jurisdiction administrative law).

105. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015) (discussing the value of allowing the Patent and Trademark Office to make validity decisions even on issued patents by noting that “[i]t would be odd indeed if Congress could not authorize the [Patent and Trademark Office] to reconsider its own decisions” when discussing the power of the Patent Trial and Appeal Board to perform invalidity analysis in an inter partes review proceeding). For additional commentary regarding the benefits of national uniformity and giving the Patent and Trademark Office greater control over claim interpretation and patent validity, see Duffy, *supra* note 1, at 136–48.

*D. Step 3: District Court Litigation for Infringement*

After the Patent Trial and Appeal Board has ruled a patent valid and performed the necessary claim construction, the district court will judge infringement and other validity contentions.<sup>106</sup> Also, if the Patent Trial and Appeal Board has failed to reach a determination regarding a patent before the judge's deadline,<sup>107</sup> then the judge will likely have to perform his or her own claim construction. This timing mechanism allows judges to make room for the administrative law proceeding while not adding undesirable disruption to their dockets.

Under the proposed reform, the claim construction returns to the district court on a *Skidmore*-deference standard. Therefore, the district court should accept the Patent Trial and Appeal Board construction to the extent that it is persuaded. Factors to be considered include the four factors of when to apply primary jurisdiction:

- (1) whether the question at issue is within the conventional experience of judges or whether it involves technical or policy considerations within the agency's . . . field of expertise, (2) whether the question at issue is . . . within the agency's discretion, (3) whether there exists a substantial danger of inconsistent rulings, and (4) whether a prior application to the agency has been made.<sup>108</sup>

Further, the court can look to the factors outlined in *Skidmore* and in *Mead*, which include the thoroughness evident in the agency's interpretation, the validity of its reasoning, the interpretation's consistency with earlier and later pronouncements, the degree of the agency's care, the agency's relative "expertness" and specialized experience, the highly detailed nature of the regulatory scheme, the value of the uniformity in the agency's understanding of what a national law requires, and "all those factors which give it power to persuade."<sup>109</sup> Considering the specialized nature of the field, the expertise of the Patent and Trademark Office, and the value of uniformity, the Patent Trial

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106. See 35 U.S.C. § 311 (2012) (only §§ 102 and 103 grounds for invalidity can be heard by the Patent Trial and Appeal Board; therefore, all other invalidity contentions must be ruled on by the district court following the inter partes review).

107. See *supra* notes 47–50 and accompanying text (explaining the district court judge's ability—in line with other areas of administrative law—to schedule the trial and give a reasonable deadline for an inter partes review decision at the time the stay pending the review is granted, and, if the Patent Trial and Appeal Board fails to conclude the review prior to the deadline, the district court judge's ability to end the stay and perform his own full patent suit, including claim construction). For an example of this practice, see also *American Auto. Mfrs. Ass'n v. Mass. Dept. of Envtl. Prot.*, 163 F.3d 74, 86–87 (1st Cir. 1998).

108. *Ellis v. Tribune Television Co.*, 443 F.3d 71, 82–83 (2d Cir. 2006).

109. *United States v. Mead*, 533 U.S. 218, 227–28 (2001) (quoting *Skidmore v. Swift & Co.*, 323 U.S. 134, 139–40 (1944)).

and Appeal Board claim construction, while not binding on the district court, is likely to be persuasive.<sup>110</sup>

Once the district has accepted the Patent Trial and Appeal Board claim construction, the district court will conduct the trial and judge infringement and other validity contentions using appropriate means, recognizing that claim construction often paves the way for summary judgment or other proceedings and that a trial for infringement may not require an actual jury trial.

*E. Step 4: District Court Appeal to Federal Circuit with the Substantial Evidence Deference Standard and No Interlocutory Review*

The final step of the proposed plan deals with how the claim construction is handled on appeal to the Federal Circuit. Under the proposed reform, Patent Trial and Appeal Board claim constructions are reviewed under the substantial evidence standard, while district court claim constructions are reviewed de novo. This deference shifting incentivizes trial judges to use the agency's expertise and accept the Patent and Trademark Office's claim construction because doing so dramatically reduces the likelihood of being reversed on appeal.<sup>111</sup> As said before, the trial judge receives the Patent Trial and Appeal Board's claim construction on a *Skidmore* deference level and is not obligated to accept the construction if it is not persuasive. However, if the trial judge refuses the Patent Trial and Appeal Board claim construction and performs a new construction, that construction receives much less deference on appeal. Because the substantial evidence standard of review makes the Patent Trial and Appeal Board claim construction less likely to be overturned on appeal, it creates much more certainty in the claim construction for the parties and the courts when performing the infringement analysis. Finally, from a judicial-efficiency perspective, increasing the deference to claim constructions reduces the likelihood of performing multiple claim constructions on the same claims, previously noted as a judicial inefficiency.<sup>112</sup>

In sum, while matters of law, claim constructions are heavily fact intensive, and courts have struggled with the appropriate standard of review

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110. See *supra* notes 52–63 and accompanying text (noting the value of Patent Trial and Appeal Board claim constructions).

