INTERLOCUTORY APPEALS IN PATENT CASES UNDER 28 U.S.C. § 1292(C)(2): ARE THEY STILL JUSTIFIED AND ARE THEY IMPLEMENTED CORRECTLY?

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INTRODUCTION

Over the last two decades, the number of patent suits filed has increased almost tenfold,[1] and average damages have soared.[2] In addition, commentators perceive the current reversal rate of patent cases to be high.[3] This state of affairs is generally attributed to the Supreme Court's decision in *Markman v. Westview Instruments, Inc.*,[4] which, by requiring that judges, rather than juries, determine the meaning of patent claim terms,[5] has led to a *de novo* standard of

1. Jean O. Lanjouw & Mark Schankerman, *Protecting Intellectual Property Rights: Are Small Firms Handicapped?*, 47 J.L. & ECON. 45, 46 (2004).

2. ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS 11 (3d ed. 2002).

3. The Federal Circuit's reversal rate for patent cases is approximately 36 percent if summary affirmations are included. Christian A. Chu, *Empirical Analysis of the Federal Circuit's Claim Construction Trends*, 16 BERKELEY TECH. L.J. 1075, 1099–100 (2001). If only written opinions are examined (i.e., summary affirmations are excluded), the reversal rate rises to approximately 50 percent. *Id.* at 1098. The Federal Circuit itself has also quoted a reversal rate of 53 percent for patent cases. Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1476 (Fed. Cir. 1998) (en banc) (Rader, J., dissenting).

4. 517 U.S. 370 (1996). Commentators believe that the high reversal rate is largely attributable to the *Markman* case because the reversal rate of district court claim construction decisions is high. *See* Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 9, 11 (2001) (finding that the claim construction error rate during the period between April 23, 1996, and December 31, 2000, was 33 percent); Kathleen M. O'Malley et al., *A Panel Discussion: Claim Construction from the Perspective of the District Judge*, 54 CASE W. RES. L. REV. 671, 680 (2004) (noting a survey showing that the claim construction reversal rate for the six months prior to this study was 71 percent and that the rate for the prior year was 58 percent).

5. *Markman*, 517 U.S. at 372.

review for these rulings.[6] As would be expected, this standard has increased the likelihood of success on appeals.[7] Further, because patent claim construction is done very early in the trial and can often be dispositive, interlocutory appeals, which are allowed before a final judgment on the case, have become increasingly relevant. As a result, there has been much scholarship recently on whether and when interlocutory appeals should be available in patent cases.[8]

Considering the amount of recent attention paid to interlocutory appeals in patent cases, and considering that the high reversal rate encourages an increased use of this appeal opportunity,[9] it is surprising that there has been no recent research evaluating the general merits of 28 U.S.C. § 1292(c)(2),[10] which allows interlocutory appeals to be taken when a patent case is 'final but for an accounting.' Although this appeal opportunity is provided late in the proceedings and thus is not ideal for appealing patent claim constructions, this particular provision is still useful to litigants because it offers an opportunity for appeal before final judgment. Accordingly, a broader examination of 28 U.S.C. § 1292(c)(2) is necessary. To this end, this Note examines the benefits and costs of this specialized appeal and concludes that it can increase the efficiency of the judicial system. It

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6. *Cybor Corp.*, 138 F.3d at 1456.

7. *See supra* notes 3–4 and accompanying text.

8. *See, e.g.*, Moore, *supra* note 4, at 33–35 (discussing the potential to use 28 U.S.C. § 1292(b) for interlocutory appeals involving issues of claim construction and why the Federal Circuit may resist such use); Craig Allen Nard, *Process Considerations in the Age of* Markman *and Mantras*, 2001 U. ILL. L. REV. 355, 356–57 (2001) (describing "two proposals that would either entice or require the Federal Circuit to grant an interlocutory appeal on the issue of claim interpretation"); O'Malley et al., *supra* note 4, at 685 ("[S]everal of us have attempted to convince the CAFC to take interlocutory appeals of certain claim construction decisions—those that are really critical, that are case-dispositive and that are done early in the decision making process.") (quoting O'Malley, J.); *id.* at 686 ("[D]espite the fact that there may be a high percentage of reversals on claim construction, I am not sure overall it would be efficient to have interlocutory appeals.") (quoting Whyte, J.); *id.* at 686–87 ("I am not certain if there is as much a need for an interlocutory appeal mechanism in our district because the summary judgment tool is a realistic one. In other situations . . . I can understand why some lawyers would really want an interlocutory appeal.") (quoting Saris, J.); Frank M. Gasparo, Note, Markman v. Westview Instruments, Inc. *and Its Procedural Shock Wave: The* Markman *Hearing*, 5 J.L. & POL'Y 723, 766–67 (1997) ("The prime time for granting this appeal would be immediately following a Markman Hearing so that the Federal Circuit can review the claim construction de novo and the litigation at the district court can thereafter proceed via the proper construction.").

