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Equitable Uniformity: Finding a Workable Solution to the (Non)Application of Issue Preclusion to Patent Claim Construction

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Equitable Uniformity: Finding a Workable Solution to the (Non) Application of Issue Preclusion to Patent Claim Construction*

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INTRODUCTION

“It depends on what the meaning of the word ‘is’ is.”

President William J. Clinton¹

In the midst of the Monica Lewinsky scandal surrounding President Clinton’s impeachment, the media made much of his statement calling into question the definition of one of the most basic words in the English language.² In fact, the exact meaning of the word was critical in determining whether the President had perjured himself before a grand jury.³ While questions about the meaning of a single word in presidential speech are unusual in American political discourse, similar disputes are a regular occurrence for patent litigators. Now a staple of almost all patent litigation suits, “claim construction hearings”⁴ before a district court judge are a critically important component of infringement or invalidity actions.⁵ Under the current system, arguments made when a court first construes

1. Peter Baker & Susan Schmidt, *Analysis of KENNETH W. STARR, THE STARR REPORT: THE FINDINGS OF INDEPENDENT COUNSEL KENNETH W. STARR ON PRESIDENT CLINTON AND THE LEWINSKY AFFAIR*, at ix, xvii (PublicAffairs 1998) (1998).

2. See, e.g., Caryn James, *The Testing of a President: In the Camera’s Eye—Critic’s Notebook; Clinton’s Role of Lifetime Breaks Cinema’s Rules*, N.Y. TIMES, Sept. 22, 1998, at A16; David Maraniss, *Clinton’s Behavior Patterns Become Issue*, WASH. POST, Sept. 13, 1998, at A29; Elizabeth Shogren & Richard A. Serrano, *Nation Views Clinton’s Taped Testimony Before Grand Jury*, L.A. TIMES, Sept. 22, 1998, at A1.

3. See Baker & Schmidt, *supra* note 1, at xvii. Later, Clinton argued that his conduct did not constitute “sexual relations,” and, thus, that he had not lied. See THE STARR REPORT, *supra* note 1, at 169.

4. Claim constructions specifically address the meaning of patent claims. A patent claim is a very carefully crafted sentence—or even just a clause—that attempts to designate a particular feature of the patented invention. JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 1–2 (2d ed. 2006). When all of a patent’s claims are read together, they delineate the limits of the patented invention and are one of the key components of a U.S. patent. See *id.*

5. See Constance S. Huttner et al., *Markman Practice, Procedures, and Tactics*, in PATENT LITIGATION STRATEGIES HANDBOOK 371, 371 (Barry L. Grossman & Gary M. Hoffman eds., 1st. ed. 2000); see also ALAN L. DURHAM, PATENT LAW ESSENTIALS: A CONCISE GUIDE 184–85 (3d ed. 2009) (addressing the fact that “many courts” hold *Markman* hearings and will incorporate their findings on claim construction into jury instructions). Patent holders may bring infringement claims if a non-licensed entity uses the protected technology during the life of the patent, during which the patent holder and his licensees are allowed exclusive use (or non-use) of the technology. *Id.* at 14. Invalidity actions are commonly asserted as counterclaims to infringement actions, but they may also be asserted as stand-alone assertions, wherein a party challenges the validity of a patent that was previously issued by the Patent and Trademark Office. See Roy E. Hofer & Tom Filarski, *Patent Defenses*, in PATENT LITIGATION STRATEGIES HANDBOOK, *supra*, at 467, 467; see also *Cardinal Chem. Co. v. Morton Int’l*, 508 U.S. 83, 96 (1993) (“A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee’s charge of infringement.”).

patent claim terms could have far-reaching effects, potentially precluding relitigation of the same terms in subsequent cases involving the same patent or even the same claim language.⁶ As such, there could potentially be much more at stake than just the outcome of the present litigation.

The decision about a patent's meaning⁷ has not always had such long-term effects, since it remained entirely unclear how courts should interpret ambiguous patent language until the late twentieth century. Courts interpreted patent claims as mixed questions of law and fact until the 1996 Supreme Court decided these questions were purely a matter of law in *Markman v. Westview Instruments, Inc.*⁸ In a unanimous decision, Justice Souter recognized in dicta that general standards of stare decisis and issue preclusion would apply in subsequent suits construing previously interpreted patents.⁹

6. See, e.g., *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. CV 04-29-MO, 2007 U.S. Dist. LEXIS 27499, at *14 (D. Or. Apr. 12, 2007), *ruled not infringed in part*, 511 F. Supp. 2d 1046 (D. Or. 2007), *ruled valid and infringed*, 629 F. Supp. 2d 1176 (D. Or. 2008), *aff'd in part and rev'd in part*, 355 F. App'x 384 (Fed. Cir. 2009).

7. A patent will inevitably have a number of claims specifying the claimed invention. This Comment recognizes that a patent has one intended meaning of the claimed invention. See DURHAM, *supra* note 5, at 62 & n.54 ("The meaning of a claim cannot change to suit the convenience of the patent owner."). Indeed, in subsequent actions where claim construction arises again, the court should not consider alternative meanings of claim terms entirely, but should merely address nuances of the terms that were not addressed in previous litigation. The patent as a whole should have one meaning; determining the exact bounds of that meaning is the purpose of claim construction hearings. *Id.* at 52.

8. 517 U.S. 370 (1996); see Lauren Maida, Note, *Patent Claim Construction: It's Not a Pure Matter of Law, So Why Isn't the Federal Circuit Giving the District Courts the Deference They Deserve?*, 30 CARDOZO L. REV. 1773, 1779 & n.38 (2009).

9. *Markman*, 517 U.S. at 391. Stare decisis is the doctrine that a court will give deference to earlier decisions of law that it issues itself or those that are controlling authority from higher courts. ROBERT C. CASAD & KEVIN M. CLERMONT, *RES JUDICATA: A HANDBOOK ON ITS THEORY, DOCTRINE, AND PRACTICE* 13 (2001). The common law doctrine of collateral estoppel, which falls under the umbrella of "issue preclusion" in modern jurisprudence (along with direct estoppel), is the concept that issues decided in a prior adjudication are binding determinations on the parties to that litigation in subsequent suits. *Id.* at 11.

In the last twenty years, courts and legal scholars have preferred to use the term "issue preclusion" instead of "collateral estoppel." See *Baker v. Gen. Motors Corp.*, 522 U.S. 222, 233 n.5 (1998). To that end, this Comment will use "issue preclusion." Note that earlier courts may have used collateral estoppel language, but the doctrine to which they are referring is one and the same.

The Supreme Court extended the doctrine of issue preclusion to the area of patent law in 1971. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 348-49 (1971). This decision also approved the use of the doctrine in circumstances referred to as non-mutual offensive use. *Id.* at 329-30. Non-mutual offensive use requires only that the party defending the assertion have been present in the previous litigation and been given the opportunity to fully litigate the issue previously before a court that ruled adversely to

Nevertheless, due to the specific and complex nature of the legal determinations involved in patent claim interpretation and the inequitable result of precluding parties whose interests were not represented in an earlier litigation, courts have generally declined to apply stare decisis to claim interpretation.¹⁰ Instead, courts have put much weight in the dicta that “principles of issue preclusion [will] ordinarily foster uniformity” of interpretation¹¹ and have looked to whether the requisite elements are satisfied before barring relitigation of claim construction.

Three years after *Markman*, the first district court cases arose in which one party sought to preclude the other from relitigating a claim construction order decided as a matter of law.¹² In the decade since, district courts have struggled with the application of issue preclusion to patent claim interpretation in several cases each year.¹³ The

the party. See, e.g., *Af-Cap, Inc. v. Chevron Overseas (Congo) Ltd.*, 475 F.3d 1080, 1086 (9th Cir. 2007); *United States v. Botefuhr*, 309 F.3d 1263, 1282 (10th Cir. 2002). Non-mutual defensive assertions of issue preclusion, wherein a previously victorious party would assert issue preclusion in a subsequent suit against a party who had not had the opportunity to represent its interests in the previous litigation, continue to be barred. See *Blonder-Tongue*, 402 U.S. at 329. For further discussion of the elements of issue preclusion, see *infra* Part II.

10. See, e.g., *Rambus Inc. v. Hynix Semiconductor, Inc.*, 569 F. Supp. 2d 946, 967 (N.D. Cal. 2008) (stating that the court will treat its previous construction—which the Federal Circuit had not reviewed—as correct, but declining to apply stare decisis and instead choosing to entertain arguments from defendants who were not parties in the previous litigation); *Maurice Mitchell Innovations, L.P. v. Intel Corp.*, No. 2:04-CV-450, 2006 U.S. Dist. LEXIS 41453, at *12–13 (E.D. Tex. June 21, 2006) (taking “into account [a prior] claim construction as a thoughtful and thorough analysis of the parties’ arguments involving the same patent and the same claim—but, in the end,” deciding to “render its own independent claim construction”), *summary judgment granted*, No. 2:04-CV-450, 2006 U.S. Dist. LEXIS 81594 (E.D. Tex. Nov. 22, 2006), *aff’d*, 249 F. App’x 184 (Fed. Cir. 2007); see also *Visto Corp. v. Sproqit Techs., Inc.*, 445 F. Supp. 2d 1104, 1107 (N.D. Cal. 2006) (noting generally that stare decisis does not literally apply to orders from other district courts). *But see Rambus*, 569 F. Supp. 2d at 965 (applying stare decisis to a construction of a different patent on which the Federal Circuit had passed judgment); *Amgen Inc. v. F. Hoffmann-LaRoche, Ltd.*, 494 F. Supp. 2d 54, 61 (D. Mass. 2007) (relying upon stare decisis and barring a party not previously represented from making new arguments to the court), *patent ruled valid and infringed*, 581 F. Supp. 2d 160 (D. Mass. 2008), *aff’d in part and vacated in part*, 296 F. App’x 69 (Fed. Cir. 2008). For further discussion of *Roche*, see *infra* Part III.B.

11. *Markman*, 517 U.S. at 391.

12. *Compare* *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999) (applying issue preclusion and precluding the patentee from relitigating the meaning of the terms in a subsequent action), *supplemental opinion*, 77 F. Supp. 2d 480 (S.D.N.Y. 1999), *with* *Graco Children’s Prods., Inc. v. Regalo Int’l, LLC*, 77 F. Supp. 2d 660, 664–65 (E.D. Pa. 1999) (refusing to apply issue preclusion to previous claim construction order). For further discussion of these cases, see *infra* note 106.

13. For discussion of several such cases, both the early cases shortly after *Markman* as well as four recent cases, see *infra* Part III.

Supreme Court recognized that issue preclusion would apply generally to patent law in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*¹⁴ but never addressed the specific application of the doctrine. While the Federal Circuit did acknowledge that “local issue preclusion law” would apply generally in the context of patent infringement claims,¹⁵ its opinion in *RF Delaware, Inc. v. Pacific Keystone Technologies, Inc.*¹⁶ is only marginally helpful to practitioners.¹⁷

Based on the discrepancies that arose between the various district courts, much scholarship has focused on issue preclusion in patent claim construction, which the Supreme Court recognized in *Markman* but left to decide another day.¹⁸ This scholarly conversation stemming from *Markman* has presented several arguments for why issue preclusion should not apply to claim construction. The primary argument has been over the question of whether a claim construction order constitutes a final judgment—a required element in many

14. 402 U.S. 313, 348–49 (1971).

15. *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003) (citing *Bayer AG v. Biovail Corp.*, 279 F.3d 1340, 1345 (Fed. Cir. 2002)).

16. 326 F.3d 1255 (Fed. Cir. 2003).

17. Rachel Clark Hughey, *RF Delaware, Inc. v. Pacific Keystone Technologies, Inc.: The Federal Circuit Has Finally Spoken on Collateral Estoppel of Claim Interpretation*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 293, 317 (2004) (“The decision does not clearly end the debate on finality for collateral estoppel of claim interpretation . . .”). This Comment does not dispute the validity of the well-established principle in *Blonder-Tongue* that a previous finding of patent invalidity should be given preclusive effect against a patentee seeking to assert the patent in a subsequent action. The difference between infringement and invalidity claims is that a patent issued from the United States Patent and Trademark Office (“PTO”) is presumed to be valid, absent a showing by a challenger that the patent is invalid. *See* 35 U.S.C. § 282 (2006). Claim interpretation for purposes of patent validity at the trial court level is already on a second, if not third or fourth, review, having previously been through the scrutiny of a careful patent examiner and possibly having been brought before the Board of Patent Appeals and Interferences and/or the Federal Circuit Court. *See* DURHAM, *supra* note 5, at 33–36 (describing the process of patent “prosecution,” the term generally used to refer to the process that patent applicants endure under the exacting scrutiny of patent examiners who decide whether to issue patents). Infringement, on the other hand, is an affirmative allegation by the patent holder that must be proved against each defendant accused of infringing the presumptively valid patent. *See id.* at 141. Infringement allegations in the district court are questions of first impression as to infringement and for purposes of claim construction. *See id.* at 149. While a court will look to these previous interpretations and possibly bar certain arguments based on the doctrine of prosecution history estoppel, the district court must interpret the patent claim language in the context that the parties present their arguments, which will inherently be different each time a patent is asserted against a new defendant. *See id.* at 53–61. For more on prosecution history estoppel, *see infra* note 203.

18. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 368, 391 (1996).

circuits before a trial court may apply issue preclusion.¹⁹ Arguments that a claim construction order is not a final judgment point out that a losing party lacks the ability to immediately appeal an adverse decision²⁰ and that trial judges are allowed to revisit claim construction at later stages in the litigation.²¹ Other scholars point to the dispositive nature of a claim construction order²² and its tendency to push the parties toward settlement, which does not result in a final judgment on the merits.²³ Alternatively, a party may lose some of its arguments on claim construction but still prevail at trial on its infringement claims, thereby leaving no opportunity to appeal the claim construction to the Federal Circuit.²⁴ In neither of these last two scenarios could the losing party on claim construction appeal that decision. This was the current state of the law and the academic

19. For discussion of the elements of issue preclusion in four of the twelve circuits, see *infra* Part II.

20. As of 2007, the Federal Circuit had accepted only one interlocutory appeal of a claim construction order—and then only because the patent was also the subject of an already pending appeal before that court. See *Regents of the Univ. of Cal. v. Dako N. Am., Inc.*, 477 F.3d 1335, 1336–37 (Fed. Cir. 2007); see also Jeffrey A. Lefstin, *Claim Construction, Appeal, and the Predictability of Interpretive Regimes*, 61 U. MIAMI L. REV. 1033, 1054 n.84 (2007) (noting that some litigants are even stipulating to summary judgment on infringement after claim construction in order to have an appealable issue to raise to the Federal Circuit). Some scholars have advocated for claim construction orders to be appealable as of right, and there were even proposals in the Senate Judiciary Committee for such a change to the current practice. See Patent Reform Act of 2007, S. 1145, 110th Cong. § 10 (as introduced Apr. 18, 2007 and amended June 21, 2007 by Manager's Amendment); Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 11; Timothy Le Duc, Note, *The Application of Collateral Estoppel to Markman Rulings: The Search for Logical and Effective Preclusion of Patent Claim Constructions*, 3 MINN. INTELL. PROP. REV. 297, 323–24 (2002) (citing Craig Allen Nard, *Intellectual Property Challenges in the Next Century: Process Considerations in the Age of Markman and Mantras*, 2001 U. ILL. L. REV. 355, 377) (advancing the theory that claim construction orders should be appealable as of right to address issue preclusion in claim construction matters).

21. See *Shire LLC v. Sandoz, Inc.*, No. 07-cv-00197-EWN-CBS, 2008 WL 4402251, at *6 (D. Colo. Sept. 24, 2008).

22. A few scholars have advocated that a claim construction is a final judgment on the issue of claim term meaning and that courts should give preclusive effect to them even without a final adjudication of the underlying infringement or invalidity claims. See, e.g., C. Joël Van Over, *Collateral Estoppel and Markman Rulings: The Call for Uniformity*, 45 ST. LOUIS U. L.J. 1151, 1167, 1171 (2001); see also Nichole Biglin, Note, *Enablement: For the Judge or the Jury?* *Markman v. Westview Instruments, Inc.'s Analysis Applied*, 52 DRAKE L. REV. 145, 167–68 (2003) (theorizing that after *Markman*, “collateral estoppel [would] be applied far more frequently, because the decision now becomes final immediately following the *Markman* hearing”).

23. Rachel Marie Clark, Note, *Collateral Estoppel of Claim Interpretation of Markman*, 86 MINN. L. REV. 1581, 1614–15 (2002).

24. *Id.* at 1624–25.

debate on this question when the case of *Shire LLC v. Sandoz, Inc.*²⁵ arose in 2009 before the Federal Circuit, posing just this question on the applicability of issue preclusion to claim construction orders.²⁶ Unfortunately for the community of scholars and practitioners looking for guidance, the parties settled before oral argument.²⁷

Previous scholarship has fully examined the finality issue and, to a somewhat lesser extent, whether an issue was “fully litigated.”²⁸ The focus of this Comment is to argue that issue preclusion should never apply to claim constructions. A court with a pending action before it that involves a previously interpreted patent should treat the earlier claim construction order as persuasive, rather than as legally binding authority. Courts have recognized the reality that the accused device or product and how the patent is “read onto” the invention unquestionably inform a party’s position on claim construction.²⁹ Since subsequent litigation rarely, if ever, involves the same product or device, the subsequent litigation does not address the same issue as the previous suit.³⁰ In addition, the continued validity of the doctrine of equivalents allows a finder of fact to find infringement, even where a product or device does not literally infringe the claims as interpreted by the court, by determining that the product or device is substantially similar to the claimed, patented invention in achieving the same result in a substantially similar way.³¹ This doctrine therefore diminishes the importance of strictly adhering to the construction that the court has given to the claim terms and gives even a final claim construction a rather elastic characteristic. As a result, it seems prudent to allow both parties to fully litigate claim construction in each case asserting patent infringement to ensure that the claims are justly adjudicated on the merits in all contexts.

