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April 25, 2013

Federal Circuit: Speak Now or Forever Hold Your Appeal

IP Buzz

On April 19, a divided panel of the Federal Circuit reversed a lower court's judgment of invalidity because the defendant had not cross-appealed invalidity in a prior appeal involving the defendant's winning judgment of non-infringement. See *Lazare Kaplan Int'l, Inc. v. Photocscribe Techs., Inc.*, Appeal No. 2012-1247 (Fed. Cir. 2012).

As is often the case, this patent dispute hinged on claim construction. The two claims at issue each included a term that the district court construed narrowly. Under that narrow construction, the patent was found to be valid, but not infringed by the defendant.

The plaintiff appealed the non-infringement decision to the Federal Circuit and, as part of that appeal, challenged the district court's claim construction. The defendant, happy with the non-infringement judgment in its favor, did not cross-appeal on any issue.

The Federal Circuit then reversed the district court's claim construction and entered its own construction, which broadened the scope of the claims at issue. It remanded to the district court for a determination of whether the defendant infringed under the now broadened claims.

On remand, the defendant sought to challenge the prior validity determination in light of the Federal Circuit's new, broader claim construction. The district court granted the defendant's request to reopen the prior judgment of validity and, under the new claim construction, found the claims invalid for anticipation. The plaintiff again appealed to the Federal Circuit.

In the second appeal, the issue was "whether, on remand, a district court may reopen a prior final judgment as to patent validity, not appealed by either party, based on a claim construction modified by this court." According to the panel majority, the answer is no – a party must cross-appeal an unfavorable invalidity judgment in the initial appeal, even if the party won at the district court on non-infringement, and even if the appeal altered the scope of the claims, in order to preserve its right to challenge validity later. According to the majority, while "a new claim construction potentially raises new validity issues....rules are rules, and the cross-appeal rule is firmly established in our law."

The dissent challenged the majority's holding as "allowing the patentee to assert infringement on a broad claim construction while permitting it to defend against invalidity using a different and far narrower claim construction." According to the dissent, citing Supreme Court and other appellate precedent, the law does not require a party to file a conditional cross-appeal when the party is satisfied with the lower court judgment.

Given the split decision, we would not be surprised to see a motion for rehearing. Unless and until any such effort succeeds, parties in patent cases should take care in deciding whether and what rulings to appeal, even when they win.