9. *See supra* notes 3–4 and accompanying text.

10. 28 U.S.C. § 1292 (2000).

then proposes several ways to make these appeals more efficient and clarifies some ambiguities in the current application of the procedure.

Part I first provides some background on the normal course of federal appeals. It then examines the appeal procedure provided in 28 U.S.C. § 1292(c)(2), the benefits and motivations behind its existence, and whether the provision's costs are justified by those motivations. Part I concludes that this provision does improve the efficiency of patent litigation. Part II examines the current implementation of the interlocutory appeal provided in § 1292(c)(2) and discusses two possible improvements: (1) making the appeal available at the constrained discretion of the trial judge, and (2) limiting the scope of any appeal from the final judgment following an interlocutory appeal under § 1292(c)(2). This Note then analyzes an inefficient situation permitted by the current implementation, namely the possibility that two appeals will be outstanding at one time. Following the analysis, some suggestions are made in order to provide some certainty as to the outcome of this issue. Part II concludes by looking at whether this sort of interlocutory appeal should be expanded to other types of cases.

I. PAST AND PRESENT JUSTIFICATIONS FOR THIS EXCEPTION TO THE FINALITY REQUIREMENT

In order to evaluate the past and possible present justifications for the interlocutory appeal provision provided in 28 U.S.C. § 1292(c)(2), it is first necessary to understand the reasoning behind the finality rule itself. Accordingly, this section begins by examining that reasoning and then proceeds to articulate the motivation and benefits of the interlocutory appeal opportunity, its harmful effects, and whether or not those harmful effects are outweighed by the benefits.

A. General Rule: Finality is Required

Although originally a common law rule,[11] the requirement that there be a final judgment prior to the commencement of appellate

11. Michael D. Green, *From Here to Attorney's Fees: Certainty, Efficiency, and Fairness in the Journey to the Appellate Courts*, 69 CORNELL L. REV. 207, 213 (1984); John C. Nagel, Note, *Replacing the Crazy Quilt of Interlocutory Appeals Jurisprudence with Discretionary Review*, 44 DUKE L.J. 200, 202 (1994).

jurisdiction was codified in the first Judiciary Act[12] and has changed little since 1789.[13] A final judgment "is one which ends the litigation on the merits and leaves nothing for the [district] court to do but execute the judgment."[14] Thus, the general rule is that "a party must ordinarily raise all claims of error in a single appeal following [the] final judgment."[15] Any appeal taken before a final judgment is an interlocutory appeal.[16]

The motivations behind the finality rule are largely based on concerns about efficient judicial administration[17] and respect for the district courts.[18] One efficiency argument is that this rule quickens trials by preventing piecemeal appeals at the whim of the parties.[19] If appeals could be taken from every ruling, the time required to resolve every issue conclusively could substantially delay the trial.[20] Such unlimited appeals would also allow the parties to harass each other and unnecessarily increase the expense of the trial.[21]

The finality rule also eases the appellate courts' dockets and streamlines the arguments presented in at least four different ways. First, many interlocutory decisions that might have been appealed become moot by the conclusion of the trial.[22] Thus, appeals of those decisions would be purely wasted efforts. Second, the trial judge may correct an incorrect interlocutory order later in the trial, again making any appeal on that issue unnecessary.[23] Third, consolidating appellate issues requires only one panel of judges to learn and

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12. Judiciary Act of 1789, ch. 20, § 22, 1 Stat. 73, 84 (codified as amended at 28 U.S.C. § 1291 (2000)).

13. Midland Asphalt Corp. v. United States, 489 U.S. 794, 798 (1989). 28 U.S.C. § 1291 provides that the federal courts of appeals, except the Federal Circuit, generally have jurisdiction over appeals from all final decisions of federal district courts. 28 U.S.C. § 1291 (2000). 28 U.S.C. § 1295 provides that the Court of Appeals for the Federal Circuit shall have, among other things, exclusive jurisdiction over appeals from final decisions of the district courts dealing with patents. 28 U.S.C § 1295(a)(1) (2000).

14. Catlin v. United States, 324 U.S. 229, 233 (1945).

15. Firestone Tire & Rubber Co. v. Risjord, 449 U.S. 368, 374 (1981).

16. BLACK'S LAW DICTIONARY 106 (8th ed. 2004).

17. Green, *supra* note 11, at 214.

18. *Firestone*, 449 U.S. at 374.