111. Given that “to decide what the claims mean is nearly always to decide the case,” substantially increasing the deference the Federal Circuit shows to the claim construction substantially decreases the likelihood of reversal, even though the legal conclusions (i.e., infringement) will still be reviewed de novo by the Federal Circuit. *Markman*, 52 F.3d 967, 989 (Fed. Cir. 1995) (en banc) (Mayer, J., concurring in the judgment).

112. See *supra* notes 34–38 and accompanying text (discussing how the judicial cost of achieving the “most accurate” claim construction outweighs the value derived from the “most accurate” claim construction because claims often support multiple reasonable interpretations, making finding the “most accurate” interpretation an unjustifiable judicial cost).

for claim constructions.<sup>113</sup> In light of this difficulty, the proposed reform applies one standard of review for the claim construction and a separate standard of review for subsequent determinations. Claim constructions performed by the Patent Trial and Appeal Board will be subject to the substantial evidence standard of review on appeal at the Federal Circuit regardless of if the appeal comes from the Patent Trial and Appeal Board or from the district court.<sup>114</sup> On the other hand, claim constructions made by the district court will be subjected to de novo review in line with patent law jurisprudence prior to *Teva*.<sup>115</sup>

Finally, this reform would not allow interlocutory appeals to the Federal Circuit. This reform pushes claim construction certainty earlier in the timeline of patent litigation. Therefore, interlocutory appeals are less justifiable than under the current system where claim-construction certainty can only be obtained through a review by the Federal Circuit. In the current system, the initial district court proceedings are potentially wasted pending the Federal Circuit's review of the claim construction; therefore, interlocutory reviews are an appealing way to limit the district court waste.<sup>116</sup> Under the proposed reform, concerns regarding wasted district court proceedings are less relevant, thereby dramatically limiting the value of an interlocutory appeal and making such reviews not worth the judicial inefficiency caused by delays pending interlocutory review.<sup>117</sup>

## VIII. Implementation Concerns

### A. *Hand-Off Issues*

One of the major potential problems with the proposed reform is difficulty in timely passing decisions between the Patent Trial and Appeal Board and the district courts. In deciding whether or not to stay litigation, judges take into consideration various factors relating to efficiently managing their docket such as the stage of litigation—particularly whether discovery

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113. See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836–38 (2015) (asking courts on review to distinguish questions of law from questions of fact within the claim construction and apply different standards of review to each).

114. See *In re Gartside*, 203 F.3d at 1316 (defining the standard of review for Patent Trial and Appeal Board claim constructions at the Federal Circuit).

115. *Teva*, 135 S. Ct. at 836–38 (attempting to distinguish between questions of law and questions of fact within a claim construction and applying different standards of review to each in order to increase the certainty of the district court claim construction).

116. See Duffy, *supra* note 1, at 125 (“[I]nterlocutory appeals would avoid the waste of trials where the district court’s interpretation differs from the Federal Circuit.”).

117. See *id.* at 125 (“[T]he appellate process usually extends several months from the time of docketing to decision and typically requires formal briefing and oral argument.”).

has completed or not.<sup>118</sup> While courts always have the power to stay a litigation pending an inter partes review, a court may, in its sound judgment, refuse to institute a stay after weighing competing interests—particularly in the case of inter partes review stays because the court has no control over the timeline of the stay.<sup>119</sup> Sufficiently incentivizing judges to grant stays pending inter partes reviews will be one of the greatest challenges to this reform's success. To combat this pitfall, the reform gives judges greater control over the duration of a stay by borrowing a primary jurisdiction policy. This new procedure allows judges to set a deadline for the Patent Trial and Appeal Board to conclude an inter partes review or the case will proceed in district court without the Patent Trial and Appeal Board ruling. Further, the increased deference of the claim construction on appeal, if judges accept the Patent Trial and Appeal Board construction, will combat their reluctance to grant stays pending inter partes reviews.