25. 345 F. App’x 535, 535 (Fed. Cir. 2009) (granting appeal of the district court’s ruling), *appeal dismissed*, 368 F. App’x 116 (Fed. Cir. 2009).

26. *Id.*

27. *See Shire LLC v. Sandoz, Inc.*, 368 F. App’x 116, 116 (Fed. Cir. 2009) (dismissing the appeal).

28. *See, e.g., Hughey, supra* note 17, at 311–14; Van Over, *supra* note 22, at 1167, 1171; Clark, *supra* note 23, at 1614–15; Le Duc, *supra* note 20, at 323–24.

29. *See, e.g., Smith & Nephew, Inc. v. Arthrex, Inc.*, No. CV 04-29-MO, 2007 U.S. Dist. LEXIS 27499, at *5–6 (D. Or. Apr. 12, 2007), *ruled not infringed in part*, 511 F. Supp. 2d 1046 (D. Or. 2007), *ruled valid and infringed*, 629 F. Supp. 2d 1176 (D. Or. 2008), *aff’d in part and rev’d in part*, 355 F. App’x 384 (Fed. Cir. 2009).

30. One could imagine, however, litigation where an accused device or product is nearly identical to a previously accused device manufactured by a competitor of the previous defendant. This Comment’s proposed standard, discussed more fully in Part IV, would address this situation and give the previous construction significant persuasive authority.

31. For additional discussion of the doctrine of equivalents, see *infra* Part IV.B.

In Part I, this Comment proceeds to discuss the *Markman* decision, its implications for the practice of patent litigation, and the questions that the opinion left open for the Supreme Court or the Federal Circuit to address sometime in the future. The Federal Circuit made clear in *RF Delaware* that each circuit's respective issue preclusion law would apply to local district court claim constructions.³² Part II therefore examines the variations in the local law of four relevant circuits by comparing and contrasting the standards that the courts apply in diverse parts of the country. Part III explores four recent cases, each arising in one of the four circuits examined in Part II, that have struggled with the application of issue preclusion to previous claim construction orders, culminating with an in-depth discussion of the *Shire* case. Finally, in Part IV, this Comment proposes a new standard that the Federal Circuit should apply in questions of previous claim construction orders which seeks to balance *Markman's* emphasis on uniformity with an interest in equity and justice. In support of this proposed standard, Part IV addresses additional considerations, including the plethora of special exceptions that courts have created for patent litigation, the consequences for claim construction and issue preclusion from the continued validity of the doctrine of equivalents, and the effect that the lack of foreseeability of future potential claim interpretations should have on the preclusive effect of previous orders. In light of these additional considerations, the proposed new standard varies the degree of persuasion of previous orders depending on a variety of factors. This proposal would leave the effect of the previous order to the discretion of the district courts but prevent that order from ever acting as a complete bar to reconsideration of claim construction.

I. THE *MARKMAN* DECISION, *MARKMAN* HEARINGS, AND THE PROCESS OF CLAIM CONSTRUCTION

A. *The Law of Markman*

The face of patent litigation, and specifically the process of claim construction,³³ changed in 1996 when the Supreme Court issued its

32. *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003).

33. Throughout the twentieth century, the Patent Act, the courts, and the PTO regulations established a body of law as to how a court should interpret patent claims and what type of evidence should be admitted and given the most weight for claim construction. When addressing claim construction, courts and patent examiners generally prefer the ordinary meaning of the terms. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). The prosecution history (or "file wrapper") generally refers to the entire file of correspondence between the inventor and the PTO, including drafts of

decision in *Markman v. Westview Instruments, Inc.*³⁴ Herbert Markman, the inventor³⁵ and plaintiff, sued Westview and Althon Enterprises for infringement of his “Inventory Control and Reporting System for Drycleaning Stores.”³⁶ At trial, he argued that claim construction, like the interpretation of other documents, was a question for a fact-finding jury when the determination relied upon the credibility of expert witnesses.³⁷ Experts are almost always necessary in determining what the patent claim language meant to a person having ordinary skill in the art³⁸ at the time of the patent application.³⁹ Despite conceding that claim construction was an issue

the proposed claims, office actions from the examiner adding additional prior art or rejecting certain claims, and the responses from the inventor. *See* DURHAM, *supra* note 5, at 59–61. The information, disclosures, and opinions of the inventor revealed in the file wrapper are generally regarded as the second-best source of evidence of the intended meaning of claim terms, after the contents of the patent as issued. *See Phillips*, 415 F.3d at 1317. For purposes of claim construction, courts have a strong preference for relying on intrinsic evidence, which includes the language of the issued patent and the contents of the file wrapper, over extrinsic evidence, including expert testimony, publications in the field, and technical dictionaries. *Chamberlain Group v. Lear Corp.*, 516 F.3d 1331, 1335 (Fed. Cir. 2008); *see also MBO Labs., Inc. v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1329 (Fed. Cir. 2007) (stating that the “most relevant source” for claim construction is the patent’s specification, then the prosecution history, and finally that “[e]xtrinsic evidence—testimony, dictionaries, learned treatises” are “‘less significant’” (quoting *C.R. Bard, Inc. v. U.S. Surgical Corp.*, 388 F.3d 858, 862 (Fed. Cir. 2004))). Any claim construction order that a court issues must be grounded primarily in the intrinsic evidence and may rely only on extrinsic evidence if the intrinsic evidence is ambiguous. *See MBO Labs.*, 474 F.3d at 1329; *Phillips*, 415 F.3d at 1317. For more on the stricter limitations put on evidence in claim construction than generally put on legal document interpretation, *see infra* Part IV.F. There is no indication that the Supreme Court or any other authority is going to change these accepted practices.

34. 517 U.S. 370 (1996).

35. U.S. Patent No. 4,550,246 (filed Apr. 13, 1984). Patents are numbered numerically based on the date on which they issue from the PTO. *See* DURHAM, *supra* note 5, at 15. Judges and practitioners commonly refer to patents now only by the last three numbers in the patent number, as the PTO has issued over ten million patents since Congress passed the first Patent Act in 1790. *Id.* at 15–16; *U.S. Patent Activity Calendar Years 1790 to the Present*, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm (last visited Nov. 7, 2010) (totals calculated by author).

36. *Markman*, 517 U.S. at 374.

37. *Id.* at 386.

38. Patent law has invented a standard based on a “hypothetical” person having ordinary skill in the art, fondly known by the acronym PHOSITA to scholars and practitioners. MUELLER, *supra* note 4, at 285. A PHOSITA is essentially the average person in the specialized industry to which the patent-in-suit relates. The “art” referred to is the body of knowledge known in the industry at the time of the invention. BLACK’S LAW DICTIONARY 126–27 (9th ed. 2009).

39. *See* EDWARD F. O’CONNOR, INTELLECTUAL PROPERTY LAW AND LITIGATION 102–03 (3d ed. 2009). *Markman*’s position as to general instrument construction is the position adopted by, *inter alia*, the *Restatement (Second) of Contracts*. *See* RESTATEMENT (SECOND) OF CONTRACTS § 212 (1981).

for the court, Markman pointed out the jury's role in determining the credibility of the expert witnesses before arriving at its verdict.⁴⁰ Ultimately, the Supreme Court disagreed with Markman's position and held that patent claim construction should always be decided as a matter of law, even where the credibility of expert witnesses was at issue.⁴¹

Justice Souter's opinion began with a useful background of patent claim interpretation, known in the industry as "claim construction." There was little to no common law of claim construction, and the process did not really come into practice until the twentieth century.⁴² Justice Souter continued by describing how, although there was not a uniform practice in that century, courts generally construed claim terms as a matter of law during the course of a jury trial.⁴³ Lacking direction from historical practices, the Court turned to "functional considerations."⁴⁴ The Court reasoned that interpretation of legal documents was generally the province of the court, not of the jury, and that this was an area in which judges were better versed.⁴⁵ While a judge would almost inevitably require the assistance of technical experts in deciding the intended meaning of the claim terms at the time of the invention,⁴⁶ she was free to dismiss certain expert testimony if not persuasive in helping her reach her determination.⁴⁷

Though the full implications of the *Markman* holding were not immediately clear, district court judges knew that they were now solely responsible for claim construction.⁴⁸ Therefore, in order to expedite what were already disproportionately lengthy trials, district courts began to prefer to hold a pretrial hearing to conduct claim

40. See *Markman*, 517 U.S. at 376.

41. *Id.* at 390. But see *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (en banc) (Mayer, J., dissenting) ("I am convinced of the futility, indeed of the absurdity, of this court's persistence in adhering to the falsehood that claim construction is a matter of law devoid of any factual component.").

42. *Markman*, 517 U.S. at 378–81.

43. See *id.* at 382.

44. *Id.* at 388.

45. *Id.* at 385.

46. See *Plant Genetic Sys. v. DeKalb Genetics Corp.*, 315 F.3d 1335, 1345 (Fed. Cir. 2003) ("We hold that the district court did not ignore the plain meaning of the claims, but properly gave objective meaning to them as they were understood at the time the patent application was filed. Claims are to be given their ordinary and objective meaning as of the time of the invention." (citing *Kopykake Enters., Inc. v. Lucks Co.*, 264 F.3d 1377, 1383 (Fed. Cir. 2001))).

47. *Markman*, 517 U.S. at 387.

48. David L. Schwartz, *Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases*, 107 MICH. L. REV. 223, 228–29 (2008).

construction;⁴⁹ these soon became known as “*Markman* hearings.”⁵⁰ With the advent of parties seeking summary judgment on issues of infringement, inducement, and patent invalidity at the close of discovery in a patent litigation case,⁵¹ courts found claim construction an essential component to a ruling on these motions. As a result, *Markman* briefings and hearings now frequently fall at the end of discovery for all jury cases, occurring in conjunction with motions for summary judgment.⁵²

Markman hearings inevitably introduce extensive intrinsic evidence from the prosecution history⁵³ and extrinsic evidence, such as expert witnesses testifying for both the inventor and the defendant, except in the rare instance where the technology involved is so basic that the court will be able to determine ordinary meaning based on its own lay knowledge.⁵⁴ In some cases, *Markman* hearings last for several days⁵⁵ and introduce other extrinsic evidence of the patent meaning, including testimony from the inventor and others involved in the invention process;⁵⁶ internal documents during the time of the invention;⁵⁷ scientific or technical articles from the time of the invention showing the knowledge in the art and the meaning of claim terms at that time; and even excerpts from technical, scientific, or ordinary English dictionaries and encyclopedias.⁵⁸ Frequently, the

49. *See id.*

50. *Id.* at 281–82.

51. *See* Jay P. Kesan & Gwendolyn G. Ball, *How Are Patent Cases Resolved? An Empirical Examination of the Adjudication and Settlement of Patent Disputes*, 84 WASH. U. L. REV. 237, 275–76 (2006) (showing an average of twenty percent of infringement cases were decided on summary judgment between 1995 and 2000, as well as an increase from 72.4% to 85% over those five years of invalidity claims resolved on summary judgment).

52. If the parties have waived their right to a jury trial, a judge will construe the disputed claim terms during the course of trial and issue his constructions in conjunction with his final judgment. Gary M. Hoffman et al., *Nondiscovery Motions and Court-Initiated Procedures*, in PATENT LITIGATION § 7:1, at 7-2, § 7:2.2, at 7-4, § 7:2.3, at 7-6 (Laurence H. Pretty ed., 2010); *see also* MUELLER, *supra* note 4, at 282 & n.56 (describing how district courts across the country have a wide variety of approaches to *Markman* hearings, including conducting them simultaneously with summary judgment).

53. “Prosecution history” is a term of art in the industry for all of the correspondence between the prosecuting attorney, representing the inventor, and the PTO. *See* DURHAM, *supra* note 5, at 36; *see also supra* note 17 (describing in further detail the specific utility of the prosecution history to claim construction); *infra* note 203 (detailing the doctrine of prosecution history estoppel and its role in claim construction).

54. *See* Huttner et al., *supra* note 5, at 377–82 (explaining the two categories of evidence considered during patent claim interpretation).

55. *See* MUELLER, *supra* note 4, at 282 n.56.

56. Hoffman et al., *supra* note 52, § 7:2.4, at 7-9 to 7-10.

57. *See* Huttner et al., *supra* note 5, at 379–81.

58. Hoffman et al., *supra* note 52, § 7:2.4, at 7-10.

litigants introduce the vast majority of this evidence to the court through an extensive briefing process in which both parties file an initial *Markman* brief outlining their proposed claim constructions and introduce evidence that supports their respective positions.⁵⁹ In order to introduce this evidence, these briefs are frequently accompanied by lengthy affidavits from patent prosecuting attorneys, inventors, and experts.⁶⁰ Each party then responds to the opposing party's proposed constructions and introduces evidence that the claims should not be construed in the way proposed in the opposing party's *Markman* brief.⁶¹ After a hearing, the court considers the evidence and often issues an order defining the disputed claim terms.⁶²

As an interlocutory order, a claim construction order is not immediately appealable to the Federal Circuit.⁶³ Naturally, if the trial court has adversely ruled on a summary judgment motion in conjunction with the claim construction order, the losing party can

59. All of the cases detailed in Part III of this Comment involved *Markman* briefs. See generally, e.g., Amgen Inc.'s Claims Construction Brief, *Amgen Inc. v. Hoffman-LaRoche Ltd.*, 494 F. Supp. 2d 54 (D. Mass. 2007) (No. 05-12237-WGY), 2007 WL 6349678 (summarizing Amgen's proposed claim constructions); Opening Claim Construction Brief, *Smith & Nephew v. Arthrex, Inc.*, No. 3:04-cv-00029-MO, 2007 U.S. Dist. LEXIS 27499 (D. Or. Apr. 12, 2007) (summarizing plaintiffs' proposed claim constructions).

60. See Huttner et al., *supra* note 5, at 381 (advising practitioners who believe that any such extrinsic evidence would be useful to the court to submit it as evidence).

61. See generally, e.g., Amgen Inc.'s Response to Defendants' Claim Construction Brief, *Roche*, 494 F. Supp. 2d 54 (No. 05-12237-WGY), 2007 WL 3284123 (arguing against opposing party's proposed claim constructions); *Smith & Nephew's Response To Arthrex's Markman Brief, Arthrex*, No. 3:04-cv-00029-MO, 2007 U.S. Dist. LEXIS 27499 (same).

62. MUELLER, *supra* note 4, at 282. An order is not at all inevitable. The dockets of the cases discussed in Part III serve as illustrations of the various outcomes possible after a *Markman* hearing. In a significant minority of cases, the court will require further briefing or discovery, when it believes that the evidence before it is insufficient to render such a critical decision in the case. See *infra* Part III.

Practitioners have fully embraced the more exacting, technical process of *Markman* briefings and hearings rather than trying to simplify the issues for a lay jury. See Schwartz, *supra* note 48, at 228 (indicating that parties and their attorneys "vigorously" litigate claim construction); see also Huttner et al., *supra* note 5, at 371-72, 376-77 (stating that courts and practitioners have struggled with questions of the timing of *Markman* hearings and of how to use court-appointed experts, but not mentioning that practitioners have disputed the need for the court to construe the patent as a matter of law). Of those who have continued to question the outcome of the Supreme Court's decision in *Markman*, few are actually practicing attorneys, and the dissent is mostly confined to a small minority of legal scholars. See, e.g., *Phillips v. AWH Corp.*, 415 F.3d 1303, 1330 (Fed. Cir. 2005) (en banc) (Mayer, J., dissenting) ("I am convinced of the futility, indeed of the absurdity, of this court's persistence in adhering to the falsehood that claim construction is a matter of law devoid of any factual component.").

63. See MUELLER, *supra* note 4, at 283.

appeal the entire decision to the Federal Circuit.⁶⁴ Absent such a ruling, however, the losing party can either continue to trial and wait until a final judgment has been entered, or it may file a motion for leave to immediately appeal the claim construction order.⁶⁵ One empirical study shows that in the fifteen federal districts hearing the most patent cases, around four percent of the cases filed have claim construction orders considered as part of an appeal to the Federal Circuit, and in no district is the rate of appeal higher than ten percent.⁶⁶ To date, the author is aware of only one case where the Federal Circuit has accepted an interlocutory appeal of a claim construction order.⁶⁷

B. Policy Considerations Motivating Markman

For purposes of this Comment, it is important to note the policy considerations that the Supreme Court used in justifying its sweeping ruling in *Markman* that all patents are to be construed as a matter of law. Specifically, the Court gave special attention to “uniformity in the treatment of a given patent” and to the purpose of giving the public and the patentee notice of the “‘limits of [the] patent.’”⁶⁸ The Court grounded its policy justifications in the purpose of the constitutional grant of congressional power—namely, encouragement of the advancement of the scientific arts⁶⁹—and noted that such public knowledge of the limits of the patent would be of benefit by informing the public of the particular technology encompassed by the patent and “‘encouraging . . . the inventive genius of others.’”⁷⁰

64. *Id.*

65. *See id.*

66. Schwartz, *supra* note 48, at 246 (examining the fifteen federal districts with the most claim construction appeals during the period of 1995 to 2007 and finding appeals in 573 of the 14,550 patent lawsuits filed).