19. Green, *supra* note 11, at 214; Michael E. Solimine, *Revitalizing Interlocutory Appeals in the Federal Courts*, 58 GEO. WASH. L. REV. 1165, 1168 (1990).

20. Solimine, *supra* note 19, at 1168.

21. Green, *supra* note 11, at 214.

22. *Id.*; Solimine, *supra* note 19, at 1168.

23. Green, *supra* note 11, at 214.

examine the case,[24] which also decreases the amount of attorney time spent on the appeal.[25] Fourth, combining a limit on the number of appeals with the court rules limiting brief length and oral argument time streamlines the process; parties are required to confine themselves to their best arguments.[26]

The finality rule also promotes the independence of, and respect for, district court judges.[27] In addition to allowing them an opportunity to correct or compensate for their own mistakes,[28] requiring a final judgment before the appellate court examines the issue avoids the perception that the appellate court is constantly second guessing or "looking over the [district court's] shoulder."[29]

Of course, the finality requirement is not without costs. In particular, immediate appellate review could greatly shorten or terminate the litigation in some cases, thus increasing the efficiency of the judicial system.[30] Also, cases where the effect of a trial-level interlocutory judgment would cause irreparable injury, even if later reversed on appeal from the final judgment, would benefit from the availability of an interlocutory appeal.[31] The classic example of the latter situation is an incorrectly granted or refused injunction; harm due to such a decision is often effectively irreparable. Accordingly, limited exceptions to the finality rule have been introduced to compensate for some of these costs.[32]

B. The Purpose and Benefit of 28 U.S.C. § 1292(c)(2)

One such exception has been made for patent cases where the judgment is "final except for an accounting."[33] The substance of this

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24. *Id.* at 215.

25. *Id.*

26. *Id.*

27. Firestone Tire & Rubber Co. v. Risjord, 449 U.S. 368, 374 (1981); Green, *supra* note 11, at 215.

28. Green, *supra* note 11, at 214.

29. *Id.* at 215.

30. Solimine, *supra* note 19, at 1169.

31. *Id.*

32. For example, 28 U.S.C. § 1292(a) grants jurisdiction to the federal appellate courts over appeals from interlocutory orders with respect to injunctions. 28 U.S.C. § 1292 (2000).

33. *Id.* § 1292(c)(2). "'Accounting,' as used in the statute, refers to infringement damages . . . ." Special Devices, Inc. v. OEA, Inc., 269 F.3d 1340, 1343 n.2 (Fed. Cir. 2001).

provision was originally enacted in 1927[34] and remains essentially the same in 2005.[35] Embodied in 28 U.S.C. § 1292(c)(2), this provision allows a party to a patent infringement action to take an immediate appeal by right—rather than with the permission of the court—after all issues besides the accounting have been determined.[36] Typically, this means that the patent has been found to be valid and infringed and that all that remains is to determine the amount of damages to be awarded.[37] The stated purpose and primary benefit of this provision is to allow immediate appellate review of the liability issues before the expense of an accounting is incurred, which, if the finding of liability is reversed, benefits both the litigants and the courts.[38] This provision was enacted in response to the general perception that patent accountings were often very expensive and therefore required special treatment.[39]

In fact, the perceived need was so great that this appeal was created even though it was already possible to take an interlocutory appeal from any permanent injunction issued as a result of a patent infringement[40] (this is still the case today; such an appeal can be had under 28 U.S.C. § 1292(a)(1)[41]). Given that it was the general practice to stay the accounting pending the resolution of the appeal, this

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34. Act of Feb. 28, 1927, ch. 228, 44 Stat. 1261 (1927) (current version at 28 U.S.C. § 1292(c)(2)):

> [W]hen in any suit in equity for the infringement of letters patent for inventions, a decree is rendered which is final except for the ordering of an accounting, an appeal may be taken from such decree . . . [provided that] the proceedings upon the accounting in the court below shall not be stayed unless so ordered by that court during the pendency of such appeal.

35. *See* 28 U.S.C. § 1292(c)(2) (providing that the United States Court of Appeals for the Federal Circuit has exclusive jurisdiction over, among other things, "an appeal from a judgment in a civil action for patent infringement which . . . is final except for an accounting"). As the court pointed out in *Johannsen v. Pay Less Drug Stores N.W., Inc.*, 918 F.2d 160 (Fed. Cir. 1990), the only significant change to this statute occurred in 1982, when jurisdiction over these cases was shifted from the regional circuit courts to the Federal Circuit, *id.* at 162 n.3.