Additionally, judges providing deadlines to the Patent Trial and Appeal Board, as long as the deadlines are reasonable, will help reduce undue delay that could appear as the case transfers between the Patent Trial and Appeal Board and the district court. By setting a deadline for an inter partes review to be concluded, district judges will be able to schedule the trial, if necessary, at the time of granting the stay. This would eliminate any additional delay in the case passing between the Patent Trial and Appeal Board and district courts.

#### B. *Problem of Interpreting the Interpretation*

Another foreseeable trouble point for the proposed reform is the possibility of uncertainty regarding the claim construction itself. While the goal of claim construction is to define the scope of the patent-in-suit and eliminate ambiguity, there are occasions when the claim construction itself must be interpreted in light of some development during trial, particularly facts relating to infringement. If a judge was forced by circumstance to do a major interpretation of the claim construction, he or she would be hindered by not having done the claim construction personally. Further, there would likely be an undue delay if the court was forced to stay the case pending clarification from the Patent Trial and Appeal Board panel that performed the claim construction. Therefore, a district court judge would be forced to perform any necessary interpretations of the claim construction that come up during trial.

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118. See, e.g., Matthew R. Frontz, *Staying Litigation Pending Inter Partes Review and the Effects on Patent Litigation*, 24 FED. CIR. B.J. 469, 469 (2015) (noting that district court judges need to determine if such stays are proper for their dockets).

119. See *Drink Tanks Corp. v. GrowlerWerks, Inc.*, 2016 WL 3844209, at \*2 (D. Or. July 15, 2016) (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936) for the proposition that it is in the court's discretion whether to grant or to deny motions to stay).

While judges are likely to have more certainty interpreting their own claim construction than one from the Patent Trial and Appeal Board, this shortcoming is not fatal to the proposed reform. In many cases, such as *Teva*,<sup>120</sup> where the claim-construction disagreement stemmed from a difference in the interpretation of the term “molecular weight,” there is unlikely to be a need for substantial interpretation of the claim construction.<sup>121</sup> In such cases, problems interpreting the interpretation would be irrelevant. In the cases where judges would be required to make some interpretation of the claim construction, the judges do have the option to disregard the Patent Trial and Appeal Board’s claim construction. The Patent Trial and Appeal Board’s claim construction comes to the district court on *Skidmore* deference and is only binding in as much as it is persuasive. If the court believes that the Patent Trial and Appeal Board’s claim construction will require too much interpretation, it is not bound to use it. Therefore, this relieves any major problems with judges interpreting the Patent Trial and Appeal Board’s claim construction.

### C. *Quality of Patent Trial and Appeal Board Judges*

Perhaps the most notable potential pitfall of the proposed reform is inconsistency in the quality of Patent Trial and Appeal Board judges. Part of the core rationale for primary jurisdiction is that using the agency will yield more accurate and consistent results because of the agency’s expertise. This reform places increased pressure on Patent Trial and Appeal Board judges to be consistent and accurate while simultaneously requiring the U.S. Patent and Trademark Office to hire a large number of new Patent Trial and Appeal Board judges to handle the increased number of inter partes review petitions stemming from this reform. A major concern is that there will be some inconsistency among the Patent Trial and Appeal Board judges that will negatively affect this reform.

However, the *Skidmore*-deference standard that accepts Patent Trial and Appeal Board constructions accounts for these inconsistencies. The relevant factors that judges will look to in determining how persuasive a Patent Trial and Appeal Board claim construction is include the agency’s consistency, logic, thoroughness, and care.<sup>122</sup> The judge is the ultimate arbiter of claim construction and if, for example, a particular Patent Trial and Appeal Board panel has recently had their construction overturned by the Federal Circuit,

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120. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 723 F.3d 1363 (Fed. Cir. 2013), *vacated*, 135 S. Ct. 831 (2015).

121. *Id.* at 1367–70 (summarily determining that “molecular weight,” as used in two claims, was inherently indefinite and thus “not amenable to construction” (quoting *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891, 898 (Fed. Cir. 2013))).

122. *United States v. Mead Corp.*, 533 U.S. 218, 227–28 (2001).

the judge can take this into account when determining the persuasiveness of the claim construction.

Another major concern regarding the quality of Patent Trial and Appeal Board judges is how to attract high-quality Patent Trial and Appeal Board judges. This is not trivial. Correctly identifying and attracting quality judges is a core concern; however, it is intimately tied to the complex investigation of the program's cost. Presumably a major factor in attracting quality judges will be paying them sufficiently, an issue beyond the scope of this Note.