67. *See* Regents of the Univ. of Cal. v. Dako N. Am., Inc., 477 F.3d 1335, 1335 (Fed. Cir. 2007); *see also* St. Clair Intellectual Prop. Consultants, Inc. v. Samsung Elecs. Co., No. 04-1436, 2010 WL 1213367, at *5 (D. Del. Mar. 28, 2010) (certifying the question of claim construction for appeal to the Federal Circuit, but denying a motion to stay pending appeal based on the likelihood that the Federal Circuit would not accept the appeal).

68. *See* Markman v. Westview Instruments, Inc., 517 U.S. 370, 390 (1996) (quoting Gen. Elec. Co. v. Wabash Appliance Corp., 304 U.S. 364, 369 (1938)).

69. *See* U.S. CONST. art. I, § 8.

70. *Markman*, 517 U.S. at 390 (quoting Gen. Elec. Co. v. Wabash Appliance Corp., 304 U.S. 364, 369 (1938)). In fact, the original constitutional basis for the Patent Act seems not to be to encourage others to use patented technology in developing their own, more advanced technology, but instead to encourage inventors to create new technologies under the promise of the limited monopoly on the technology allowed by the act of Congress. *See* Christopher T. Kent, Note, *Reducing the Scope of Patent Protection and Incentives for*

Indeed, the Court was concerned that without this uniformity of treatment, allowing widespread public notice of the limits of the patent, there would be a “ ‘zone of uncertainty which enterprise and experimentation [would] enter only at the risk of infringement claims,’ ” thereby discouraging innovation.⁷¹ The Supreme Court opinion used the establishment of the Federal Circuit appeals court as support for this emphasis on uniformity in the area of patent law.⁷² The Court concluded the substance of its opinion with the following paragraph:

Uniformity would, however, be ill served by submitting issues of document construction to juries. Making them jury issues would not, to be sure, necessarily leave evidentiary questions of meaning wide open in every new court in which a patent might be litigated, for principles of issue preclusion would ordinarily foster uniformity. But whereas issue preclusion could not be asserted against new and independent infringement defendants even within a given jurisdiction, treating interpretive issues as purely legal will promote (though it will not guarantee) intrajurisdictional certainty through the application of *stare decisis* on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court.⁷³

This three-sentence paragraph of the *Markman* opinion requires further discussion in the context of claim construction and issue preclusion, following an exploration of the elements of issue preclusion and its applicability to claim construction orders. Suffice it to say here, however, that issue preclusion does not apply well to the new practice of claim construction post-*Markman*, and the uniformity that the Supreme Court so intensely emphasized has not been well served to this point. Through the district courts' inability to uniformly apply issue preclusion and the uncertainty introduced to patent practice by the continued validity of the doctrine of equivalents, the

Innovation Through Unfair Application of Prosecution History Estoppel and the Recapture Rule, 10 GEO. MASON L. REV. 595, 624 (2002).

71. *Markman*, 517 U.S. at 390 (quoting *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942)).

72. *Id.* This Comment does not dispute the validity of this claim, and certainly the practice of patent law has only grown more complex in the years since the need arose for the establishment of a central appeals court to hear patent cases (generally as a result of the vast advances in technology and the increasing complexity of patent litigation). The availability of a centralized court of appeals to address patent-related issues has standardized patent practice across the United States in a way that the Supreme Court was never able to do with its occasional opinion clarifying highly contested issues.

73. *Id.* at 391 (internal citation omitted).

public is still left with a “zone of uncertainty” as to the limits of the protected technology.⁷⁴

This Comment argues, however, that rather than leaving “enterprise and experimentation”⁷⁵ to venture forth only at the risk of infringement claims, the uncertainty would instead encourage potential licensees/infringers to discuss and negotiate with the inventor the intended scope of the claims the inventor anticipated.⁷⁶ These discussions would encourage licensing of the protected technology and further increase the motivation for inventors to innovate and obtain valid patents. If the negotiations result in the potential licensee determining that the patentee never intended to protect the technology that the licensee seeks, then he can walk away from the negotiations. If the potential licensee believes that the patent is invalid in light of the disclosed prior art and that a license is therefore unnecessary to use the technology because no patent could possibly issue on the claimed protected invention, the potential licensee can bring claims of patent invalidity or can file a reexamination proceeding with the United States Patent and Trademark Office.⁷⁷ Though *Markman* did settle one important question in modern patent litigation, it left many more issues unsettled.

74. See, e.g., *Funai Elec. Co. v. Daewoo Elecs. Corp.*, Nos. 2009-1225, -1244, 2010 U.S. App. LEXIS 18237, at *4 (Fed. Cir. Sept. 1, 2010) (explaining that the trial court found three of six patents-in-suit not infringed on summary judgment and two other patents not literally infringed under the court’s claim construction, though the jury found infringement under the doctrine of equivalents and awarded over \$7 million in damages).

75. Notably, the Supreme Court’s use of “experimentation” in the opinion fails to acknowledge the exception to claims of infringement against those who are using the patented technology merely for the development of improvements upon said technology, provided that the use is limited to satisfying curiosity or for philosophical inquiry. See *Madey v. Duke Univ.*, 307 F.3d 1351, 1362 (Fed. Cir. 2002). This doctrine serves well the original intent of the framers in advancing the progress of the scientific arts. See U.S. CONST. art. I, § 8. For further information on this defense to claims of infringement and the intricacies that the Federal Circuit and the Supreme Court have given to this common law doctrine, see DURHAM, *supra* note 5, at 175–76 & nn.186–92.

76. An inventor may claim patent protection only for the invention that he actually devised. See 35 U.S.C. §§ 101–102 (2006). The inventor must draft his claims to “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention.” *Id.* § 112. If claim language is overly broad and not sufficiently “particular” and “distinct,” this can result in rejection by the PTO or findings of patent invalidity in a district court. See MUELLER, *supra* note 4, at 57–63.

77. See 35 U.S.C. § 302 (2009) (allowing any person to file a patent reexamination with the PTO at any time).

II. THE DOCTRINE OF ISSUE PRECLUSION

While the Supreme Court mentioned that issue preclusion *and* stare decisis would be applicable to claim interpretation, the vast majority of district courts have chosen not to preclude further argument under stare decisis.⁷⁸ Instead, most district courts have examined whether the necessary elements are present to apply issue preclusion.⁷⁹ This latter doctrine allows a previously unrepresented party who disputes the construction of a previous court to introduce new arguments in subsequent litigation as to the intended claim term meaning at the time of patenting.⁸⁰ Generally, courts recognize that issue preclusion may not be applied defensively—that is, by a winning party in a previous litigation against a party whose interest was not represented in that litigation.⁸¹ As with most common law doctrines, the state courts and the federal circuits have interpreted the doctrine in their own individual ways, establishing varying standards applicable to their respective jurisdictions. The Supreme Court has explicitly held that issue preclusion applies to patent invalidity, and it therefore implicitly extended the doctrine to the area of patent law in general.⁸² Beyond this holding in *Blonder-Tongue*, however, the Court has not directly addressed the application of issue preclusion to patent cases and certainly has not addressed its application to claim construction orders.

In the aftermath of the *Markman* decision, litigants began to raise questions regarding the applicability of issue preclusion in the context of claim construction.⁸³ In 2003, the Federal Circuit addressed

78. See David Krinsky, *The Supreme Court, Stare Decisis, and the Role of Appellate Deference in Patent Claim Construction Appeals*, 66 MD. L. REV. 194, 224 (2006) (citing *Lamps Plus, Inc. v. Dolan*, No. 3:01-CV-1537-K, 2003 U.S. Dist. LEXIS 19578, at *5–6 (N.D. Tex. Nov. 3, 2003)).

79. See *id.*

80. See *Amgen, Inc. v. F. Hoffmann-LaRoche Ltd.*, 494 F. Supp. 2d 54, 60 (D. Mass. 2007) (“[The accused, not represented in a previous suit,] has to come forward with some argument that would alter this Court’s previous claim construction before this Court will modify its previous decision.”), *patent ruled valid and infringed*, 581 F. Supp. 2d 160 (D. Mass. 2008), *aff’d in part and vacated in part*, 296 F. App’x 69 (Fed. Cir. 2008).

81. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971).

82. See *id.* at 348–49; see also Laurence H. Pretty, *Substantive Issues of a Patent Case*, in PATENT LITIGATION, *supra* note 52, § 1:1, at 1-3, § 1:3.3, at 1-31 (discussing *Blonder-Tongue*’s explicit holding and the exceptions the Court created for when collateral estoppel would not apply in questions of invalidity).

83. Compare, e.g., *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999) (applying issue preclusion and precluding the patentee from relitigating the meaning of the terms in a subsequent action), *supplemental opinion*, 77 F. Supp. 2d 480 (S.D.N.Y. 1999), with *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 470 (W.D. Va. 2001) (refusing to apply issue preclusion to previous claim construction order), and *Graco*

the issue and stated that local circuit law of issue preclusion applies to patent litigation cases.⁸⁴ The uniformity in patent practice that the creation of the Federal Circuit evidenced and that the Supreme Court sought in *Markman* for claim construction apparently did not apply to questions of issue preclusion. Instead, the Federal Circuit chose to apply the slightly different standards of each local circuit's issue preclusion law.

In light of *RF Delaware's* holding that local circuit law of issue preclusion would apply to patent infringement actions arising in the various federal district courts, it is necessary to examine the specific elements required in four circuits⁸⁵ in anticipation of further discussion of four cases arising in the last three years, two of which applied issue preclusion and two of which refused to apply it. The elements of issue preclusion are substantially similar between the circuits. Since application of the doctrine in cases of claim construction is always a very close question for a district court, the language defining the local circuit's elements of issue preclusion often distinguishes cases where the doctrine will apply in one circuit and not apply in another.

A. First Circuit Law of Issue Preclusion

The First Circuit uses a definition of issue preclusion that closely mirrors that of the common law, requiring four basic elements:

- (1) [T]hat the issue to be precluded is the same as that disputed in a prior proceeding, (2) that the issue was actually litigated in the earlier proceeding, (3) that the issue was determined by a valid and binding final judgment or order, and (4) that the

Children's Prods., Inc. v. Regalo Int'l, LLC, 77 F. Supp. 2d 660, 664–65 (E.D. Pa. 1999) (same). For additional discussion of these cases, see *infra* notes 106–19 and accompanying text.

84. *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003) (applying Eleventh Circuit law on the matter of issue preclusion). At the time that the Federal Circuit addressed *RF Delaware*, scholars and practitioners alike were looking for some guidance to resolve the question of issue preclusion as applied to claim construction orders. The reaction to the court's failure to affirmatively resolve the issue was generally negative. See, e.g., Hughey, *supra* note 17, at 294, 309 (“[T]he *RF Delaware* court never acknowledged either the growing circuit split or its clarification of that split. . . . [The court also ignored] the recent cases on the issue.”).

85. Each circuit court of appeals has addressed the application of issue preclusion and has applied varying standards. As noted *supra* note 84, the court in *RF Delaware* applied Eleventh Circuit law. *RF Del.*, 326 F.3d at 1261. Each of the cases discussed in Part III that applied issue preclusion used the elements of its local circuit. There is no issue preclusion law that applies specifically to patent law.

determination of the issue in the prior proceeding was essential to the final judgment or order.⁸⁶

Past scholarship has focused primarily on the third and fourth elements, which are the most problematic in the context of claim construction orders, and has dismissed the first two elements as easily satisfied.⁸⁷ This Comment fills that scholarly gap with the assertion that a subsequent suit rarely addresses the same issue in the form of the same accused product, and it explores several reasons why it may look like a term was fully litigated when, in fact it was not.⁸⁸

B. Ninth Circuit Law of Issue Preclusion

The Ninth Circuit limits its issue preclusion analysis to three elements. To apply issue preclusion in the Ninth Circuit, the courts inquire whether

(1) the issue necessarily decided at the previous proceeding is identical to the one which is sought to be relitigated; (2) the first proceeding ended with a final judgment on the merits; and (3) the party against whom collateral estoppel is asserted was a party or in privity with a party at the first proceeding.⁸⁹

As with the First Circuit, the requisite elements in the Ninth Circuit seem to be inapplicable to previous claim construction orders, given that the “proceeding” has to have ended in a final judgment. Since claim construction, though not considered a final judgment, is a dispositive issue in a large number of patent infringement cases, the resolution of that issue often results in summary judgment or a settlement prior to trial.⁹⁰ While a ruling on summary judgment is considered a final adjudication, settlements are generally not, so the

86. *Enica v. Principi*, 544 F.3d 328, 337 (1st Cir. 2008); *accord* *González-Piña v. Rodríguez*, 407 F.3d 425, 430 (1st Cir. 2005).

87. *See, e.g.*, *Hughey*, *supra* note 17, at 308, 311–14; *Clark*, *supra* note 23, at 1614–15; Anthony M. Garza, Note, *Collateral Estoppel and Claim Construction Orders: Finality Problems and Vacatur Solutions*, COLUM. SCI. & TECH. L. REV., 10 (Apr. 25, 2005), <http://www.stlr.org/html/volume6/garza.pdf>.

88. *See infra* Part IV.C–D.

89. *Af-Cap Inc. v. Chevron Overseas (Congo) Ltd.*, 475 F.3d 1080, 1086 (9th Cir. 2007) (citing *Kourtis v. Cameron*, 419 F.3d 989, 994 (9th Cir. 2005)); *see also* *Appling v. State Farm Mut. Auto. Ins. Co.*, 340 F.3d 769, 775 (9th Cir. 2003) (requiring the issue to be “sufficiently similar,” actually litigated, and necessary to determination of the first case (citing *United States v. Weems*, 49 F.3d 528, 532 (9th Cir. 1995))).

90. *See* *Kesan & Ball*, *supra* note 51, at 262 (“[T]he new procedure for patent claim construction, introduced after the *Markman* ruling, would have changed the way the parties in a case evaluated the probability of winning at trial and, consequently, the incentives to settle.”).

claim construction orders of settled cases are not preclusive in subsequent litigations.⁹¹ Surprisingly, in the cases discussed below from the First and Ninth Circuits, the courts applied issue preclusion, barring additional litigation of disputed claim constructions.⁹²

C. Fifth Circuit Law of Issue Preclusion

The Fifth Circuit, which includes the second-most popular patent district in the country, the Eastern District of Texas,⁹³ has a unique way of defining issue preclusion. In this circuit, the courts also require three general elements, plus an additional “special circumstances” provision. The Fifth Circuit’s issue preclusion demands that “(1) the prior federal decision resulted in a judgment on the merits; (2) the same fact or issue was litigated in that court; and (3) the issue’s disposition was necessary to the prior action’s outcome.”⁹⁴ Additionally, the Fifth Circuit provides that issue preclusion must not apply if there are “special circumstance[s] that would render preclusion inappropriate or unfair.”⁹⁵

91. See Clark, *supra* note 23, at 1603.

92. See *infra* Part III.B–C.

93. See Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, § 3, at 1 (stating that the Central District of California “will handle more patent infringement cases”). But see Michael C. Smith, *Rocket Docket: Marshall Court Leads Nation in Hearing Patent Cases*, 69 TEX. B.J. 1045, 1045 (2006) (“The [Marshall Division of the U.S. District Court for the Eastern District of Texas] resolves more patent cases each year than any other single court in the nation.”). The possible discrepancy between these two sources is likely explained by the use of the term “resolves,” as compared with the *New York Times*’s use of the term “handle.” In 2010, the data indicated that more cases are filed in the Central District of California than in the Eastern District of Texas. See R. David Donaghue, *Northern District of Illinois is a Top Patent District Any Way You Slice It*, CHI. IP LITIG. BLOG (Apr. 19, 2010, 4:33 AM), <http://www.chicagoplitigation.com/2010/04/articles/legal-news/northern-district-of-illinois-is-a-top-patent-district-any-way-you-slice-it/>.

94. *Fin. Acquisition Partners LP v. Blackwell*, 440 F.3d 278, 284 (5th Cir. 2006) (citing *Am. Home Assurance Co. v. Chevron, USA, Inc.*, 400 F.3d 265, 272 (5th Cir. 2005)).

95. *United States v. Shanbaum*, 10 F.3d 305, 311 (5th Cir. 1994) (citing *Universal Am. Barge Corp. v. J-Chem, Inc.*, 946 F.2d 1131, 1136 (5th Cir. 1991)). The “special circumstances” provision is an explicit way for a judge to consider equity in a decision to preclude a party. Though trial judges should always exercise discretion when applying issue preclusion, this “element” applied in the Fifth Circuit explicitly recognizes this discretion. District courts have found “special circumstances” and refused to apply issue preclusion where the previous judgment quashed a subpoena for production of documents because of lack of personal jurisdiction over the parties and the documents, *In re Godfrey*, No. 3:08-MC-0107-K, 2009 U.S. Dist. LEXIS 127279, at *19–20 (N.D. Tex. Mar. 24, 2009), where the precluded litigant was not a party to the previous arbitration—though the plaintiff had previously considered suing the defendant, *Certain Underwriters at Lloyd’s, London v. Warrantech Corp.*, No. 4:04-CV-208-A, 2004 U.S. Dist. LEXIS 17086, at *13–14 (N.D. Tex. Aug. 24, 2004), or where a party was unable to participate in the previous litigation, see *Weiner v. United States*, 255 F. Supp. 2d 624, 644 (S.D. Tex. 2002).