36. McCullough v. Kammerer Corp., 331 U.S. 96, 98 (1947).

37. *See, e.g.*, Del Mar Avionics v. Quinton Instruments Co., 645 F.2d 832, 834 n.3 (9th Cir. 1981) (finding that the requirements of 28 U.S.C. § 1292(c)(2) were met when a partial summary judgment had been granted, reserving only the determination of damages and costs).

38. *McCullough*, 331 U.S. at 98 & n.1.

39. *Id.* at 98–99.

40. H.R. REP. NO. 69-1890, at 2 (1927); S. REP. NO. 69-1319, at 1 (1927).

41. 28 U.S.C. § 1292(a) provides that an interlocutory appeal can be taken from a decree granting or denying an injunction, and under § 1292(c)(1), the Federal Circuit has exclusive jurisdiction over appeals from interlocutory orders described in § 1292(a) whenever it would have jurisdiction over an appeal from a final decision in that case.

avenue already provided many of the new exception's benefits because it, too, avoided the expense of the accounting if the appeal resulted in a reversal of liability.[42] Because a permanent injunction against infringing activity during the life of the patent is common,[43] the opportunity for appeal provided by 28 U.S.C. § 1292(c)(2) was expected to be useful primarily when an injunction was unavailable for some reason.[44] Such situations occur when the patent has expired by the time judgment is entered,[45] when the suit is against the federal government,[46] or, occasionally, when an injunction would be against the public interest.[47]

Those specialized situations, however, are unlikely to have been the only ones in which the new statute allowed additional interlocutory judgments to be appealed since the scope of an interlocutory appeal from a judgment that is final but for an accounting is sometimes larger than the scope of an appeal allowed from an injunction. The scope of an appeal from a permanent injunction under § 1292(a)(1) is generally limited to those issues that affected the issuance of the injunction.[48] While this often includes all issues affecting liability,[49] it may not always do so. The purpose of an

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42. S. REP. NO. 69-1319, at 1. However, like the current § 1292(c)(2), this stay is discretionary and so the practice today could be different. FED. R. CIV. P. 62(a)–(c); 11A CHARLES A. WRIGHT, ARTHUR R. MILLER, & MARY K. KANE, FEDERAL PRACTICE AND PROCEDURE § 2962 (2d ed. 1995). For further discussion of stays, see *infra* Part II.A.

43. MERGES & DUFFY, *supra* note 2, at 1040.

44. *McCullough*, 331 U.S. at 98 n.1; H.R. REP. NO. 69-1890, at 2; *see* S. REP. NO. 69-1319, at 1.

45. *McCullough*, 331 U.S. at 98 n.1; H.R. REP. NO. 69-1890, at 2; S. Rep. No. 69-1319, at 1. Because the average length of a patent trial is 1.12 years, Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889, 908 (2001), the unavailability of an injunction due to a patent's expiration should arise only if the patentee sues towards the end of the patent's life or afterwards.

46. 28 U.S.C. § 1498(a); MERGES & DUFFY, *supra* note 2, at 1064.

47. *See, e.g.*, City of Milwaukee v. Activated Sludge, Inc., 69 F.2d 577, 593 (7th Cir. 1934) (refusing to grant an injunction that would close the city's sewage treatment plant); *see also, e.g.*, Vitamin Technologists, Inc. v. Wis. Alumni Research Found., 146 F.2d 941, 946–47 (9th Cir. 1944) (endorsing the idea that injunctions should not be granted when enforcement would be against the public interest, but deciding the case on other grounds).

48. *See Ex parte* Nat'l Enameling & Stamping Co., 201 U.S. 156, 162 (1906) ("[T]hat which is contemplated [by the statute allowing interlocutory appeals from an injunction] is a review of the interlocutory order, and of that only."); Weiss v. York Hosp., 745 F.2d 786, 803 (3d Cir. 1984) (holding that there was no jurisdiction to consider issues that were serious but unrelated to the appealed injunction).

49. *See* Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1581 n.12 (Fed. Cir. 1994) ("[A]n interlocutory appeal from a permanent injunction, to the extent that it considers questions of

appeal from a permanent injunction is only to allow faster review of an injunction decision,[50] and some liability-related appeals may not serve that purpose. Conversely, the purpose of the appeal from a judgment that is final but for an accounting is to clarify liability before the expense of an accounting is incurred.[51] To fulfill that purpose, the scope of the appeal allowed under this provision must encompass all issues bearing on infringement and validity.[52] Thus, while an appeal from a permanent injunction may or may not include all validity and infringement issues, the appeal from the liability judgment under § 1292(c)(2) certainly will. Given that more issues can, at least theoretically, be appealed under § 1292(c)(2),[53] the total number of interlocutory appeals should be higher after this opportunity was made available because of the flexibility it gives to litigants to choose which issues to contest a second time.

