

LITIGATORS CORNER: Let's Make a Bad Idea Even Worse



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You already know my views on *Markman* hearings from three of my prior columns. In "Warning: This Article May Be Dangerous to Your Health" (August, 2000), I pointed out several problems with *Markman* hearings, particularly the high risk of an inaccurate claim construction that results from doing hearings in an evidentiary vacuum, at times other than those suggested by *Markman v. Westview Instruments*, 52 F.3d 967 (Fed. Cir. 1995), *aff'd* 517 U.S. 370 (1996). The recommended times are as part of the jury charge or when deciding a summary judgment motion. At these points in a case, the parties and court have learned the technology, and there has been some discovery. Unfortunately, these recommendations are being disregarded in many cases in which district judges conduct very early hearings, even before discovery. In the same

article, I addressed the high — that is, nearly 50% — reversal rate of claim construction decisions.

"Another Trip Through *Markman*," (October, 1999) addressed the explosion of experts that is caused by resolving this supposed question of law; and "*Markman Redux*" (April, 2000) addressed later rulings by the same district court that were at odds with its own earlier claim construction rulings, and construing claims in ways that breach fundamental rules of claim construction.

Very little has changed since I wrote those columns. For one, the problem of a high reversal rate continues. In fact, in the last week or so, I have seen two more decisions from the Federal Circuit reversing claim construction rulings. And a February, 2001 article by Victoria Slind-Flor in *Patent Strategy & Management* states that district court judges and lawyers are very discouraged and confused by the continuing frequent reversals.

We are now making a bad idea even worse.

In several recent decisions, district courts have been presented with arguments that a patent owner should be bound by the result of a claim construction in another, earlier case, under the principles of collateral estoppel (also called "issue preclusion" by the revisionists who didn't like the old-fashioned name). As we know, collateral estoppel means that (1) you had your shot to fight the issue in an earlier suit, (2) it was a fair fight, (3) the issue was necessary to the judgment, and (4) you lost, meaning the final judgment was in favor of the other guy. The courts often refer to a "full and fair" opportunity.

The concept of applying collateral estoppel to claim construction rulings is a very bad idea. For example, in *TM Patents, L.P. v. International Business Machines, Inc.*, 72 F.Supp. 2d 370, 375 (S.D.N.Y. 1999), the court considered whether to estop the patent owner, based on a claim construction in an earlier case that had settled during trial. *TM* decided to adopt the ruling. Ironically, one of the reasons it did

so was because so final is a *Markman* ruling that one could make a strong case for routinely certifying an interlocutory appeal to the Federal Circuit, pursuant to 28 U.S.C. § 1292(b), following such determinations.

Pardon me, I must pause here to catch my breath — after I stop laughing, that is! Can anyone tell me of one case where the Federal Circuit has accepted an interlocutory appeal of a claim construction ruling? Of course not. The Federal Circuit has refused to do so, because the ball game isn't over. If the Federal Circuit says the ruling can't be appealed, then how can we possibly say that a claim construction ruling is in any sense final?

A better decision than *TM* is *Graco Childrens' Products, Inc. v. Regalo International, L.L.C.*, 77 F.Supp. 2d 660, 662 (E.D. Pa. 1999), where the court rejected the analysis of *TM*, because a claim construction ruling fell within a recognized exception to collateral estoppel. That exception says collateral estoppel does not apply — even if there is a final judgment, even if there was a full and fair opportunity to litigate, and even if the decision was essential to the judgment — because the loser had no right to a review of the judgment.

There is no such thing as an appealable claim construction ruling. In one of our firm's cases, Intel Corporation requested an interlocutory appeal; the Federal Circuit said no, even though the district judge had approved its request. Years ago, as a prosecutor, I asked my supervisor what the Seventh Circuit's position was on an "antagonistic severance," where two partners in crime try to blame each other and get separate trials in order to lay it all on the crook who isn't there. My boss succinctly said: "There ain't no such thing in the Seventh Circuit." The same is true of interlocutory appeals of claim construction rulings in the Federal Circuit. They exist only in the imagination.