Significantly, the Fifth Circuit does not require that the precluded litigant was a party or in privity with a party that was represented in the previous litigation, nor does it require full litigation of the issue. Presumably, however, these elements would fall under the umbrella of the special circumstances exception. In fact, while the language of the circuit's elements does not indicate such, one scholar argues that the case law in the Fifth Circuit has created the "most stringent" standards in terms of what constitutes "finality."⁹⁶ Due to these stringent standards, courts in the Fifth Circuit decline to apply issue preclusion in the majority of patent litigation cases involving a previously construed patent.⁹⁷ Given that prior, adverse claim constructions against the patentee will not be given preclusive effect in a subsequent assertion of the patent (in addition to other patent plaintiff-friendly policies), it should come as no surprise that patentees prefer to litigate their patents in the Eastern District of Texas.⁹⁸

D. Tenth Circuit Law of Issue Preclusion

The Tenth Circuit provides an alternative approach to the common law doctrine of issue preclusion. Again, there are four required elements:

"(1) [T]he issue previously decided is identical with the one presented in the action in question, (2) the prior action has been fully adjudicated on the merits, (3) the party against whom the doctrine is invoked was a party, or in privity with a party, to the prior adjudication, and (4) the party against whom the doctrine is raised had a full and fair opportunity to litigate the issue in the prior action."⁹⁹

Interestingly, the Fifth Circuit is the only circuit examined herein to employ a "special circumstances" requirement. The argument that this Comment advances fits within these "special circumstances" that, the author would argue, create an injustice to the patent holder. For further discussion, see *infra* Part IV.

96. Garza, *supra* note 87, at 6.

97. See, e.g., *Paltalk Holdings, Inc. v. Microsoft Corp.*, No. 2:06cv367-DF, 2008 U.S. Dist. LEXIS 94462, at *12 (E.D. Tex. July 29, 2008); see also *infra* Part III.D (discussing the *Paltalk* court's refusal to apply issue preclusion for, among other justifications, insufficient finality in the previous judgment).

98. Kevin R. Davidson, *Retooling Patents: Current Problems, Proposed Solutions, and Economic Implications for Patent Reform*, 8 HOUS. BUS. & TAX L.J. 425, 450 n.185 (2008) ("The Eastern District of Texas[s] . . . Marshall division has become well-known for its high rate of pro-plaintiff verdicts (78%, compared to 59% nationwide).").

99. *United States v. Botefuhr*, 309 F.3d 1263, 1282 (10th Cir. 2002) (quoting *Dodge v. Cotter Corp.*, 203 F.3d 1190, 1197 (10th Cir. 2000)); see also *Adams v. Kinder-Morgan, Inc.*, 340 F.3d 1083, 1093 (10th Cir. 2003) (citing *Botefuhr* in a civil litigation context).

Both the Ninth and Tenth Circuits require that the issue be “identical” instead of using the word “same” as the First and Fifth Circuits do. While this slight difference could open arguments to different interpretations of these words (especially in a proceeding that is already devoted purely to the meaning of words), the likelihood is that the first element of the doctrine will be applied similarly across the circuits.

The difference in wording of the finality elements between the Tenth Circuit (“the prior action has been fully adjudicated on the merits”¹⁰⁰) and Fifth Circuit (“resulted in a judgment on the merits”¹⁰¹) on the one hand, and the finality elements in the First Circuit (“valid and binding final judgment or order”¹⁰²) and Ninth Circuit (“proceeding ended in a final judgment”¹⁰³) on the other, is more significant. The First and Ninth Circuits seem to require significantly more finality in the judgment than the Fifth and Tenth Circuits, incorporating such terms as “valid and binding final judgment” and “essential to the final judgment,” while the Tenth Circuit merely requires that it was fully adjudicated on the merits. One could also argue that even the Fifth Circuit’s language of a “final judgment on the merits” might extend to claim construction, as it is a final judgment *on that question* on the merits. In the context of claim construction, this difference in language could easily lead to a circuit split on the application of issue preclusion if this question were fully raised in litigation.¹⁰⁴ Scholars have most heavily addressed questions of finality in claim construction orders and have come out on both sides of the discussion as to whether issue preclusion should apply.¹⁰⁵

100. *Botefuhr*, 309 F.3d at 1282.

101. *United States v. Shanbaum*, 10 F.3d 305, 311 (5th Cir. 1994).

102. *Enica v. Principi*, 544 F.3d 328, 337 (1st Cir. 2008).

103. *Af-Cap Inc. v. Chevron Overseas (Congo) Ltd.*, 475 F.3d 1080, 1086 (9th Cir. 2007).

104. *Compare* *Amgen, Inc. v. F. Hoffman-LaRoche, Ltd.*, 494 F. Supp. 2d 54, 60 (D. Mass. 2007) (applying collateral estoppel in a case where the Federal Circuit had reviewed the claim construction, implying a full adjudication on the merits), *patent ruled valid and infringed*, 581 F. Supp. 2d 160 (D. Mass. 2008), *aff’d in part and vacated in part*, 296 F. App’x 69 (Fed. Cir. 2008), *with* *Shire LLC v. Sandoz, Inc.*, No. 07-cv-00197-EWN-CBS, 2008 WL 4402251, at *7 (D. Colo. Sept. 24, 2008) (finding it “impossible” for the court to apply collateral estoppel based on two previous district court constructions that both resulted in settlement).

105. *See infra* Part IV.B.

III. District Split: To Apply or Not to Apply Issue Preclusion

A. Background

Just three years after *Markman*, two cases where the patents-in-suit had been previously construed in *Markman* orders reached the point of claim construction. These cases arose in neighboring districts in 1999, with one applying issue preclusion and the other refusing to apply it.¹⁰⁶ In the former, *TM Patents, L.P. v. IBM Corp.*,¹⁰⁷ the District Court for the Southern District of New York reasoned that, because Judge Young had reached a final claim construction in a prior action,¹⁰⁸ even though the case ultimately ended in settlement,

106. *TM Patents, L.P. v. IBM Corp.* was the first notable district court case to investigate the question of the applicability of issue preclusion to questions of claim construction. 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999), *supplemental opinion*, 77 F. Supp. 2d 480 (S.D.N.Y. 1999). In that case, TM Patents held three computer-related patents asserted against IBM. *Id.* at 374. Of the three patents-in-suit, the '342 patent had been the subject of a previous litigation, *TM Patents, L.P. v. EMC Corp.*, No. 98-10206 (D. Mass. Mar. 19, 1999), which had gone to trial just a few months prior to the *IBM Markman* hearing. *IBM*, 72 F. Supp. 2d at 374-75. Though not all of the claim language in dispute in the *IBM* action had been construed by the *EMC* court, some of the previously construed claim language was the same. *Id.* at 375. IBM argued that TM Patents was collaterally estopped from relitigating the claim construction for those previously construed claim terms. *Id.* The court agreed with IBM's position, rejecting TM Patents's contentions that, though most of the constructions were correct, they should be given only persuasive effect. *Id.* It is also noteworthy that while the *EMC* action reached trial, the parties settled before the conclusion of the trial. *Id.*

Twelve days prior to the court's order in the Southern District of New York, the defendant in an action pending in the Eastern District of Pennsylvania argued that the patentee in that litigation, Graco Children's Products, should be precluded from relitigating the claim construction of its asserted patent. Graco Children's Prods., Inc. v. Regalo Int'l, LLC, 77 F. Supp. 2d 660, 661-62 (E.D. Pa. 1999). After a hearing and a ruling on the matter, Regalo asked the court to reconsider its decision based on the opinion issued in the *TM Patents v. IBM* case. *Id.* at 662. Though the defendant had appealed the infringement verdict, Graco declined to file a cross-appeal on the claim construction. *Id.* at 664. The parties settled before the Federal Circuit could rule on the appeals filed. *Id.* at 662. It is interesting to note that the previous claim construction happened in 1995 in line with the Federal Circuit's opinion in *Markman*, which the Supreme Court later affirmed, four years prior to the action in the Eastern District of Pennsylvania. *See id.* at 661. The district court judge mistakenly cited to the Supreme Court decision but noted that a December 5, 1995 trial followed the claim construction order. *Id.* The Federal Circuit's opinion, which the Supreme Court affirmed, was issued a year earlier and was controlling law at the time of the first claim construction ruling. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 967 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996).

107. 72 F. Supp. 2d 370 (S.D.N.Y. 1999), *supplemental opinion*, 77 F. Supp. 2d 480 (S.D.N.Y. 1999).

108. Judge William G. Young of the District of Massachusetts originally construed the '342 patent earlier that year. Years later, Judge Young would have the opportunity himself to cast a vote for the application of issue preclusion in claim construction in *Amgen v. Hoffman-LaRoche*, discussed *infra* at Part III.B.

the claim construction ruling had sufficient finality to preclude the plaintiff from relitigating the question of claim construction.¹⁰⁹ Since *Markman* had removed any question of jury involvement in claim construction, *IBM* concluded that a final jury verdict on questions of infringement was unnecessary to preclude a party on the issue of claim construction.¹¹⁰ In the latter case, *Graco Children's Products, Inc. v. Regalo International, LLC*,¹¹¹ the District Court for the Eastern District of Pennsylvania based its ruling on the fact that, in the previous case, the jury's finding was based in the doctrine of equivalents, and therefore the earlier, adverse claim construction was not essential to the final judgment.¹¹² This was satisfactory for the subsequent trial court to rule that the previous finding was neither sufficiently final nor central to the previous judgment and should not, therefore, be given preclusive effect.¹¹³

Two years later, a third court weighed in on the debate and also declined to apply issue preclusion. *Kollmorgen Corp. v. Yaskawa Electric Corp.*¹¹⁴ looked to the necessary elements for issue preclusion in the Federal Circuit and the Western District of Virginia decided not to apply the doctrine because the parties did not have the chance to appeal the claim construction order, the construction had not been essential to the final judgment, and the Federal Circuit frequently

109. *IBM*, 72 F. Supp. 2d at 375–76.

110. *Id.* at 376.

111. 77 F. Supp. 2d 660 (E.D. Pa. 1999).

112. *Id.* at 664.

113. *Id.* at 664–65.

114. 147 F. Supp. 2d 464 (W.D. Va. 2001). In *Yaskawa*, the Western District of Virginia was confronted with a fact pattern nearly identical to the situation in *IBM*, where the Southern District of New York applied issue preclusion to an unappealed claim construction. *See id.* at 467. Interestingly, *Yaskawa* was the first action to involve the patents-in-suit, the '437 and '771 patents, *id.* at 465–66, and was filed approximately one month prior to an action seeking a declaratory judgment of non-infringement of the '437 and '771 patents in the Eastern District of Wisconsin, *see Allen-Bradley Co. v. Kollmorgen Corp.*, 199 F.R.D. 316, 316–17 (E.D. Wis. 2001). Kollmorgen responded to Allen-Bradley with counterclaims of infringement. *Id.* at 317. As a result of the varying pace of the litigation in the two districts, *Allen-Bradley* construed the patents in question before the *Yaskawa* court. *Compare id.* at 317, with *Yaskawa*, 147 F. Supp. 2d at 466. Following a seven-day *Markman* hearing, the *Allen-Bradley* court issued its order, which was soon followed by settlement negotiations and a stipulation to dismiss before trial. *Allen-Bradley*, 199 F.R.D. at 317. With knowledge of the potentially preclusive effect of the prior claim construction order, Kollmorgen moved to vacate the claim construction in the *Allen-Bradley* action, which was denied. *See id.* at 320. Kollmorgen then moved the court to certify the denial of vacatur for appeal or else to reconsider the denial. *Yaskawa*, 147 F. Supp. 2d at 466. Again, the district court denied this motion. *Id.* at 470. The Wisconsin construction stood as a valid interpretation of the '437 and '771 patents, were the Virginia court to apply issue preclusion in the same way the *IBM* court had.

reverses claim construction orders.¹¹⁵ Significantly, the court stated that applying issue preclusion to fact patterns like those of *IBM* and *Yaskawa* would actually discourage settlement and increase the incentives for the parties to go to trial and even appeal the final verdict, in conjunction with the claim construction, in order to safeguard against future potential actions asserting the patents-in-suit.¹¹⁶ This result would be contrary to the general policy of encouraging settlement between parties—a policy that is motivated by finding efficient resolution of legal disputes, decreasing the burden on the courts' dockets, and proceeding to trial only on claims that are truly in dispute and irresolvable without an extensive trial.¹¹⁷ This policy consideration is also in line with the *Restatement's* exception to the application of issue preclusion where future actions are unforeseeable at the time of the previous action, since the patentee may have little motivation to appeal the claim construction or decline to settle in anticipation of the future assertion of the patent.¹¹⁸ These three cases constituted the basis for the scholarly debate over whether issue preclusion should apply in claim construction in the early 2000s.¹¹⁹ Over a decade later, the reasoning of the courts in *Graco* and especially *Yaskawa* holds up as the most equitable approach to the application of issue preclusion in questions of claim construction.

The conflict that cases like *IBM*, *Graco*, and *Yaskawa* created left district courts and practitioners with little direction as to the applicability of issue preclusion to claim construction and, while the scholarship had advice to offer¹²⁰ and arguments to make as to the

115. *See id.* at 467–70.

116. *See id.* at 468.

117. *See Graco*, 77 F. Supp. 2d. at 664. Judicial policy is generally that application of issue preclusion should work toward judicial economy rather than thwart settlements. *See Clark*, *supra* note 23, at 1604.

118. *See* RESTATEMENT (SECOND) OF JUDGMENTS § 28(5) (1982). In the *Kollmorgen* cases, foreseeability was certainly not immediately an issue, since Kollmorgen knew that it had two concurrently pending actions involving the patents-in-suit and knew to move for vacatur. *See Yaskawa*, 147 F. Supp. 2d at 465–66.

119. *See generally*, e.g., Craig Allen Nard, *Intellectual Property Challenges in the Next Century: Process Considerations in the Age of Markman and Mantras*, 2001 U. ILL. L. REV. 355 (discussing *IBM* and *Graco*, among other cases, and whether claim construction by a trial court precludes relitigation of the issue in a subsequent lawsuit); Van Over, *supra* note 22 (same); Clark, *supra* note 23 (discussing *IBM*, *Yaskawa*, and *Graco*, among other cases, and whether issue preclusion should apply to claim interpretation); Garza, *supra* note 87 (same); Le Duc, *supra* note 20 (same).

120. *See generally*, e.g., Garza, *supra* note 87 (arguing that moving to vacate a previous adverse claim construction where there was not a final judgment on the merits—the same strategy that Kollmorgen attempted in its own litigation—would be one way to ensure that it would not have subsequent preclusive effect).

applicability¹²¹ or inapplicability of claim construction orders,¹²² the Federal Circuit did not have the opportunity to address the issue.¹²³ Finally, four years after the debate began in *IBM* and *Graco*, a case came before the Federal Circuit in which the court had the opportunity to rule on the application of issue preclusion in the claim construction context.¹²⁴ Instead of issuing a broad opinion that would direct future litigants on the doctrine's application in the specific context of patent claim construction, the court issued a narrow opinion in *RF Delaware* based on the facts of that case and simply stated that "the law of the regional circuit applies to the issue of collateral estoppel."¹²⁵ Practitioners and scholars alike were frustrated by the lack of direction on this issue.¹²⁶ The court implied that issue preclusion could apply in claim construction contexts, provided that all of the elements were met.¹²⁷ In terms of the definition of "finality" required in order to apply issue preclusion, the court seemed to find some middle ground between the positions adopted by *IBM* and *Yaskawa*.¹²⁸ Without clear standards for the application of issue preclusion to previous claim construction orders after *RF Delaware*,

121. See generally, e.g., Van Over, *supra* note 22 (emphasizing the importance the Supreme Court placed on uniformity in patent interpretation in the *Markman* decision and encouraging liberal application of issue preclusion to claim construction orders).

122. See generally, e.g., Clark, *supra* note 23 (advancing a thorough argument for why previous claim construction orders are not final judgments and should not be given preclusive effect).

123. The evidence from the cases discussed *infra* Part III shows that cases that would have been ripe for appeal likely settled before they reached the point of appeal or else the ultimate outcome at trial was favorable for the party that "lost" on claim construction, leaving the question unappealable.

124. See *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1260–61 (Fed. Cir. 2003); Hughey, *supra* note 17, at 293–94 (outlining the background of *Markman*, the struggle with issue preclusion and claim construction in the late 1990s, and the Federal Circuit's opportunity in *RF Delaware*).

125. *RF Del.*, 326 F.3d at 1261.

126. See, e.g., Hughey, *supra* note 17, at 317 ("[T]he court did not clearly state when collateral estoppel applies to an earlier court's claim interpretation. The court also did not reference the current debate on the issue. . . . The decision does not clearly end the debate on finality for collateral estoppel of claim interpretation.").

127. See *RF Del.*, 326 F.3d at 1261 ("We conclude that collateral estoppel does not apply in the present case because no judgment, much less final judgment, was ever entered in the Virginia district court case.") (emphasis added); see also Hughey, *supra* note 17, at 310 ("Lower courts have held that if all of the elements are met, collateral estoppel can apply to a court's claim interpretation.").

128. Hughey, *supra* note 17, at 311–12 (explaining that the Federal Circuit seemed to reject the broad definition of finality employed by *IBM* while also rejecting *Yaskawa*'s holding that there can never be valid application of collateral estoppel lacking a "final judgment").

the district courts continued to come out on both sides, some applying issue preclusion and others refusing to apply it.¹²⁹

Over ten years have now passed since *IBM* and *Graco*, and yet district courts continue to struggle with questions of the applicability of issue preclusion to previous claim constructions, even after *RF Delaware*. As evidence of the struggle, this Comment now presents four such cases—two that have chosen to preclude the patentee from relitigating claim construction and two that have reconsidered previously construed claim terms and not precluded the patentee from raising new arguments about the scope of patent claims.