C. The Cost of Allowing Interlocutory Appeals Under § 1292(c)(2)

Although appeals under § 1292(c)(2) may save time and expense in some cases, they do not come without a cost. If the liability judgment is not reversed, the reasons underlying the finality rule are undermined and settlements are likely to occur later in the process.

1. *Impact on the Reasons Underlying the Final Judgment Rule.* The § 1292(c)(2) exception detracts from the reasons underlying the final judgment rule. This negative effect, however, is mitigated by the requirement of a final judgment but for an accounting before any appeal is allowed.

Assuming that the liability and damages portions of the trial are sufficiently divided to allow this exception to be used,[54] this exception

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validity and infringement . . . is identical in substance to an appeal brought under § 1292(c)(2).").

50. *See* Balt. Contractors, Inc. v. Bodinger, 348 U.S. 176, 181 (1955) (noting that this provision was developed because of a "developing need to permit litigants to effectually challenge interlocutory orders of serious, perhaps irreparable consequence").

51. H.R. REP. NO. 69-1890, at 2 (1927); S. REP. NO. 69-1319, at 1 (1927).

52. *See* Saf-Gard Prods., Inc. v. Serv. Parts, Inc., 532 F.2d 1266, 1273 (9th Cir. 1976) (refusing to rule on unfair competition issues, but fully examining the infringement and validity arguments in a patent infringement dispute).

53. 16 CHARLES A. WRIGHT, ARTHUR R. MILLER, & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3928 (2d ed. 1996).

54. This is not an unreasonable assumption given that many patent cases are bifurcated. *See* Steven S. Gensler, *Bifurcation Unbound*, 75 WASH. L. REV. 705, 725 (2000) ("[B]ifurcation is . . . common in patent litigation.").

will generally allow at least one appeal in addition to the appeal from the final judgment.[55] The additional appeal and the need for an additional appellate panel to learn and decide the case will lengthen the trial and increase its cost.[56] This cost is significant because it is not uncommon for a patent appeal to take a year or more after the filing of the notice of appeal.[57] Additionally, although the docket would certainly increase far more if each case could be appealed multiple times, the extra appeal will enlarge the appellate court docket.[58]

However, there will not be a great increase in appeals concerning issues that would otherwise become moot through correction by the trial judge or due to the final outcome of the trial. The final liability determination has already been made and thus, no changes are likely. The only remaining way for issues to become moot would be if the accounting process made them so, perhaps by awarding no damages. Such a situation seems unlikely. Also, although this exception does allow for more immediate "second guessing" of the district court, it is likely that any issues raised through § 1292(c)(2) would be appealed after the final judgment anyway, and thus no "extra" second guessing of the district court will occur. Consequently, although use of the § 1292(c)(2) exception causes some increase in the workload of the judicial system and the conclusions of trials are somewhat delayed, these burdens are at least bounded by the requirements of the exception.

2. *Impact on the Settlement Process When the Liability Judgment Is Affirmed.* In addition to undermining the rationales behind the finality requirement, this provision also delays any settlements that might otherwise occur after the trial court's interlocutory judgment

55. In some circumstances, one case can produce multiple judgments that are final but for an accounting. *See, e.g.*, McCullough v. Kammerer Corp., 331 U.S. 96, 99–100 (1947) (finding that a case that had been appealed before an accounting and remanded could be appealed before an accounting again).

56. In some cases, even a single additional appeal may be a significant burden on one of the parties. This issue is discussed further *infra* Part II.A.

57. *See* Paul R. Michel, *The Court of Appeals for the Federal Circuit Must Evolve to Meet the Challenges Ahead*, 48 AM. U. L. REV. 1177, 1186 (1999) (noting that it is not uncommon for a patent appeal to "take a year or more following the filing of the appeal, and as much as six to eight months after oral argument").

58. Excepting the rare cases, such as those described in note 56, *supra*, the worst case would be a doubling of the appellate patent docket.

finding liability.[59] An appeal to the Federal Circuit is regarded as relatively inexpensive, at least in comparison to the total costs of a typical patent trial.[60] Thus, for example, if the plaintiff is interested in settling but the defendant is more reluctant, the defendant likely would appeal the liability judgment first in the hope of gaining a better position. Given that the Federal Circuit's reversal rate for patent cases is approximately 36 percent if summary affirmations are included and 50 percent if they are not,[61] a defendant in this situation has good incentive to appeal the liability judgment.