Another nonsensical result occurred in *Allen-Bradley Co. L.L.C. v. Kollmorgen Corp.*, 199 F.R.D. 316 (E.D. Wisc. 2001). The parties settled and asked the court to vacate the claim construction ruling, as a condition of settlement. A defendant from another case involving the same patent intervened, squawking about vacating the claim construction. Even though the court recognized that the effect of the claim con-



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struction in another case was open to debate, it declined to vacate the claim construction — evidently because it had spent seven hours on a Markman hearing.

This case is no different from settlement during a lengthy trial. Should a court discourage settlement because it has spent days hearing evidence, and because a jury has done the same? Of course not. The idea of settlements is to end things with agreement that the parties can accept. Frustrating that agreement because the court has invested time in a claim construction ruling is bound to discourage settlements, and to cause parties to remain locked in battle even when both would prefer to end their dispute.

Traditional thinking about collateral estoppel requires that a judgment be final, and that the issue resolved be necessary to the judgment. Of course, if a court enters a judgment that a patent is valid and infringed, or valid and not infringed, it is likely that a claim construction was essential to that judgment. I say “likely” because either of these outcomes can be reached in some instances without construing the claims. In most circumstances, however, such a judgment has been reached only after a claim has been construed, and the test for collateral estoppel has been satisfied. In *Abbott Laboratories v. Dey L.P.*, 55 USPQ 2d 1728 F. (N.D.Ill. 2000), the court enforced a claim construction from a prior case because there had been a final judgment in the earlier case, and the judgment was being appealed. The construction was necessary to the judgment, and the decision

in the second case observed that a judgment entered by a district court is final, even though it is being appealed. The judgment in the prior case had been fully litigated, and was a proper subject for collateral estoppel, even though it was on appeal.

But think about a judgment in a case that has settled without a fight to the bitter end. Many such judgments do not reflect anything but the desire of the parties to get the hell out of court. For whatever reason — the prospects of the case, the cost, changing economic conditions — the parties simply want to end their controversy. The validity of a patent is sometimes conceded by a settling defendant, but concessions of infringement are infrequent unless the defendant has been riddled and is desperate to settle the case. There may not even be a judgment in the ordinary sense. The parties may simply agree to a dismissal of the action, possibly pursuant to a private agreement.

The bottom line is that legal issues may have little or nothing to do with the reasons why a case ends in a settlement, and the settlement does not resolve them; it only gives them a decent burial without any of the resolution typical of a judgment that results from someone winning the litigation. If so, why should any ruling prior to that settlement have any effect in subsequent litigation? Even in settled cases, some rulings may affect subsequent litigation. For example, a single patent in a multi-patent case might be summarily judged to be not infringed or invalid, and the court might

enter a ruling under Rule 54(b) allowing an immediate appeal. But that isn't going to happen in claim construction rulings, and it doesn't matter who is asking. Therefore to me, a claim construction ruling, if done outside the context of a dispositive motion or a jury charge, will probably not satisfy one of the essential requirements of collateral estoppel.

One last point. Is there a full and fair opportunity where the patentee has had to go through a claim construction hearing early in a case, without benefit of any discovery, at times other than those Markman said were appropriate for a hearing? I say not.

The most important reason not to give preclusive effect to claim construction rulings is that courts so often disagree. The high reversal rate suggests that even judgments resulting from full-blown litigation are not reliable. Would you go on Interstate 80 with a car whose wheels fell off half the time? More to the point, would you tell someone else that this car was a fine automobile and well worth the price?

Claim construction rulings have been and continue to be inherently unreliable. They do not offer a full and fair opportunity, they do not allow a right to appeal, and they are not essential to a resolution by settlement. We should not give preclusive effect to them, particularly when they are conducted at times not envisioned by *Markman*. When we do so, we aren't simplifying anything. We are only creating a brand new Murphy's Law. **IPT**