B. Amgen, Inc. v. F. Hoffman-LaRoche, Ltd. (Applying Issue Preclusion)

Perhaps the most questionable application of issue preclusion as well as stare decisis in claim construction questions was that employed by Judge Young in the District of Massachusetts in *Amgen, Inc. v. F. Hoffman-LaRoche, Ltd.*¹³⁰ Amgen, a major pharmaceutical manufacturer, has long been a significant player in the world of patent litigation. Five of the patents-in-suit in the *Roche* action were also the subject of an earlier litigation between Amgen and Hoechst Marion Roussel (“HMR”)¹³¹ in which Judge Young was also the presiding judge.¹³² After a three-day hearing in the first case, the

129. One judge noted in his order granting leave for the parties to appeal this question of law to the Federal Circuit in 2009 that “[t]here is no definite guidance from the Supreme Court, the Tenth Circuit, or the Federal Circuit on this question.” *Shire LLC v. Sandoz Inc.*, No. 07-CV-00197, 2008 WL 5120728, at *2 (D. Colo. Dec. 5, 2008). This order makes it clear that one of the motivating factors for the judge to grant leave was to allow the Federal Circuit the opportunity to definitively rule on the issue. Lacking direction from the Federal Circuit after the parties settled their case before that court had the opportunity to hear oral argument, the question continues to arise in district courts. *See, e.g., King Tuna, Inc. v. Anova Food, Inc.*, No. CV07-07451 ODW (AJWx), 2010 U.S. Dist. LEXIS 66257, at *24–25 (C.D. Cal. June 30, 2010) (applying issue preclusion); *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 692 F. Supp. 2d 487, 501–02 (M.D. Pa. 2010) (not applying issue preclusion), *appeal docketed*, No. 2010-1377, -1400, -1408 (Fed. Cir. May 26, 2010).

130. 494 F. Supp. 2d 54 (D. Mass. 2007), *patent ruled valid and infringed*, 581 F. Supp. 2d 160 (D. Mass. 2008), *aff’d in part and vacated in part*, 296 F. App’x 69 (Fed. Cir. 2008).

131. Hoechst Marion Roussel was a German paint and chemical company that expanded into pharmaceuticals in 1883. *Unternehmensgeschichte*, SANOFI-AVENTIS DE, <http://www.sanofi-aventis.de/live/de/de/layout.jsp?scat=FFA7DD60-6FA2-4AEC-B8234A-68B702DB38> (last visited Nov. 7, 2010). In 1999, its pharmaceutical division merged with Rhône-Polenc and became known as Aventis. *Id.* In 2004, Sanofi-Synthelabo acquired Aventis and is now known as Sanofi-Aventis and is one of the largest pharmaceutical conglomerates in the world. *Id.*

132. *Compare Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1319 (Fed. Cir. 2003) (stating the patents at issue are ’933, ’698, ’080, ’349, and ’422), *with Complaint*

parties proceeded to a bench trial in January 2001, wherein Judge Young issued his claim construction and found varying degrees of patent validity and infringement among the patents-in-suit.¹³³ Amgen and HMR both appealed to the Federal Circuit, which, in addition to affirming the claim construction, commended the district court for its “thorough, careful, and precise work” in such a complex case.¹³⁴ This first Amgen case was remanded for further proceedings¹³⁵ and was not substantially resolved until 2008.¹³⁶

In 2005, Amgen filed a second suit on five of the patents involved in the previous action, and this second case was also assigned to Judge Young.¹³⁷ The accused products in the second suit were different from those in the previous suit.¹³⁸ In its claim construction brief, Amgen sought to preclude Roche from relitigating the construction of some disputed claim terms under the doctrine of *stare decisis*, since the Federal Circuit had already affirmed a previous construction.¹³⁹ Roche also relied on the previous *Markman* order to advance its own position on claim construction, but it sought clarification on the court’s previous ruling on one disputed claim term.¹⁴⁰ After initial

for Declaratory Judgment of Infringement of U.S. Patent Nos. 5,441,868, 5,547,933, 5,618,698, 5,621,080, 5,756,349, and 5,955,4221 at 1, *Amgen Inc. v. F. Hoffmann-LaRoche, Ltd.*, 581 F. Supp. 2d 160 (D. Mass. 2008) (No. 05-12237-WGY), 2005 WL 3776444 [hereinafter Complaint for Declaratory Judgment] (discussing the controversy over the same five patents as well as the ‘868 patent).

133. *Amgen, Inc. v. Hoechst Marion Roussel, Inc.*, 126 F. Supp. 2d 69, 125 (D. Mass. 2001). Specifically, the court found the ‘080, ‘349, and ‘422 patents valid and infringed, the ‘698 patent not infringed, and the ‘933 patent not infringed, or alternatively, invalid for failure to disclose the best mode of practicing the invention. *See id.*

134. *Hoechst Marion Roussel*, 314 F.3d at 1320.

135. *Id.* at 1358.

136. *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 579 F. Supp. 2d 199, 210 (D. Mass. 2008). Certain accounting motions actually continued into 2009, dragging the case into its twelfth year before it ultimately concluded. *See, e.g.*, Motion of Defendants Transkaryotic Therapies, Inc. and Hoechst Marion Roussel, Inc. to Disallow Amgen’s Amended Bill of Costs at 1–2, *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 579 F. Supp. 2d 199 (D. Mass. 2008) (No. 97-cv-10814-WGY).

137. Complaint for Declaratory Judgment, *supra* note 132, at 7.

138. *Compare Id.* at 1 (stating that the product at issue is a “pharmaceutical composition containing a recombinant human EPO product”), with Amended Complaint at 10, *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 3 F. Supp. 2d 104 (D. Mass. 1998) (No. 97-10814-WGY), 1997 WL 34481925 (stating that the product at issue is a “non-naturally occurring human EPO glycoprotein product having the *in vivo* biological activity of causing bone marrow cells to increase production of reticulocytes and red blood cells”).

139. Amgen Inc.’s Response to the Court’s Questions Regarding Precedential Effect of Prior Claim Constructions and Defendant’s Reply Brief Regarding Claim Construction at 4–10, *Amgen Inc. v. F. Hoffmann-LaRoche Ltd.*, 494 F. Supp. 2d 54 (D. Mass. 2007) (No. 05-12237-WGY), 2007 WL 6349680 [hereinafter Amgen’s Response].

140. Defendant’s Opening Memorandum in Support of Their Proposed Claim Construction at 5, 9, *Roche*, 494 F. Supp. 2d 54 (No. 05-12237-WGY), 2007 WL 6349677.

briefing, the court held a hearing on claim construction,¹⁴¹ and questions arose during the hearing that necessitated further briefing by Amgen, the patentee, on the preclusive effect of the previous claim construction.¹⁴² Judge Young concluded that, under the doctrine of issue preclusion, Amgen was precluded from relitigating the construction of any previously construed terms.¹⁴³ He further ruled that Roche was bound to the previous construction under *stare decisis*.¹⁴⁴ The parties proceeded to trial, where there was a favorable jury verdict for Amgen.¹⁴⁵ On appeal, Roche appears not to have challenged the district court's application of *stare decisis*.¹⁴⁶ Ultimately, the parties settled after the case was remanded to the district court.¹⁴⁷

Though perhaps grounded in generally sound legal reasoning, the inequitable result of Judge Young's decision to bar Roche from further litigation under *stare decisis*, while perhaps promoting uniformity in patent interpretation, resulted in the least equitable result of any of the cases discussed in this Comment. As discussed previously, First Circuit issue preclusion has four elements that require the same issue to have been actually litigated *and be essential to a final judgment*.¹⁴⁸ Judge Young determined that Amgen was precluded from relitigating the claim construction since these *same* claim terms had been *actually litigated* in a previous matter,¹⁴⁹ though he never discussed the finality of the judgment.¹⁵⁰ Judge Young accurately stated that since Roche was not a party to the previous litigation and was therefore not precluded from litigating the issue, it

141. See Amgen's Response, *supra* note 139, at 1.

142. See *id.*

143. Roche, 494 F. Supp. 2d at 60.

144. *Id.* at 61.

145. See Amgen, Inc. v. F. Hoffmann-LaRoche Ltd., 581 F. Supp. 2d 160, 166–67, (D. Mass. 2008), *aff'd in part and vacated in part*, 580 F.3d 1340 (Fed. Cir. 2009).

146. See Amgen Inc. v. F. Hoffmann-LaRoche Ltd., 580 F.3d 1340, 1349 (Fed. Cir. 2009) (noting “issues involving obviousness-type double patenting, anticipation, indefiniteness, and infringement,” but not any issue involving claim construction).

147. Amgen Inc. v. F. Hoffmann-LaRoche Ltd., No. 05-12237-WGY, slip op. at 1–2 (D. Mass. Dec. 22, 2009) (stipulation and order).

148. Enica v. Principi, 544 F.3d 328, 337 (1st Cir. 2008); see *supra* notes 86–88 and accompanying text.

149. Roche, 494 F. Supp. 2d at 60.

150. In *Hoechst Marion Roussel*, the fact that the Federal Circuit affirmed the district court's claim construction in full and the findings of infringement were based on that claim construction, not the doctrine of equivalents, rendered it a sufficiently final judgment to satisfy the remaining elements. See Amgen Inc. v. Hoechst Marion Roussel, Inc., 314 F.3d 1313, 1320 (Fed. Cir. 2003); cf. *supra* notes 112–113 and accompanying text (discussing *Graco*, where a previous claim construction was not sufficiently final because the jury in the previous case based its decision on the doctrine of equivalents).

would have to come forward with new arguments in order to allow the court to reconsider its previous claim construction.¹⁵¹ After this very brief discussion, however, Judge Young turned to the question of stare decisis and determined that “[w]hen construing the claims of a patent, the Federal Circuit is creating legal precedent,” and, therefore, he was “bound to follow the prior constructions of Amgen’s patents adopted or affirmed by the Federal Circuit.”¹⁵²

As this Comment argues, the issue in the *Roche* case was not the same as in the previous *Hoechst Marion Roussel* case because the cases involved different accused products.¹⁵³ Furthermore, Judge Young wholly precluded Roche from advancing its own arguments as to the proper claim construction of the patents-in-suit; he instead bound Roche to the previous construction in which the company had no interest or opportunity to intervene or otherwise participate and in which the court had construed the patent in the context of an entirely different accused product.¹⁵⁴ Consequently, the interest in uniformity of patent interpretation worked an injustice and may have cost Roche unknown sums of damages.

C. *Smith & Nephew, Inc. v. Arthrex, Inc. (Applying Issue Preclusion)*

*Smith & Nephew, Inc. v. Arthrex, Inc.*¹⁵⁵ represents an opinion in which the ruling judge acknowledged, to a certain extent, the reality of actual patent practice. Judge Mosman of the District of Oregon further recognized in his opinion that the application of issue preclusion might be somewhat unjust.¹⁵⁶ Ultimately, however, he gave preference to the policy concern about uniformity in patent interpretation rather than allowing the patentee to reopen the question of claim construction in subsequent litigation.¹⁵⁷

Smith & Nephew, in conjunction with its co-plaintiff, Dr. John Hayhurst, held U.S. Patent 5,601,557,¹⁵⁸ which describes “a method of

151. See *Roche*, 494 F. Supp. 2d at 60.

152. *Id.* at 61.

153. See *supra* note 138 and accompanying text.

154. See *Roche*, 494 F. Supp. 2d at 61.

155. No. 04-29-MO, 2007 U.S. Dist. LEXIS 27499 (D. Or. Apr. 12, 2007), ruled *not infringed in part*, 511 F. Supp. 2d 1046 (D. Or. 2007), ruled *valid and infringed*, 629 F. Supp. 2d 1176 (D. Or. 2008), *aff’d in part and rev’d in part*, 355 F. App’x 384 (Fed. Cir. 2009).

156. *Id.* at *7.

157. *Id.* at *7–8.

158. See Complaint for Patent Infringement at 2, *Smith & Nephew, Inc. v. Arthrex, Inc.*, 629 F. Supp. 2d 1176 (D. Or. 2008) (No. 04-0029-ST).

affixing a suture within a bone.”¹⁵⁹ A year after the patent was issued,¹⁶⁰ Smith & Nephew commenced an infringement action against Ethicon.¹⁶¹ During that litigation, the magistrate judge construed the disputed patent claim terms in an order that was subsequently adopted by the district court.¹⁶² Thereafter, the district court based a finding of summary judgment for Ethicon on the magistrate’s claim construction.¹⁶³ On appeal, the Federal Circuit made only minor adjustments to the district court’s claim construction, but it reversed the summary judgment ruling since issues of material fact still existed in the case.¹⁶⁴ On remand, the parties quickly took up settlement negotiations, and the court dismissed the action with prejudice against Ethicon.¹⁶⁵ Thirteen months later, Smith & Nephew filed a suit against Arthrex that was also based on the ’557 patent.¹⁶⁶ In its claim construction brief, Arthrex asserted that Smith & Nephew was precluded from relitigating claim construction because it had been a party to a previous suit in which the patent was construed and that ended in a final judgment.¹⁶⁷

In examining the applicability of issue preclusion to the previous construction of the ’557 patent claims, Judge Mosman engaged in a thorough analysis of the elements required in the Ninth Circuit—that the party to be precluded was a party (or in privity with a party) in a previous litigation involving the identical issue and resulting in a final judgment on the merits.¹⁶⁸ In addressing whether the issue sought to be precluded was identical, Judge Mosman acknowledged the reality that “the accused device informs [claim] construction,” but he dismissed the position (advanced in this Comment) that this creates a different issue.¹⁶⁹ Instead, he ruled that this position was “contrary to

159. *Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304, 1306 (Fed. Cir. 2001).

160. U.S. Patent No. 5,601,557 (filed June 12, 1991) (issued Feb. 11, 1997).

161. *Arthrex*, 2007 U.S. Dist. LEXIS 27499, at *2.

162. *Id.*

163. *Id.*

164. *Ethicon*, 276 F.3d at 1310, 1312.

165. *See Smith & Nephew v. Ethicon*, No. 98-76-MA, slip op. at 1–2 (D. Or. Dec. 11, 2002) (stipulated consent judgment).

166. Complaint for Patent Infringement, *supra* note 158, at 2–3.

167. *See Arthrex*, 2007 U.S. Dist. LEXIS 27499, at *1–2.

168. *Id.* at *4 (citing *Af-Cap, Inc. v. Chevron Overseas (Congo) Ltd.*, 475 F.3d 1080, 1086 (9th Cir. 2007)).

169. *Id.* at *5. As Judge Mosman recognized in his opinion, the accused device will affect the way in which a patentee proposes that a court interpret the patent. *Id.* When two different lawsuits involve two different applications of the patented invention, the reality of the factual component of claim construction means that the issue as to the patent claim

the purpose of claim construction,” namely to define the scope of the invention.¹⁷⁰ In lieu of justly refusing to apply issue preclusion, Judge Mosman relied on the Federal Circuit’s legal fiction that “while the court may consider the accused device in giving context to its analysis, claim construction ‘is independent of the device charged with infringement.’”¹⁷¹ Though not citing *Markman*, Judge Mosman opted to base his holding on the policy concerns of uniformity and “the public notice function” that would be “undermined by the potential for the claims to mean something different with every competitor’s device.”¹⁷² Significantly, Judge Mosman did recognize the patentee’s “difficult position” of being forced to foresee all future accused products in arguing its claim construction the first time he asserts the patent.¹⁷³ Despite this admission, the court reverted to the policy considerations of “uniformity, consistency, and public notice”¹⁷⁴ in patent interpretation, implicitly deciding that these interests are stronger than the interests of justice that would require reconsideration of the claim construction based on insufficient foreseeability at the time of the previous suit.

Judge Mosman also found the remaining two elements easily satisfied because the stipulated consent judgment in the *Ethicon* litigation declared that it was “a final adjudication on the merits,” and Smith & Nephew was the plaintiff in that case.¹⁷⁵ Interestingly, there is no mention of the Federal Circuit’s review of the claim construction in the *Ethicon* case and its complete affirmation of the magistrate’s construction. Review by the Federal Circuit seems to be sufficient to provide the requisite finality for issue preclusion in other cases, often serving as a determining factor in whether a court will apply issue

terms is *not* the same, in light of the context in which they are interpreted. For further discussion of this position, see *infra* Part IV.D.

170. *Arthrex*, 2007 U.S. Dist. LEXIS 27499, at *5.

171. *Id.* at *6 (quoting *Pall Corp. v. Hemasure Inc.*, 181 F.3d 1305, 1308 (Fed. Cir. 1999)).

172. *Id.*

173. *Id.* at *7; see also RESTATEMENT (SECOND) OF JUDGMENTS § 28(5)(b) (1982) (requiring that a party not be precluded if “it was not sufficiently foreseeable at the time of the initial action that the issue would arise in the context of a subsequent action”).

174. *Arthrex*, 2007 U.S. Dist. LEXIS 27499, at *7–8.

175. *Id.* at *6–7. Though this Comment declines to take up the questions of finality discussed in previous scholarship, it is important to note that there is legitimate doubt as to whether consent judgments, even including language that they are a “final judgment on the merits,” are sufficient to satisfy that prong of the test for issue preclusion. See *Kearns v. Gen. Motors Corp.*, 94 F.3d 1553, 1557 (Fed. Cir. 1996) (“‘[I]n the case of a judgment entered by confession, consent, or default, none of the issues is actually litigated’ and issue preclusion does not apply.” (quoting RESTATEMENT (SECOND) OF JUDGMENTS § 27 cmt. e (1982))).

preclusion.¹⁷⁶ Though Smith & Nephew would have likely had grounds for an assertion of error based on the court's application of issue preclusion in *Arthrex* (using the argument that a consent judgment should never have sufficient finality to satisfy that prong of issue preclusion),¹⁷⁷ its success at trial based on the *Ethicon* claim construction—resulting in a permanent injunction and a \$14.7 million verdict—foreclosed the possibility of an appeal of the claim construction order.¹⁷⁸ Notably, however, the Federal Circuit did find error in the trial court's construction of claim terms not construed by the *Ethicon* court and remanded for a new trial based on a corrected claim construction.¹⁷⁹

Of the four judges presiding over the decisions discussed in detail in this Part, Judge Mosman did the best he could within the confines of the law at the time of his ruling. He recognized the reality that the accused device influences claim construction and acknowledged the difficult position of the patent holder at the time of the first claim construction. The dicta in *Markman* and limited guidance from the Federal Circuit in *RF Delaware*, however, both led Judge Mosman to rule that issue preclusion must apply if he determined that all of the elements were met. In fact, dicta like those of Judge Mosman may now be working to influence a change in the law, if the Federal Circuit adopts the position proposed in this Comment.