If, instead, the plaintiff is the reluctant party, it is unlikely that the plaintiff would be induced to settle either earlier or later than would have been the case had the opportunity for interlocutory appeal been absent; the plaintiff is in a better position after the liability judgment than before it. Since the defendant will almost always settle later and the plaintiff's incentives are essentially unchanged, the availability of an appeal will postpone any possible settlement until after the appeal has concluded.

Whether this appeal opportunity further postpones any settlement possibility beyond the decision of the interlocutory appeal is unclear. On one hand, if the liability judgment is affirmed, the defense is more likely to settle before the accounting than it would have been absent the appeal opportunity; the defense now knows that its best arguments have been ineffectual and that damages will be assessed. On the other hand, the plaintiff may be less likely to settle in this situation because there is no longer a possibility of being overturned on appeal. The overall result in this situation is unclear but does not appear to be significantly biased either way. Thus, the only likely result is that any settlement opportunity is delayed until after the result of the appeal, ensuring that this expense is incurred.

D. Are the Justifications for This Exception Valid?

Given that this procedural refinement is not free, the next inquiry is whether the benefits justify the costs. As previously explained, the primary motivation behind this provision is saving the litigants and the courts time and expense. Given that more than

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59. This analysis is only applicable when the judgment finding liability is affirmed; otherwise, the case would terminate because there would be no liability found.

60. Moore, *supra* note 4, at 35.

61. *See supra* note 3 and accompanying text.

seventy-five years have passed since this provision was enacted,[62] it is important to examine whether these motivations still support the provision. As the provision affects litigants, the district courts, and the appellate court, the impact on each of these parties will be examined individually before evaluating the impact on the system as a whole.

This procedure probably saves litigants some expense. Patent trials are often bifurcated between liability and damages.[63] Accordingly, courts often issue judgments that are final but for an accounting, providing ample opportunity to take advantage of the procedure. Also, the "highly competitive nature of litigation encourages the parties to . . . drive up the costs,"[64] whereas the frequency,[65] median cost,[66] and damages[67] in patent trials are all increasing. These trends indicate that the damages portion of trials are becoming more expensive and taking place more often, in terms of absolute numbers, and thus that this provision is saving money for litigants more often. As mentioned above, however, when an interlocutory liability judgment is affirmed, there are delays induced because of the interlocutory appeal and the postponed settlement.[68]

Thus, there will be a net savings to litigants if the cost of the delay is less than the cost of the accounting multiplied by the likelihood that the trial court decision will be reversed on appeal. Because the reversal rate of patent cases is relatively high[69] and accountings are expensive,[70] the determinative factor will be the cost of the delay. The implementation of the appeal reflects this; it allows

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62. The provision was enacted in 1927. Act of Feb. 28, 1927, ch. 228, 44 Stat. 1261 (1927) (codified at 28 U.S.C. § 1292(c)(2) (2000)).

63. Gensler, *supra* note 54, at 725.

64. Kevin M. Lemley, *I'll Make Him an Offer He Can't Refuse: A Proposed Model for Alternative Dispute Resolution in Intellectual Property Disputes*, 37 AKRON L. REV. 287, 311 (2004).

65. Lanjouw & Schankerman, *supra* note 1, at 46.

66. The median cost of a typical patent trial in 2003 is approximately $2 million for cases where the amount at risk is between $1 million and $25 million, and the median cost is $4 million where the amount at risk is above $25 million. AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 22 (2003). In 2001, the costs for these risk categories were $1.5 million and $3 million respectively. *Id.* at 84–85.

67. MERGES & DUFFY, *supra* note 2, at 11.

68. *See supra* Part I.C. For a further discussion of when a trial will be stayed pending the resolution of an appeal, see *infra* Part II.A.

69. *See supra* notes 3–4 and accompanying text.

70. *See* MERGES & DUFFY, *supra* note 2, at 1039 ("[A] great deal of litigation time is expended on the complex issue of [patent] damages. . . ."); H.R. REP. NO. 69-1890, at 2 (1927) (justifying the passage of the statute based on the large expense of accountings).

the trial court to evaluate the projected costs, both of the accounting and the delay, and, if warranted, to choose to proceed with the accounting while the appeal is pending.[71] Thus, with some judicial help, this provision is likely to save patent litigants time and money.

The district courts also likely realize a savings in this situation. In the worst case, the same accounting process that would have been required without an interlocutory appeal is still necessary.[72] In such a case, the only additional expenses are the costs associated with staying the proceedings and resuming at a later date. The upside potential is that the liability judgment will be reversed and a complex case[73] permanently removed from the court's docket. Even a partial reversal of liability would likely make the accounting cheaper. Again, because the reversal rate for patent cases is high, the district courts likely enjoy a net gain.