#### D. *U.S. Patent and Trademark Office Susceptibility to Political Influence*

Another potential pitfall will be concerns over administrative corruption, or agency capture, where agencies advance concerns of special interests over the public interest. Mark Lemley, specifically, has introduced the idea that greater reliance on the U.S. Patent and Trademark Office for decision making might not be wise for fear of the Patent and Trademark Office's susceptibility to political influence.<sup>123</sup> Agency capture by interest groups is a common fear relating to administrative agencies because they are not as insulated from the public as Article III judges. For their part, courts responded to agency capture concerns by increasing the scrutiny on agency actions "even as to the evidence on technical and specialized matters."<sup>124</sup>

This Note does not worry about the parade of horrors in the generic case, and the *Skidmore*-deference standard for judges to accept the Patent Trial and Appeal Board's claim construction is more than capable of dissuading large-scale problems caused by interest-group pressure on the Patent and Trademark Office.

#### E. *Backlog*

The proposed reform will immediately cause an increase in the number of inter partes review petitions filed with the Patent Trial and Appeal Board, which creates concerns over backlog and undue delays due to limited resources. As previously noted, discussion regarding the necessary hiring of new Patent Trial and Appeal Board judges and available funding is beyond the scope of this Note. However, the judicial efficiencies of resolving claim construction earlier in litigation by judges with specialized knowledge will, over time, streamline the patent litigation system and eliminate any backlog. Further, the reduction in reversals and remands as well as not allowing

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123. See Dan L. Burk & Mark A. Lemley, THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT 106–07 (2009) (discussing the likelihood and problems with Patent and Trademark Office capture).

124. Bradley George Hubbard, Comment, *Deference to Agency Statutory Interpretations First Advanced in Litigation? The Chevron Two-Step and the Skidmore Shuffle*, 80 U. CHI. L. REV. 447, 456 (citing *Ethyl Corp. v. EPA*, 541 F.2d 1, 35 (D.C. Cir. 1976)).

interlocutory appeals will, over time, reduce the burden on the courts and eliminate undue delays due to backlog from a lack of judicial resources.

*F. Article III and Seventh Amendment Concerns*

This procedural reform, with its use of inter partes reviews under the Patent Trial and Appeal Board as the primary means for invalidating patents, presents Article III and Seventh Amendment concerns regarding an administrative body's capacity to revoke property rights. Ever since the America Invents Act was first implemented, there have been challenges to the constitutionality of the Patent Trial and Appeal Board's capacity to determine property rights. In *McCormick Harvesting Machine Co. v. Aultman*,<sup>125</sup> the Supreme Court held that when a patent issues, it passes beyond the control of the patent office and "is not subject to be revoked or cancelled by the President, or any other officer of the Government."<sup>126</sup> Similarly in 1890, the Supreme Court held that patent validity "is always and ultimately a question of judicial cognizance."<sup>127</sup> Under this precedent, an inter partes review as an administrative law proceeding with the statutory power to invalidate an issued patent would seem to lack the constitutional power to do so. Nonetheless, the Federal Circuit decided an analogous issue in *Patlex Corp. v. Mossinghoff*<sup>128</sup> where the Federal Circuit found that reexaminations by the Patent and Trademark Office did not violate the Seventh Amendment.<sup>129</sup> Several challenges to the constitutional validity of the inter partes review process have emerged after the America Invents Act, notably *MCM Portfolio LLC v. Hewlett-Packard Co.*<sup>130</sup> However, on December 2, 2015, the Federal Circuit ruled that the inter partes reviews do not violate Article III<sup>131</sup> and further do not violate the Seventh Amendment because, "when Congress created the new statutory right to inter partes review, it did not violate the Seventh Amendment by assigning its adjudication to an administrative agency."<sup>132</sup> Although *Markman* states that "patent infringement actions in district court are subject to the Seventh Amendment, [it] does not suggest that there is a jury trial right in an administrative adjudication of patent validity."<sup>133</sup> Further, *MCM* states that "because patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no

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125. 169 U.S. 606 (1898).

126. *Id.* at 608.

127. *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 293 (1890).

128. 758 F.2d 594 (Fed. Cir. 1985).

129. *Id.* at 604–05.

130. 812 F.3d 1284 (Fed. Cir. 2015).

131. *Id.* at 1285.

132. *Id.* at 1292.