D. Paltalk Holdings, Inc. v. Microsoft Corp. (Not Applying Issue Preclusion)

In contrast to the district courts in Oregon (*Arthrex*) and New York (*IBM*), the Eastern District of Texas, Marshall Division, the second-busiest patent district in the country,¹⁸⁰ declined to apply issue preclusion in a case where the previous construction had resulted in settlement.¹⁸¹ HearMe, a technology company, developed the

176. Compare, e.g., *Amgen, Inc. v. Hoffman-LaRoche, Ltd.*, 494 F. Supp. 2d 54, 61 (D. Mass. 2007) (entire previous claim construction confirmed by Federal Circuit), *patent ruled valid and infringed*, 581 F. Supp. 2d 160 (D. Mass. 2008), *aff'd in part and vacated in part*, 296 F. App'x 69 (Fed. Cir. 2008), with, e.g., *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464 (W.D. Va. 2001) (no Federal Circuit review of claim construction).

177. Hughey, *supra* note 17, at 301–02; Clark, *supra* note 23, at 1596 (citing *Kearns v. Gen. Motors Corp.*, 94 F.3d 1553, 1557 (1996)).

178. See *Smith & Nephew, Inc. v. Arthrex, Inc.*, 629 F. Supp. 2d 1176, 1178 (D. Or. 2008), *aff'd in part and rev'd in part*, 355 F. App'x 384 (Fed. Cir. 2009).

179. *Smith & Nephew, Inc. v. Arthrex, Inc.*, 355 F. App'x 384, 387, 389 (Fed. Cir. 2009).

180. See *supra* note 93.

181. See *PalTalk Holdings, Inc. v. Microsoft Corp.*, No. 2:06cv367-DF, 2008 U.S. Dist. LEXIS 94462, at *11–12 (E.D. Tex. July 29, 2008).

invention claimed in both patents-in-suit, relating to “[s]erver-group messaging system[s],”¹⁸² and asserted U.S. Patent 5,822,523 against Lipstream Networks in a 1999 suit in the Northern District of California.¹⁸³ A year later, in the course of that litigation, the California court construed the ’523 patent and issued a final *Markman* order.¹⁸⁴ Within three weeks, the parties had settled their disputes and submitted a stipulated order of dismissal with prejudice.¹⁸⁵

Two years later, PalTalk purchased both the ’523 and the ’686 patents from HearMe,¹⁸⁶ and, in 2006, PalTalk brought suit against Microsoft, alleging infringement of both patents.¹⁸⁷ When the parties reached the point of claim construction in the Texas case, Microsoft sought to preclude PalTalk from relitigating the scope of the claim terms, since its predecessor in interest had previously fully litigated the issue.¹⁸⁸ In refusing to apply issue preclusion, the court relied heavily on the stipulated dismissal’s lack of finality in the previous litigation,¹⁸⁹ which did not meet the “stringent” finality standards of the Fifth Circuit.¹⁹⁰ Microsoft also argued that PalTalk should be bound, under the doctrine of judicial estoppel, by the positions taken by HearMe on questions of claim construction in the previous litigation.¹⁹¹ Though judicial estoppel will generally prevent a party from asserting a contrary position before a subsequent court, since PalTalk was not a party to the previous litigation *and* the proceeding did not result in a final judgment on the merits, the court declined to apply judicial estoppel against PalTalk and allowed a full relitigation of the question of claim construction.¹⁹² After proceeding to a jury trial, the parties successfully negotiated a settlement before the court

182. See U.S. Patent No. 6,226,686 (filed Sept. 28, 1999); U.S. Patent No. 5,822,523 (filed Feb. 1, 1996).

183. *PalTalk*, 2008 U.S. Dist. LEXIS 94462, at *9; *HearMe v. Lipstream Networks, Inc.*, No. C 99-04506 WHA, slip op. at 1–2 (N.D. Cal. Aug. 25, 2000); *HearMe*, Annual Report (Form 10-K), at 21 (Mar. 30, 2001) [hereinafter *HearMe Annual Report*], available at <http://www.sec.gov/Archives/edgar/data/1078693/000091205701505915/a2041405z10k405.htm>.

184. *HearMe*, No. C 99-04506 WHA, slip op. at 3–14.

185. *HearMe Annual Report*, *supra* note 183, at 21.

186. *PalTalk*, 2008 U.S. Dist. LEXIS 94462, at *4.

187. *Id.* at *3.

188. See *id.* at *10.

189. *Id.* at *11–12.

190. See *id.* at *12; Garza, *supra* note 87, at 10.

191. *PalTalk*, 2008 U.S. Dist. LEXIS 94462, at *12–13.

192. *Id.* at *13–14.

could enter a final judgment, and the claims were dismissed with prejudice.¹⁹³

The court did not address whether the same fact or issue had been previously litigated. Under the position advanced in this Comment—that the accused device informs claim construction and a subsequent suit accusing a different device actually involves a new issue—issue preclusion should not apply because the same fact or issue has not been previously litigated.¹⁹⁴ Furthermore, there is a strong argument that the questions arising in the *PalTalk* litigation were wholly unforeseeable at the time the *HearMe* parties were litigating claim construction.¹⁹⁵ Seven years elapsed between the two lawsuits. The technology related to online chatting developed immensely over those seven years, and a different patent holder and certainly different counsel were involved in the subsequent litigation. Given this lack of foreseeability, this Comment advances the position that justice required the *PalTalk* parties be given the full opportunity to relitigate the meaning of disputed claim terms and have all relevant evidence considered in a proper *Markman* hearing. The court's decision in *PalTalk* to give “due consideration to Judge Alsup's [previous claim construction] order in the analysis” was entirely fair and proper, since the similar question of the meaning of the claim terms was previously litigated in a just, legal proceeding.¹⁹⁶

E. *Shire LLC v. Sandoz, Inc. (Not Applying Issue Preclusion)*

As the manufacturer of Adderall XR, a popular treatment for Attention Deficit Hyperactivity Disorder (“ADHD”), Shire Laboratories and Shire LLC actively asserted their patents several times against various defendants.¹⁹⁷ Two of these actions, *Shire Laboratories, Inc. v. Impax Laboratories, Inc.*¹⁹⁸ and *Shire LLC v. Colony Pharmaceuticals, Inc.*,¹⁹⁹ resulted in conflicting claim

193. See *PalTalk Holdings, Inc. v. Microsoft Corp.*, No. 2:06cv367-DF, slip op. at 1 (E.D. Tex. May 8, 2009) (order of dismissal with prejudice).

194. Cf. *supra* note 169 and accompanying text. For additional discussion of this position, see *infra* Part IV.D.

195. See RESTATEMENT (SECOND) OF JUDGMENTS § 28(5) (1982).

196. See *PalTalk*, 2008 U.S. Dist. LEXIS 94462, at *9–10, *12 (emphasis added).

197. See Shire PLC, Annual Report (Form 10-K), at 35–37 (Mar. 1, 2007), available at http://www.sec.gov/Archives/edgar/data/936402/000095010307000536/dp04864_10k.htm (detailing all the varying actions Shire had filed on the '819 and '300 patents); see also Complaint at 5–6, *Shire LLC v. Colony Pharms., Inc.*, No. CV 07-718 CCB (D. Md. Mar. 20, 2007) (indicating that, contrary to the SEC filing, Shire ultimately did decide to sue Colony on these patents, as well).

198. No. 03-CV-1164, 2005 WL 319983 (D. Del. Feb. 9, 2005).

199. No. 1:07-cv-00718-CCB (D. Md. Apr. 16, 2008).

construction orders.²⁰⁰ The *Impax* court fully construed both of the patents-in-suit,²⁰¹ but prior to reaching trial, the parties settled their claims.²⁰² The *Colony* court found that Shire was not precluded from arguing certain positions of claim construction based on the doctrine of prosecution history estoppel²⁰³ and on its prior acceptance of the Patent and Trademark Office's position on claim construction at the time of the prosecution.²⁰⁴ Subsequently, the parties entered into a settlement agreement.²⁰⁵ In *Shire LLC v. Sandoz, Inc.*,²⁰⁶ Shire urged the court to adopt the *Colony* position on claim construction, since it was based on the actual prosecution proceedings.²⁰⁷ Sandoz, on the other hand, asserted that Shire was bound to the *Impax* claim construction by the doctrine of issue preclusion.²⁰⁸ Given the unusual circumstance of two conflicting previous claim constructions, Judge Nottingham for the Colorado district court opined that, "considering the fact that the *Impax* court[] . . . [did] not provide any reasoning for its findings," it was "impossible . . . to apply collateral estoppel."²⁰⁹ Though not stating so explicitly, Judge Nottingham also alluded to

200. *Shire LLC v. Sandoz, Inc.*, No. 07-cv-00197-EWN-CBS, 2008 WL 4402251, at *5 (D. Colo. Sept. 24, 2008).

201. *Impax*, 2005 WL 319983, at *1–2.

202. *Sandoz*, 2008 WL 4402251, at *5.

203. The doctrine of prosecution history estoppel precludes a party from arguing a position during claim construction that it rejected or voluntarily surrendered during the prosecution of the patent. DURHAM, *supra* note 5, at 164–65. Most notably, the doctrine will affirmatively apply when a claim is altered in order to avoid rejection based on anticipation or obviousness under 35 U.S.C. § 101, which requires that the patentable material be novel beyond the prior art. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 736 (2002). When an inventor has amended his claims in response to rejection by the patent examiner for reasons of patentability, he will be precluded from arguing that the claims are to be construed in a way that would incorporate the rejected language. *See id.* However, if an inventor amends his claims for "purely cosmetic" reasons, then the doctrine will not apply. *Id.* at 736–37. The burden is on the inventor or patentee "to show that an amendment was not for purposes of patentability," leaving the inventor the opportunity to explain a non-patentability reason for the amendment. *Id.* at 739–40.

In *Colony*, Shire asserted that the disclaimers it retracted during the patent prosecution were not binding on the court's construction and therefore prosecution history estoppel should not apply. *See Sandoz*, 2008 WL 4402251, at *5, *7–9. The court there agreed. *See id.* at *5.

204. *See Sandoz*, 2008 WL 4402251, at *5, *9.

205. *Shire LLC v. Colony Pharms., Inc.*, No. CV 07-718 CCB, slip op. at 1 (D. Md. Apr. 14, 2008).

206. No. 07-cv-00197-EWN-CBS, 2008 WL 4402251 (D. Colo. Sept. 24, 2008).

207. *See id.* at *6.

208. *Id.*

209. *Id.* at *7.

the question of the finality of the previous judgments,²¹⁰ as there was no trial or final conclusion on the merits where the claim construction was essential.²¹¹ Though the court could have taken one or both of the previous claim construction orders under advisement in conducting its own independent construction, the conflicting nature of these previous orders would have made this use difficult. Instead, the court construed the disputed terms relying only on the evidence in the record.²¹² Using this claim construction, Judge Nottingham granted summary judgment for Shire on Sandoz's defenses of patent misuse and sham litigation and concurrently denied Sandoz's motion for summary judgment of patent invalidity.²¹³

Most interesting in Judge Nottingham's opinion is the dictum concerning the application of issue preclusion to claim construction, wherein he notes that "[n]either *Markman* nor the Federal or the Tenth Circuits has directly addressed the issue whether a *Markman* ruling is a final judgment for purposes of collateral estoppel, particularly where the parties have settled the case before the court entered a final judgment."²¹⁴ Relying on this dictum, Sandoz moved for immediate interlocutory appeal of the order that had decided claim construction and summary judgment.²¹⁵ Two months later, Judge Nottingham granted this appeal, giving the Federal Circuit the opportunity to clarify the question of the finality of claim construction orders in the application of issue preclusion as well as the general applicability of the doctrine.²¹⁶

The Federal Circuit accepted Sandoz's appeal in February 2009,²¹⁷ and patent litigators looked to this case for a decision on this long unanswered question of law.²¹⁸ Relying primarily on precedent

210. See *id.* at *6 (discussing how courts may engage in "rolling claim construction" and revisit past orders in light of new circumstances and, therefore, no claim construction order may be considered "final").

211. *Id.* at *5.

212. *Id.* at *9–11.

213. *Id.* at *14.

214. *Id.* at *6.

215. See *Shire LLC v. Sandoz, Inc.*, No. 07-CV-00197-PAB-CBS, 2008 WL 5120728, at *1 (D. Colo. Dec. 5, 2008) (order certifying controlling question of law for immediate appeal under 28 U.S.C. § 1292(b)).

216. See *id.* at *2.

217. *Shire LLC v. Sandoz, Inc.*, 345 F. App'x 535 (Fed. Cir. 2009), *appeal dismissed*, 368 F. App'x 116 (Fed. Cir. 2009).

218. See, e.g., Kirsten L. Thomson & Jana E. Harris, *Shire LLC v. Sandoz Inc.: Issue Preclusion and Markman Decisions*, SNIPPETS, Summer 2009, at 1, 1–6, available at <http://www.mhbb.com/resources/documents/Snippets%20Vol%207%20Issue%203%20Online.pdf>; Robert Berezin & Carmen Bremer, *A Litigant's Guide to Collateral Estoppel*, MANAGING INTELLECTUAL PROPERTY (June 1, 2009), <http://www.managingip.com/>

from the Second Circuit, since the Tenth Circuit had not addressed questions of what constituted sufficient finality in order to give preclusive effect to prior judgments.²¹⁹ Sandoz argued that Shire had its day in court in the *Impax* case, and the Delaware court had issued a “sufficiently final” judgment.²²⁰ Remarkably, Sandoz advanced the position that Shire had the opportunity to appeal but did not,²²¹ and if Shire had been dissatisfied with the claim construction order and did not wish it to have preclusive effect, it should have moved to vacate the claim construction decision.²²² Finally, Sandoz returned to the argument that those who seek to apply issue preclusion often advance: *Markman*’s emphasis on uniformity of patent interpretation.²²³

Appellee Shire’s response to Sandoz was, predictably, that issue preclusion should not apply.²²⁴ Shire stated that regional circuit law should apply and that, under Tenth Circuit issue preclusion, the element of finality was not met in the instant case since the previous claim construction order did not include its reasoning, was not the subject of appeal, and “did not represent all of Shire’s available arguments as to the disputed terms.”²²⁵ In response to the position that *Markman* stood for uniformity in patent interpretation, Shire noted that *Markman* did “[n]ot [s]tand for the [w]holesale [a]pplication” of issue preclusion but, instead, stood for the proposition that issue preclusion applies only to final judgments, which do not include claim constructions that have resulted in settlement and have not been appealable as a matter of law.²²⁶ As a

Article/2214544/A-litigants-guide-to-collateral-estoppel.html; *Looking Ahead: Preclusive Effect of Prior Claim Construction*, PATENTLY-O (Feb. 10, 2009), <http://www.patentlyo.com/patent/2009/02/looking-ahead-preclusive-effect-of-prior-claim-construction.html>; see also Mark Anchor Albert, *Required Class*, L.A. LAW., June 2009, at 38, 41–42, available at <http://www.lacba.org/Files/LAL/Vol32No4/2608.pdf> (discussing the potential effect that the Federal Circuit’s ruling might have on class certifications in patent law).

219. Brief for Defendant-Appellant at 26–28, *Shire LLC v. Sandoz, Inc.*, No. 2009-1180 (Fed. Cir. Apr. 24, 2009), 2009 WL 1399811.

220. *Id.* at 28–31.

221. *Id.* at 31–34.

222. *Id.* at 30 (citing *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 378 (S.D.N.Y. 1999)).

223. Brief for Defendant-Appellant, *supra* note 219, at 35–37. Significantly, this argument is particularly weak in this instance, since there are *two* previous, non-uniform interpretations of the patents-in-suit.

224. Corrected Brief for Plaintiff-Appellee at 19–30, *Shire LLC v. Sandoz, Inc.*, No. 2009-1180 (Fed. Cir. July 21, 2009), 2009 WL 2445164.

225. *Id.* at 12, 19–27.

226. *Id.* at 30–31 (citing *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 466–67 (W.D. Va. 2001); *Graco Children’s Prods., Inc. v. Regalo Int’l*, 77 F. Supp. 2d 660, 663 (E.D. Pa. 1999)).

policy argument, Shire continued to advance the position that claim construction orders in cases resulting in settlement before trial should not be preclusive in subsequent actions because such a policy would be contrary to the spirit of *Markman* and the interests of justice.²²⁷

After a summer of briefing and much attention to the case in the patent law “blogosphere,”²²⁸ the parties were slated for oral argument. Just over a month after Sandoz filed its reply brief, however, the parties submitted a joint motion to dismiss, apparently after having negotiated a settlement.²²⁹ As a result, the frustrated patent law community must wait until another day for the Federal Circuit to address the applicability of issue preclusion to claim construction and what would constitute sufficient finality (were the doctrine to apply at all).