However, the gain by the district courts comes at the expense of the appellate court, and the appellate courts' time may be in higher demand than the district courts'. New case filings in the Federal Circuit,[74] as well as in the other federal appellate circuits,[75] are

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71. *See* FED. R. CIV. P. 62(c) (allowing a court to "suspend, modify, restore, or grant an injunction during the pendency of the appeal upon such terms as to bond or otherwise as it considers proper for the security of the rights of the adverse party"). For a further discussion of the trial court's power in this area, see *infra* Part II.A.

72. It is possible that some appeals are taken before the accounting that would not be taken afterwards (e.g., the defendant would not have taken an appeal from the final judgment if the defendant knew the outcome of the accounting, but takes an interlocutory appeal due to lack of knowledge about the future). In this case, some issues may return to the trial court after appeal that otherwise would not, resulting in an increase in work for the trial court. However, the high reversal rate of patent appeals, *see supra* notes 3–4 and accompanying text, makes it unlikely that this is a common case. Note that this analysis does not examine the case when a judgment finding invalidity or no infringement is entered; that result would constitute a final judgment and thus be appealable as such.

73. Patent cases are considered some of the most complex cases on district courts' dockets, Moore, *supra* note 45, at 933, and the damages proceedings are regarded as especially complex, *see* MERGES & DUFFY, *supra* note 2, at 1039.

74. The number of new cases filed in the Federal Circuit increased 14.4 percent between June 30, 2001, and June 30, 2004. *Compare* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl. B-8 (2004), *available at* http://www.uscourts.gov/judiciary2004/juncontents.html (stating that 1,602 appeals were filed in the Federal Circuit between July 1, 2003, and June 30, 2004), *with* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.B-8 (2001), *available* at http://www.uscourts.gov/judiciary2001/tables/b08jun01.pdf (stating that 1,400 appeals were filed in the Federal Circuit between July 1, 2000, and June 30, 2001).

75. The number of new cases filed in all other federal appellate circuits increased 8.3 percent between June 30, 2001, and June 30, 2004. *Compare* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.B (2004), *available at*

increasing at a faster rate than those of the federal district courts.[76] Given this difference, it seems likely that the trade-off between the district courts' time and the appellate courts' time will not be one for one—the "price" of the appellate courts' time is likely to be higher since it is in relatively higher demand. Also, whereas district courts and litigants only realize a savings when they avoid the cost and time of an accounting, the appellate courts incur a cost for every interlocutory appeal taken.

However, the amount of additional work done by the appellate court at the higher price may not be large because the parties' arguments advanced on interlocutory appeal would have been raised on an appeal from the final judgment. Even in a worst case scenario, when liability is completely affirmed on appeal, the only difference is to split what would have been one appeal (following final judgment) into two (adding the interlocutory appeal related to liability) because the appellate court will not reconsider the issue of liability after the district court's accounting. The transaction costs associated with the extra appeal are the only addition. Moreover, deciding liability issues before the accounting proceeding may decrease the appellate court's work; when the interlocutory appeal results in a reversal and the case is dismissed, the cost of briefing and oral argument associated with any accounting issues that would otherwise have been appealed is eliminated. Thus, although the provision likely costs the appellate court some time and money, it is probably not more than the cost of

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http://www.uscourts.gov/judiciary2004/juntables/B00Jun04.pdf (stating that 61,526 appeals were filed in the circuit courts of appeal between July 1, 2003, and June 30, 2004), *with* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.B (2001), *available at* http://www.uscourts.gov/judiciary2001/tables/b00jun01.pdf (stating that 56,812 appeals were filed in the circuit courts of appeal between July 1, 2000, and June 30, 2001).

76. The number of new civil and criminal cases filed in the federal district courts increased 3.9 percent between June 30, 2001, and June 30, 2004. *Compare* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.C (2004), *available at* http://www.uscourts.gov/judiciary2004/juntables/C00Jun04.pdf (stating that 258,117 civil cases were filed in the federal district courts between July 1, 2003, and June 30, 2004), *and* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.D (2004), *available at* http://www.uscourts.gov/judiciary2004/juntables/D00Jun04.pdf (stating that 71,098 criminal cases were filed in the federal district courts between July 1, 2003, and June 30, 2004), *with* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.C (2001), *available at* http://www.uscourts.gov/judiciary2001/tables/c00jun01.pdf (stating that 253,354 civil cases were filed in the federal district courts between July 1, 2000, and June 30, 2001), *and* ADMIN. OFFICE OF THE U.S. COURTS, STATISTICAL TABLES FOR THE FEDERAL JUDICIARY tbl.D (2001), *available at* http://www.uscourts.gov/judiciary2001/tables/d00cjun01.pdf (stating that 63,344 criminal cases were filed in the federal district courts between July 1, 2000, and June 30, 2001).

splitting the issues and having two appellate panels learn the case. Comparing this cost to the total savings realized by the district court and the litigants, and taking into account the high reversal rate, the § 1292(c)(2) exception is most likely saving money for the judicial system as a whole and thus is a justifiable exception to the final judgment rule.