133. *Id.* at 1292 n.2.

barrier to agency adjudication without a jury.”<sup>134</sup> Barring a Supreme Court reversal of the Federal Circuit’s most recent decision regarding the constitutionality of the Patent Trial and Appeal Board’s power to invalidate patents during inter partes reviews, it is unlikely that the proposed procedural reform will face any major constitutional challenge.

### G. *Showing Success*

A primary concern when implementing this new procedure as a small trial or in a sweeping reform is how to evaluate the success or failure of the implementation. In evaluating litigation changes, such as this procedural one, selection bias presents an evidentiary problem. Litigators will make strategic decisions based on how the new rules will affect them, thus changing their initial strategy and preventing independent qualitative assessments of the program’s success.

In light of selection bias, one of the most revealing statistics in judging success will be the percentage of district courts that accept the Patent Trial and Appeal Board claim construction after the inter partes review (Step 4 of the procedure).<sup>135</sup> If a majority of courts are accepting the Patent Trial and Appeal Board claim construction, then this would show that the incentives of the program (including deference shifting) are sufficient to encourage courts to follow the program. Further, if a majority of district courts accept the Patent Trial and Appeal Board claim construction, this will indicate the courts’ willingness to trust the administrative body (and its relative subject matter expertise), thus indicating the appropriateness of primary jurisdiction for improving the efficiency of patent litigation. A core justification for primary jurisdiction is that the administrative body is better suited to the specific decision making than the courts because of its specialized knowledge.<sup>136</sup> Finally, a majority of district courts accepting claim constructions from the Patent Trial and Appeal Board would show a substantial reduction in the number of cases where both the Patent Trial and Appeal Board and district court do their own claim constructions—a large judicial inefficiency that this program attempts to correct.<sup>137</sup>

Other factors that would be relevant to judging the success of this program that would suffer from selection bias include: Federal Circuit reversal rate, the timeline of cases reaching conclusion, changes in patent case concentration by district, and changes in the overall cost of patent suits. A reduction in Federal Circuit reversal rates would indicate more certainty in

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134. *Id.* at 1293.

135. *See supra* notes 111–14 and accompanying text (discussing this plan’s means for incentivizing judges to accept claim constructions performed by the Patent Trial and Appeal Board).

136. *See supra* notes 51–72 and accompanying text (discussing the applicability of administrative law primary jurisdiction to patent law).

137. *See supra* notes 34–38 and accompanying text (discussing the objectives targeted by the proposed procedural reform).

claim constructions early on in the patent suit and would also mean fewer cases with multiple claim constructions. A reduction in the Federal Circuit reversal rate would likely also include a reduction in the average time for a case to reach conclusion because fewer cases would have a full district court trial, appellate hearing, followed by a remand, and a subsequent, additional district court trial. A diminishment of patent-case concentration in particular districts would also be some evidence of this program's success due to a reduction in forum shopping for favorable claim constructions.<sup>138</sup> Although it is important to note that the likelihood of a favorable claim construction is only one of several reasons for parties to engage in forum shopping.<sup>139</sup> Finally, a decrease in the overall cost of a patent suit would be some evidence of success in making patent litigation more efficient.

### IX. Conclusion

The proposed procedural reform expands on the ideas of John Duffy in *On Improving the Legal Process of Claim Interpretation: Administrative Alternatives*. In many ways, Mr. Duffy's article was written before its time, and only since the new America Invents Act administrative programs (specifically the Inter Partes review program) has there been an institutional framework to capitalize on Mr. Duffy's ideas that apply administrative law principles to patent law. The proposed reform draws principles of administrative law to make patent litigation more judicially efficient, specifically by targeting claim construction. In practice, the Patent Trial and Appeal Board will do the primary invalidity analysis, and the district court will do the infringement analysis, not unlike the German bifurcated patent process which separates most invalidity analyses from infringement analyses. The proposed plan uses cost-shifting and deference-shifting to incentivize judges and parties to participate in parallel proceedings—in district court and in front of the Patent Trial and Appeal Board—where both will work together to make use of the Patent and Trademark Office's subject matter expertise, avoid redundancy, and increase judicial efficiency.

—Gavin P.W. Murphy

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138. See *supra* notes 79–81 and accompanying text (discussing this reform's potential impact on the incentives for plaintiffs to engage in forum shopping).

139. See Moore, *supra* note 78 at 907–12 (discussing the variations between district courts for patent suits in light of different local patent-litigation rules and the impact on forum shopping).