IV. A PROPOSED NEW STANDARD: TOWARD “EQUITABLE UNIFORMITY”

The above discussion illustrates that the application of issue preclusion to previous claim construction orders in patent litigation is on shaky ground, at best. District courts are split as to when to apply the common law doctrine. When they do apply issue preclusion, the results are not uniform due to the varying standards for issue preclusion in the different circuits. This is particularly true when examining the “finality” prong of the test.²³⁰ Frequently, when a court decides to apply issue preclusion and wholly adopts a previous court’s claim construction order, the outcome does not serve the interests of justice.²³¹ Further, the staggering level of reversal on appeal of district court claim constructions indicates that approximately half of all trial court claim constructions are at least partially incorrect;²³² holding future litigants to these improper constructions is a shocking result.

Consequently, this Comment argues that issue preclusion should never apply to previous claim construction orders, and it proposes a

227. *Id.* at 33–35.

228. See *supra* note 218.

229. See *Shire LLC v. Sandoz, Inc.*, 368 F. App’x 116, 116 (Fed. Cir. 2009).

230. See *Clark*, *supra* note 23, at 1614–15.

231. See *supra* Part III.C.

232. This estimate is based on the fact that nearly forty percent of appealed claim construction orders are modified by the Federal Circuit, see *Schwartz*, *supra* note 48, at 248; *infra* note 244 and accompanying text, in combination with the fact that a substantial number of *Markman* orders are left unappealed, see *supra* note 66 and accompanying text, either due to inability to appeal or lack of immediate incentive, see *Schwartz*, *supra* note 48, at 242–43, indicating that the number of incorrect constructions is higher than the forty percent modified on appeal.

new standard that allows the parties to litigate the question of claim term meaning and patent scope in light of all the evidence in each new case. Under this new proposed standard, a previous construction could weigh as extremely persuasive on a subsequent court in the right circumstances but would never create an absolute bar. In seeking to achieve the desired uniformity of *Markman*, while still reaching an equitable outcome, a trial court would weigh several factors—the degree of finality of the judgment, the extent to which the previous parties actually litigated the terms, the similarity between the accused products in the two litigations (previous and current), the similarity in the positions that a patent holder is asserting between the two cases, and the foreseeability at the time of the first litigation of the issue arising in the subsequent litigation—and would then determine how persuasive a previous order should be. This ultimate decision would be at the discretion of the trial court, and, on review, the standard should only be abuse of that discretion.

A. *Analysis of “Equitable Uniformity”*

Traditionally, proponents of issue preclusion have pointed to *Markman*’s dicta on uniformity as justification to apply the doctrine. Given the myriad other considerations, however, a prior construction should be controlling only if a trial judge weighs all of the proposed factors and determines that the interests of justice will not be offended by adopting the previous construction. In many circumstances, the lack of foreseeability, the dissimilarity of accused devices, or the varying previous resolutions that result in claim construction not being fully litigated would mean that traditional issue preclusion would not apply, and a subsequent court would have to start claim construction anew. The new standard would require a court addressing a previously construed patent to consider the previous construction in an effort to equitably ensure uniformity. Accordingly, trial courts will be aware of all the facts in each situation and should work to effect the most equitable result possible.²³³

233. Interestingly, during the editing of this Comment, a district court judge refused to apply issue preclusion in a case where he issued a *Markman* order construing the disputed claim terms and then became aware of another pending suit between the same parties that involved the same patents, where a conflicting final judgment was entered several weeks prior to the scheduled jury trial. See *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 692 F. Supp. 2d 487, 496–98, 501 (M.D. Pa. 2010), *appeal docketed*, Nos. 2010-1377, -1400, -1408 (Fed. Cir. May 26, 2010). Due to the lack of candor with the court and the fact that one of the primary purposes of issue preclusion is judicial efficiency, the judge denied the patentee’s motion to apply issue preclusion. *Id.* at 501–02. He indicated that “[a]pplication of collateral estoppel is premised on fairness.” *Id.* at 501. The judge determined that

Taking into account questions of finality, whether the issues are the same, proper construction, foreseeability, and lost damages as part of the *Markman* briefing and hearing process, a court should consider how much weight and persuasion a previous claim construction will have in a subsequent action and give sufficient weight to what is most in the interest of justice and equitable treatment. Especially given the ever-increasing size of jury verdicts in patent litigation cases, there is much more at stake in a suit alleging patent infringement than in the average litigation.²³⁴ Barring a patentee from litigating claim construction with each and every defendant against whom he decides to bring suit could potentially deprive an inventor of millions of dollars in damages, thus discouraging, rather than *promoting*, “Science and the Useful Arts,” contrary to the Framers’ intent in granting patent protection.²³⁵ By

because of the failure of the parties litigating claims under the same patent in the same district to consolidate the cases, he would leave it to the Federal Circuit to determine which construction was proper. *Id.* at 502.

234. Recent verdicts continue to set records for the sums of money awarded for patent infringement. See, e.g., Associated Press, *Court Rules Against Microsoft and Orders Penalty in Patent Case*, N.Y. TIMES (Dec. 23, 2009), <http://www.nytimes.com/2009/12/23/technology/companies/23soft.html>; *Jury Awards Centocor \$1.7B in Patent Case Against Abbott*, PHILA. BUS. J. (June 30, 2009), <http://www.bizjournals.com/philadelphia/stories/2009/06/29/daily17.html>.

235. See U.S. CONST. art. I, § 8. The framers, in line with similar European practices at the time, envisioned a system wherein inventors would disclose their inventions in exchange for government-sanctioned exclusive use of their invention for a limited period of time. See P.J. Federico, *Operation of the Patent Act of 1790*, 18 J. PAT. & TRADEMARK OFF. SOC’Y 237, 239–41 (1936) (discussing Thomas Jefferson’s initial disapproval of and subsequent support for granting limited monopolies to inventors); Edward C. Walterscheid, *Charting a Novel Course: The Creation of the Patent Act of 1790*, 25 AIPLA Q.J. 445, 526 (1997) (“The Intellectual Property Clause was included in the Constitution for a very specific reason: to give the Congress express authority to grant the limited-term monopolies known as patents and copyrights.”). Though only the inventors could use this invention during that time, other innovators would be free to use the technology to advance their own research. See Katherine J. Strandburg, *What Does the Public Get? Experimental Use and the Patent Bargain*, 2004 WIS. L. REV. 81, 92. A significant incentive for modern inventors to innovate new technologies is the opportunity to recoup costs of research and development from exclusive licenses of the patented technology. See Katherine E. White, *Preserving the Patent Process to Incentivize Innovation in Global Economy*, SYRACUSE SCI. & TECH. L. REP., 10 (Mar. 2006), <http://justice.syr.edu/sstlr/wp-content/uploads/preserving-the-patent-process-to-incentivize-innovation-in-t.pdf>. If a competitor fails to license the technology, the damages collected in infringement suits compensate the inventor for this unlicensed use of the protected technology, requiring at a minimum that damages are a “reasonable royalty for the use made of the invention.” See 35 U.S.C. § 284 (2006); Barry L. Grossman & Joan L. Eads, *Patent Infringement Damages*, in PATENT LITIGATION STRATEGIES HANDBOOK 1127, 1128 (Barry L. Grossman & Gary M. Hoffman eds., 2d ed. 2005). These damages may also help support the R&D the inventor conducted in the development of this new technology. See Kevin Iles, *A Comparative Analysis of the Impact of Experimental Use Exemptions in Patent Law of*

wholly abstaining from applying issue preclusion, courts can take account of the traditional elements of the doctrine in determining how persuasive a previous claim construction should be, while providing additional consideration to the realities of patent practice in the twenty-first century and adapting to the policy concerns of precluding a party that could have millions of dollars at stake in an infringement action.

B. Finality

Though previous scholarship has already debated whether claim construction orders obtain sufficient finality for purposes of issue preclusion,²³⁶ this Comment proposes an alternative approach to the finality question. Since the proposed standard toward equitable uniformity would allow a sliding scale approach to how persuasive a previous construction would be, a trial court could examine the level of finality of a previous order as one factor in determining how much weight to assign the previous construction. Jury verdicts of infringement under the doctrine of equivalents would be another factor to consider in determining the weight to accord a previous construction. The importance of claim construction and its dispositive nature in patent litigation means that an adverse ruling on the issue leads to settlement in many cases after the district court judge has construed the disputed terms, destroying any possibility of appealing the *Markman* order. Settlements between parties are generally not meant to give preclusive effect to future questions on similar issues and are only intended to settle the claims immediately pending between the parties to the suit.²³⁷ Still, under the new standard, a subsequent court could at least consider a previous construction in the context of a pretrial settlement although it would be accorded minimal weight.

Incentives to Innovate, NW. J. TECH. & INTELL. PROP., 63 (Fall 2005), <http://www.law.northwestern.edu/journals/njtip/v4/n1/3/lles.pdf> ("The 'incentive to innovate' theory of patent law is premised on the assumption that the grant of a patent monopoly is necessary to enable an inventor to recoup the costs of the R&D needed to bring the invention to market."). A bar to certain litigations based on a previous adverse claim construction would preclude the inventor from collecting these damages that ultimately support R&D and discourage further innovation. Corporations that involve themselves in substantial research and development of new technologies certainly make an economic determination early in the process whether the developed technology is financially feasible, based on estimated profits from the technology once it is developed. *See id.*

236. *See, e.g.*, Hughey, *supra* note 17, at 311–14; Van Over, *supra* note 22, at 1167, 1171; Clark, *supra* note 23, at 1614–15; Le Duc, *supra* note 20, at 323–24.

237. Clark, *supra* note 23, at 1603.

While issue preclusion should never act as an absolute bar, the varying degrees of finality of previous judgments should work to exert greater or lesser weight on the subsequent court to follow a previous court's construction. For instance, claim construction orders that fall within the small percentage appealed to the Federal Circuit should be given significantly greater weight than those that have not been the subject of an appeal. However, even affirmations or corrections to the claim construction from the Federal Circuit may not be dispositive given the other factors. For example, a patentee may show that the position advanced in the subsequent litigation was unforeseeable at the time of the appeal to the Federal Circuit, and that the trial court should give additional consideration to the position advanced in the later litigation. Even for orders that are not the subject of appeal, cases that proceed to trial on a claim construction order and reach a final judgment should be given greater weight than those that resulted in settlement before trial. This policy would *encourage* settlement in the face of an adverse claim construction order and not leave the patentee worrying about the effects of the negative claim construction if he were to assert the patent subsequently.

Scholars and courts have questioned whether a claim construction order is a final judgment for purposes of issue preclusion,²³⁸ but the question has not yet been resolved with any workable solutions. Some scholars argue that claim construction orders should be appealable as of right, rather than requiring leave of the court to take an interlocutory appeal.²³⁹ In examining the elements of what renders a decision final and binding, these scholars determine that the ability to appeal a decision is a fundamental requirement and argue that the ability to appeal—whether the patentee takes advantage of this ability to appeal or not—would be sufficient to give the claim construction order the “finality” that some circuits, such as the First Circuit, require.²⁴⁰ This ability to appeal all such orders then results in a just way to fully apply issue preclusion to

238. See, e.g., *Shire LLC v. Sandoz, Inc.*, No. 07-cv-00197-EWN-CBS, 2008 WL 4402251, at *6 (D. Colo. Sept. 24, 2008); *Paltalk Holdings, Inc. v. Microsoft Corp.*, No. 2:06cv367-DF, 2008 U.S. Dist. LEXIS 94462, at *11 (E.D. Tex. July 29, 2008); *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 467–70 (W.D. Va. 2001); Hughey, *supra* note 17, at 308, 311–14; Clark, *supra* note 23, at 1599–1624; Garza, *supra* note 87, at 10.

239. See, e.g., Nard, *supra* note 119, at 377; Le Duc, *supra* note 20, at 323–24 (citing Nard, *supra* note 119, at 377).

240. See Nard, *supra* note 119, at 377; Le Duc, *supra* note 20, at 323–24. For discussion of the First Circuit's issue preclusion elements, as well as those of three other selected circuits, some requiring “finality,” see *supra* Part II.

previous claim construction orders, according to the proponents of this argument.²⁴¹

The proposal that these scholars advance raises two potential problems. First, allowing litigants the immediate right to an interlocutory appeal of a claim construction order would significantly increase the workload of the already-overloaded dockets of the Federal Circuit. In order to address the significant increase in business before the court, either taxpayers would have to support a reallocation of resources to increase the size of the Federal Circuit or litigants would have to wait substantially longer to receive a final judgment on questions of infringement and damages.²⁴² In addition, because claim construction orders are reviewed *de novo*,²⁴³ the Federal Circuit cannot simply give deference under a “clearly erroneous” standard of review to the trial court’s construction and must therefore spend the time and resources to fully educate itself on the background and context of the patent claims to properly construe the terms. The relatively high proportion of claim construction orders that are reversed on appeal further indicates that making these orders appealable as of right would create an enormous burden on the Federal Circuit judges.²⁴⁴ Second, their proposals address only one prong, finality, that could be lacking in meeting the elements of issue preclusion. Therefore, even if claim construction orders were appealable as of right, only one element of issue preclusion would be satisfied.

Additionally, the Supreme Court’s emphasis on uniformity in patent interpretation and the public notice function of knowing the

241. See Nard, *supra* note 119, at 377; Le Duc, *supra* note 20, at 323–24.

242. Only between three and eight percent of claim construction orders are appealed to the Federal Circuit (the only court of appeals having jurisdiction over such appeals). Schwartz, *supra* note 48, at 246. Further delays in the process of patent litigation create numerous practical problems for litigants: lacking a preliminary injunction, further delay would allow an ultimately infringing defendant to continue to use protected technology; depending on how old the patent-in-suit is, it may actually expire during a lengthy litigation; and, a delay in an award of damages may cause significant business or financial implications for a company that has expended substantial funds on research and development in the belief that the investment would pay off in terms of licenses of the technology—just to name a few possibilities.

243. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998).

244. Of those claim construction orders that the Federal Circuit does review, the appeals court finds that the district courts have misconstrued at least one claim term in nearly forty percent of cases. Schwartz, *supra* note 48, at 240. On average, the number of terms improperly construed at the district court level is over one-third of the disputed terms. *Id.* In twenty-nine percent of the cases reviewed, the misconstructions of claim terms are substantial enough to constitute reversible error. *Id.*

limitations of the patent's scope²⁴⁵ is poorly served by the continued validity of the doctrine of equivalents.²⁴⁶ This doctrine casts serious doubt on the actual finality of claim construction delineating the scope of the patent's protection and undermines the public notice that a previous claim construction order is meant to serve. Essentially, through the continued validity of this doctrine, a jury may find an accused product to infringe a patent even outside the bounds of the court's claim construction through a finding that the accused device essentially achieves the same result without literally infringing the claims of the patent. Therefore, the judge's claim construction only draws the lines for what products *literally* infringe, but does not act as a final determination on the limits of the jury's ability to find infringement.

Most striking about the doctrine of equivalents is that the existence of an equivalent is a question of fact that falls under infringement, rather than a question of claim construction, and is therefore generally a jury question.²⁴⁷ What this fundamentally means is that even if the court determines the "metes and bounds" of the patent through careful claim construction that serves as a final adjudication of the limits of the patented invention, the doctrine of equivalents will still extend patent protection beyond those metes and bounds in a manner left open to a jury of laypersons, who determine

245. *E.g.*, *Van Over*, *supra* note 22, at 1179; *see Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390–91 (1996); *Smith & Nephew, Inc. v. Arthrex Inc.*, No. CV 04-29-MO, 2007 U.S. Dist. LEXIS 27499, at *5–6 (D. Or. Apr. 12, 2007), *ruled not infringed in part*, 511 F. Supp. 2d 1046 (D. Or. 2007), *ruled valid and infringed*, 629 F. Supp. 2d 1176 (D. Or. 2008), *aff'd in part and rev'd in part*, 355 F. App'x 384 (Fed. Cir. 2009).

246. The United States Supreme Court judicially created the doctrine of equivalents in 1854. *Winans v. Denmead*, 56 U.S. 330, 342–43 (1854). Seventy-five years later, the Court elaborated a test that defines the doctrine, known now as the "triple identity" test, which inquires whether the accused product or device "performs substantially the same function in substantially the same way to obtain the same result," even if it does not literally infringe the claims of the patent. *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42 (1929). The purpose, the court elaborated in 1950, was to protect against "unimportant and insubstantial changes and substitutions" specifically for the purpose of avoiding literal patent infringement. *Graver Tank & Mfg. Co. v. Linde Air Prods., Inc.*, 339 U.S. 605, 607 (1950). As an alternative to the triple identity test, the Supreme Court outlined an "all elements" rule at the end of the twentieth century, which requires that "the accused product or process contain elements identical or equivalent to each claimed element of the patented invention." *Warner-Jenkinson v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40 (1997). The Court recognized that the triple identity test was ideally suited for product claims (machine or manufacturing claims), but not well adapted for process or means-plus-function claims. The Court implicitly approved the continued applicability of the triple identity test. *See id.* at 39–40.

247. *Warner-Jenkinson*, 520 U.S. at 38. Naturally, cases that are tried before the bench, instead of before a jury, will have equivalents determined by the court.

the extent to which two inventions are performing the same work in “substantially the same way.”²⁴⁸ Therefore, the only fact that is settled at the beginning of a new litigation is what a patent claim does *not* mean, in the event that certain amendments to the application during prosecution work to bar specific constructions of the claims through prosecution history estoppel.²⁴⁹ Even with a well-settled claim construction, a jury is still permitted to find that an accused product or device satisfies the equivalency standards and find infringement in the face of a claim construction order adverse to the patentee. Given this reality, all arguments about public notice of the scope of the patent are moot, and any argument based on “uniformity of claim interpretation” fails in light of the flexible standards allowed by the doctrine of equivalents.²⁵⁰ Instead of adhering to the fiction that an initial claim construction determines the limits of the protected invention for all time, a flexible approach to uniformity that serves equitable interests and considers a series of factors results in the most just outcome.

C. Fully Litigated

Second to questions of finality in the scholarly conversation are those of whether an issue has been “fully litigated.” Any number of considerations may lead a party not to fully litigate a claim term to the bitter end, and a patentee should be allowed to offer evidence of such strategic decisions in a subsequent suit discussing why a previous claim construction order should not be given great weight. Patent litigation, as much as any other complex litigation, consists of a series of strategic case and trial decisions; the claim construction component is no different. Trial courts even encourage parties to work together to stipulate to certain claim term meanings or to otherwise shorten

248. See *id.*; *Sanitary Refrigerator Co.*, 280 U.S. at 42.

249. See *supra* note 203 (discussing prosecution history estoppel).

250. See *Warner-Jenkinson*, 520 U.S. at 29 (“There can be no denying that the doctrine of equivalents, when applied broadly, conflicts with the definitional and public-notice functions of the statutory claiming requirement.”); see also Michael J. Meurer & Craig Allen Nard, *Invention, Refinement and Patent Claim Scope: A New Perspective on the Doctrine of Equivalents*, 93 GEO. L.J. 1947, 1978–79 (2005) (“One of most common objections to the DOE is the doctrine’s negative effect on the notice function of patent claims.”); John R. Thomas, *Claim Re-Construction: The Doctrine of Equivalents in the Post-Markman Era*, 9 LEWIS & CLARK L. REV. 153, 155 (2005) (proposing alternative ways to reconcile the continued validity of the doctrine of equivalents with the Supreme Court’s holding in *Markman* and focusing on the public notice function of claim construction).

the list of disputed terms.²⁵¹ For example, while a term may remain disputed for a time during the process, a patentee may ultimately concede the term and instead pursue a different strategy or determine that a particular term is not essential to a finding of infringement against the accused party in that case.

Any given patent litigation may integrate questions of patent claim interpretation with issues of willful infringement, assertions of alleged damages, and patent validity,²⁵² in addition to scores of other related legal claims.²⁵³ Patent litigators consider a multitude of factors in this context when determining the case strategy, including which claims to assert against the named defendants and what claim language to dispute.²⁵⁴ While certain claim language may seem pertinent at the beginning of a case, it may seem less critical to the case as discovery progresses and ultimately result in the plaintiff dropping certain asserted claims or conceding claim term meanings that will not be necessary to prove infringement.²⁵⁵ Given that a claim term may be construed in one case based on a stipulation or in a different claim context in a prior litigation *and* that the accused product does inform claim construction, there are countless scenarios in which a claim was decided in a previous litigation but was not actually fully litigated.²⁵⁶ Though some circuits require that the issue was actually litigated, not all do, and of those that do, not all explicitly define what constitutes “fully litigated.”

As an illustration, consider the following hypothetical: A patentee has alleged infringement of claims 1 and 12 of his patent. In a *Markman* order, the trial court construes claim 1 according to the defendant’s proposed constructions, but the court construes claim 12

251. See James Ware & Brian Davy, *The History, Content, Application, and Influence of the Northern District of California’s Patent Local Rules*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 965, 996–98 (2009) (describing how the local rules of the Northern District of California attempt to narrow the issues between litigants prior to claim construction hearings).

252. See generally PATENT LITIGATION STRATEGIES HANDBOOK, *supra* note 235 (detailing all of the considerations that litigators take into account for their clients, what claims are possible, and what damages may be recoverable).

253. See DURHAM, *supra* note 5, at 178.

254. See Phillip Hampton II et al., *Markman Practice, Procedures and Tactics*, in PATENT LITIGATION STRATEGIES HANDBOOK, *supra* note 235, at 719, 746, 749.

255. DURHAM, *supra* note 5, at 178 (“[B]oth parties have to acquire a thorough understanding of, at a minimum, the patent and its file history, the accused products, and any prior art [T]he ‘discovery’ phase of the litigation . . . often takes more than a year.”).

256. See Clark, *supra* note 23, at 1596 (asserting that an issue is not “fully litigated” for purposes of issue preclusion if disputed claims are abandoned or if the parties stipulate to the meaning of claim terms).

according to plaintiff's (patentee's) construction. At trial, the plaintiff attempts to proceed on both claims. In the special jury verdict, the jury finds infringement of claim 12 and gives a large damages award to the patentee. Having won at trial, the patentee has nothing that he can appeal to the Federal Circuit, in spite of the adverse ruling on the construction of claim 1. In fact, the patentee has "won" his lawsuit. The issue of claim construction here was fully litigated and the case ended in a final judgment, which would be sufficient to trigger issue preclusion in a subsequent suit. Therefore, the plaintiff is barred from relitigating the construction of the claim terms in claim 1, even in a case where those claims are the only claims infringed.²⁵⁷

D. *Same Issue*

As a few judges have now recognized, the accused device or product does inform claim construction.²⁵⁸ Patent law should recognize this reality and cease to follow the legal fiction that claim construction is entirely separate from the accused product. In light of this reality, the similarity between the accused product in the first litigation and that in a later suit is of critical importance in determining how persuasive a previous claim construction should be. In cases where the products are similar or nearly identical, the court should give significantly more weight to the previous court's construction. Where the products are quite different, only sharing certain elements of the asserted patent, much less weight should be given to the previous construction. For complex technologies, the parties should use their experts, who will inevitably testify at the *Markman* hearing, to address the similarity of the products between the two cases to help the court resolve this question. In the event that the previous litigation involved trade secrets, a protective order

257. Anthony Garza proposed that this would be a prime situation for use of vacatur, moving to vacate the claim construction order. *See* Garza, *supra* note 87, at 34. Unfortunately, this is at the discretion of the trial judge and may be denied outright. *See* Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464, 465 (W.D. Va. 2001) (detailing how Kollmorgen had moved to vacate a previous construction after a pre-trial settlement, but the previous court denied the motion).

258. *See* Arlington Indus., Inc. v. Bridgeport Fittings, Inc., 692 F. Supp. 2d 487, 499 n.5 (M.D. Pa. 2010) (recognizing that two different suits were pending simultaneously in the same district but assuming two different products were at issue—implying that this difference had an impact on claim construction), *appeal docketed*, Nos. 2010-1377, -1400, -1408 (Fed. Cir. May 26, 2010); Smith & Nephew, Inc. v. Arthrex Inc., No. CV 04-29-MO, 2007 U.S. Dist. LEXIS 27499, at *5–6 (D. Or. Apr. 12, 2007), *ruled not infringed in part*, 511 F. Supp. 2d 1046 (D. Or. 2007), *ruled valid and infringed*, 629 F. Supp. 2d 1176 (D. Or. 2008), *aff'd in part and rev'd in part*, 355 F. App'x 384 (Fed. Cir. 2009); *supra* note 169 and accompanying text.

would be sufficient to continue to protect these secrets, even where disclosure to the expert is necessary.²⁵⁹

The similarity of the positions that a patent holder argues in the two cases is also highly relevant. Where a patent holder asserts an entirely new construction of the claim terms, the judge should be skeptical on the issue of whether the patentee's invention includes this asserted meaning. This Comment concedes a litigant's new arguments do not reopen issues of law decided in a previous proceeding.²⁶⁰ Where a party argues a construction with a slightly different nuance to it, however, a judge should consider that perhaps the inventor could have meant this construction in addition to the previous construction and that the limitations of language were to blame for the ambiguities in the claim meaning.

Both the *Restatement* and case law provide adequate support for the position advanced in this Comment. The *Restatement (Second) of Judgments* states that “[w]hen there is a lack of *total identity* between the particular matter presented in the second action and that presented in the first, there are several factors that should be considered.”²⁶¹ Among these factors are whether there is a “substantial overlap” in the evidence and whether the new evidence or new argument involves an application of the same rule of law as in the previous proceeding.²⁶²

Certain patent cases have provided more explicit illustrations as to what constitutes the same issue. In one case, the Federal Circuit reversed an application of issue preclusion where the previous case had found the accused device to be infringing certain elements of the patent-in-suit that were not in the accused device in the subsequent suit (though the subsequently accused device had other elements lacking on the first accused device).²⁶³ Though the terminology was

259. See Raphael V. Lupo & Paul Devinsky, *Protective Orders*, in PATENT LITIGATION STRATEGIES HANDBOOK, *supra* note 235, at 247, 254–57 (recommending protective orders be put in place to protect “business proprietary information” of both parties to a litigation from leaking to each other or industry competitors through public court documents).

260. See RESTATEMENT (SECOND) OF JUDGMENTS § 27 cmt. c (1982).

261. *Id.* (emphasis added).

262. See *id.*

263. *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702–03 (Fed. Cir. 1983). To clarify, imagine that the accused device in Litigation 1 contained features A and B. Subsequently, a second suit was brought against a device containing features B and C. A, B, and C are all claimed as part of the patented invention. *A. B. Dick Co.* held that the claim construction in Litigation 1 did not address the same issue as that raised in Litigation 2, even though both cases involved construction of the claims related to Feature B. *Id.* at 703.

the same between the claims, differences in the invention were fundamental to the court finding that issue preclusion should not be applied, supporting this Comment's position that the accused device does in fact inform claim construction and should affect the court's application of issue preclusion.²⁶⁴ Provided that a litigant is raising a different issue, whether it be different accused devices or alternative constructions based on lack of foreseeability at the time of the previous construction, the common law doctrine of issue preclusion should not bar a litigant from raising legitimate new arguments for his proposed claim construction.

E. Foreseeability

Finally, questions of foreseeability should play a significantly greater role than they currently do in addressing the weight to be accorded to previous constructions of the claim terms. Specifically, courts should look to whether the use of the patented technology in the manner employed by the accused in the subsequent suit was known or foreseeable at the time claim construction was first litigated. Special consideration should be given to issues such as whether the accused device was available on the market at that time. Additionally, the subsequent court should inquire whether the patentee could have anticipated, at the time of the first claim construction, the arguments that he is making in the subsequent suit to read his patent onto the subsequently accused product or device. The judge should accord more weight to the previous construction for each of these questions she can answer affirmatively. If, however, later products appear on the market that incorporate an unforeseeable use for the patented technology, courts should give significant leeway for new constructions. Such a policy would encourage a patentee to accuse all known products on the market in a single action. While possibly making individual cases more complex, this approach would reduce the overall amount of litigation and encourage efficiency, especially where a patentee alleges infringement of a patent by similar products.²⁶⁵

264. *See id.*

265. While some may question why a patentee would not want to accuse all products he believes to be infringing in a single action, there are many strategic reasons why a client would choose not to do this. For instance, perhaps he wants to try a small case against a single defendant to "test drive" the patent and then, depending on the success in the first trial, file suit against every competitor on the market. Courts should certainly discourage this type of strategy in trying to unburden the docket. Additionally, a patentee may be on friendly terms with a competitor at one point in time and only once the relationship sours choose to assert his patent, though he had previously asserted it against other industry

F. The Special Case of Patent Litigation

The basis for the standard that this Comment proposes is the failure of most claim construction hearings to meet all of the requisite elements for issue preclusion. In a few circumstances, however, the facts of a particular case may actually meet all of these elements, and the new standard would carve out an exception for claim construction in the area of issue preclusion. Nevertheless, the notion of creating special exceptions for patent litigation is not a foreign concept. The law has already made several exceptions from general legal practice in the area of patent litigation, including in the construction and interpretation of written instruments, the consideration of extrinsic evidence to interpret a written instrument, and the applicability of attorney-client and work-product privileges. While courts generally construe legal documents as a matter of law,²⁶⁶ courts generally leave to a jury questions of the credibility of witnesses testifying as to the intended meaning of terms,²⁶⁷ the Supreme Court, in *Markman*, created an exception to this principle, allowing judges to weigh the credibility of experts testifying as to claim term meaning.²⁶⁸ Additionally, although courts generally rely on dictionaries to determine the plain meaning of terms in legal documents,²⁶⁹ the Federal Circuit discourages courts presiding over claim construction hearings from relying on such extrinsic evidence and encourages reliance on the patent specification, patent application, and

competitors. An exception to this principle should be allowed in instances where the now-alleged infringer previously had taken a license for the patent and either breached the license agreement or allowed it to lapse (if it had a definite term shorter than the life of the patent) or other circumstances arise that lead to a licensee no longer having the right to use the patented technology. In this case, the court should not look to whether the patentee had failed to name the licensee in a previous litigation, since there would have been no valid cause of action at that time. Even given that a license existed, however, the issue of foreseeability remains, as the patentee was clearly aware of the licensee's use of his technology and the manner of this use.

266. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) ("The construction of written instruments is one of those things that judges often do and are likely to do better than jurors unburdened by training in exegesis."); see also *RESTATEMENT (SECOND) OF CONTRACTS* § 212(2) (1981) ("[A] question of interpretation of an integrated agreement is to be determined as a question of law.").

267. *RESTATEMENT (SECOND) OF CONTRACTS* § 212(2).

268. See *Markman*, 517 U.S. at 390; see also *supra* notes 46–47 and accompanying text. The doctrine of equivalents, which allows the finder of fact to determine whether an accused product is an "equivalent" of the claimed invention, is a tangential exception to the rule that patent interpretation is the exclusive realm of the court. For further discussion of this doctrine, see *supra* Part IV.B.

269. See, e.g., *Fla. Dep't of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 39–40 (2008) (relying on the *American Heritage Dictionary* for definitions of "under" and "past participle" in interpreting 11 U.S.C. § 1146(a) (2000, Supp. V)).

prosecution history;²⁷⁰ any reliance on extrinsic evidence must be supported by the intrinsic patent record.²⁷¹ Finally, patent law has created exceptions to the attorney-client and work-product privileges. These privileges do not protect communications between the attorney and the inventor if the discussions are essentially technical in nature, as patent attorneys serve a role as a conduit between inventors and the Patent and Trademark Office.²⁷² In willful infringement cases, reliance on the defense that the infringer consulted with counsel and received an opinion of non-infringement or patent invalidity waives the privilege on these opinions of counsel.²⁷³ It is even common practice for defendants charged with infringement to depose the prosecuting attorney in the course of a defense of patent invalidity.²⁷⁴

Since patent law does not follow several legal doctrines of general applicability, creating an “exception” for the non-application of issue preclusion in patent claim construction would not be an entirely novel concept. The above examples illustrate that courts have been creating special rules for patent litigation for years, including exceptions to privileges, a different role for the court in questions of witness credibility, and special evidentiary standards for extrinsic evidence. A new patent rule barring the application of issue preclusion to previous claim construction orders would merely add one more exception to the long list of special doctrines for patent law.

270. *E.g.*, *Chamberlain Group v. Lear Corp.*, 516 F.3d 1331, 1335 (Fed. Cir. 2008); *MBO Labs., Inc. v. Becton, Dickinson, & Co.*, 474 F.3d 1323, 1329 (Fed. Cir. 2007); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1318–19 (Fed. Cir. 2005) (en banc).

271. *See Mangosoft, Inc. v. Oracle Corp.*, 525 F.3d 1327, 1329–30 (Fed. Cir. 2008).

272. *See, e.g.*, *Hercules Inc. v. Exxon Corp.*, 434 F. Supp. 136, 144 (D. Del. 1977) (“Not all communications relevant to patent matters between attorney and client or between attorneys are protected under attorney-client privilege or work-product immunity. The scope of protection can be determined only on a case-by-case basis, bearing in mind the purposes of the protection and the need for ‘flexibility and sound judicial discretion.’ The desire to protect the confidentiality of the attorney-client relationship and to preserve the integrity of the adversarial process must be balanced against the public interest in full and frank disclosure to the Patent Office and the liberal spirit of the discovery rules.”). These components of the prosecution history of the patent are later discoverable in litigation. *Id.*

273. *E.g.*, *Novartis Pharm. Corp. v. EON Labs. Mfg., Inc.* 206 F.R.D. 396, 399 (D. Del. 2002). Interestingly, however, even if the party did obtain an opinion of counsel of infringement or patent validity, the party may still assert the privilege without being subject to a presumption that asserting the privilege indicates a negative opinion of counsel on those. *See Knorr-Bremse Systeme für Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1344 (Fed. Cir. 2004) (en banc). For further discussion of this topic, see MUELLER, *supra* note 4, at 406.

274. *See O’CONNOR, supra* note 39, at 87.

CONCLUSION

This Comment proposes a new standard of equitable uniformity in addressing the weight to give a previous patent claim construction in cases where the disputed claim terms have previously been construed. Specifically, district courts should consider a series of factors—the degree of finality of the previous construction; the level to which the disputed claim terms were fully litigated in the previous case; the similarity of the accused devices and of the arguments advanced in each case, recognizing that the accused device absolutely informs claim construction; and the foreseeability of the subsequent argument at the time the patent was initially construed. The trial court should consider all of these factors during the *Markman* hearing. While these issues will certainly be contentious, a judge, in his role as arbiter over claim construction in both questions of law and fact, will weigh the credibility of the witnesses and other evidence presented and make a final ruling based on his own judgment.

The legal and policy reasons to expand a *Markman* hearing to include additional factors are numerous—recognition that claim construction is not purely a matter of law; acknowledgment that accused devices do inform claim construction; the significant amount of damages currently at stake in many large patent litigations; and the fact that the question of claim construction is rarely, if ever, a final determination, especially considering applications of the doctrine of equivalents. Use of this standard should focus on *Markman*'s goal of achieving uniformity in patent interpretation while not unduly prejudicing a patentee. This Comment concedes that this proposal is not fully in line with the dicta in *Markman* or *RF Delaware*, but the proposed standard seeks to conform to the general spirit of these cases. In times of legal innovation, the courts should remain flexible in order to adapt to the inevitable changes in the practice of law and adopt new doctrines where necessary to ensure justice in all matters.

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