II. PROPER IMPLEMENTATION OF 28 U.S.C. § 1292(c)(2)

Because there is reason to believe that there is a net efficiency gain from allowing an interlocutory appeal under § 1292(c)(2), procedures for minimizing the negative impact of the appeal while maximizing the cost savings realized should be determined. Accordingly, four areas must be examined. The first is whether the appeal should be by right or only at the discretion of the judge, and when it is appropriate to continue with the accounting without waiting for the resolution of the interlocutory appeal. The second is the optimal scope of an appeal from a final judgment following both an interlocutory appeal and an accounting. The third area to be examined is the correct way to proceed, under the current system, when there are two concurrent appeals outstanding. The last inquiry is whether this appeal opportunity should be expanded to encompass other types of cases.

A. Should the Appeal Be by Right, and When Should the Accounting Be Stayed Pending the Resolution of the Interlocutory Appeal?

1. *The Current System.* Under current law, litigants have the right to take an immediate interlocutory appeal as soon as a judgment that is final but for an accounting is rendered.[77]

A judgment is final but for an accounting when all issues except the infringement damages have been determined.[78] For example, a judgment of validity and infringement is not final but for an accounting if the court has not disposed of all counterclaims[79] or has

77. 28 U.S.C. § 1292(c)(2) (2000).

78. *See supra* note 37 and accompanying text.

79. *See* Ill. Tool Works, Inc. v. Brunsing, 378 F.2d 234, 235–36 (9th Cir. 1967) (denying an appeal because of unresolved invalidity and patent misuse counterclaims).

not ruled on an injunction.[80] There is no judicial permission or approval required.[81] Thus, unless a judge deliberately withholds judgment on some issue to prevent the required finality, the litigants have the right to take an appeal as soon as the liability portion of the proceeding is completed.

The judge, however, is not and has never been[82] required to stay the accounting proceedings pending the outcome of the interlocutory appeal.[83] Instead, this decision is explicitly left to the discretion of the trial court.[84] Thus, the trial court may complete the accounting and enter a final judgment before the completion of the interlocutory appeal;[85] while the money and time saving policy behind allowing such appeals provides litigants with a powerful argument that the accounting procedure should be stayed, the court remains free to proceed.

This combination of rights and discretion is suboptimal because it allows a situation that frustrates the purpose of the statute; if the accounting procedure is not stayed, the interlocutory appeal is likely to complete after the district court's accounting proceeding is finished.[86] In this situation, no savings is realized by either the parties or the judicial system. In fact, there is now an extra appeal (the interlocutory appeal) for the parties and the appellate court to contend with, actually increasing the costs of the litigation. If there is

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80. *See* Stamicarbon v. Escambia Chem. Corp., 430 F.2d 920, 931 (5th Cir. 1970)(holding that because the remaining injunction was denied by the trial court *sub silentio*, only the accounting remained and thus the appeal could continue).

81. *See, e.g.*, *id*. (allowing the appeal to proceed under § 1292(c)(2) even though no judicial approval had been granted by the trial court).

82. *See supra* note 34 and accompanying text. Although the provision allowing the judge to continue with the accounting while the interlocutory appeal is pending has been dropped from the current codification of the rule, *see supra* note 35 and accompanying text, the judge can still do such under Rule 62(a), FED. R. CIV. P. 62(a).

83. *See* FED. R. CIV. P. 62(a) ("Unless otherwise ordered by the court . . . a judgment or order directing an accounting in an action for infringement of letters patent shall not be stayed during the period after its entry and until an appeal is taken or during the pendency of an appeal.").

84. *Id.*

85. *See* Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1581 (Fed. Cir. 1994) ("The purpose of § 1292(c)(2) is to *permit* district courts to stay and *possibly* avoid a burdensome determination of damages." (emphasis added)); *In re* Calmar, Inc., 854 F.2d 461, 463–64 (Fed. Cir. 1988) (noting that "in recognition of the district court's discretion [in this matter, the appellate court] has repeatedly denied . . . motions to stay damages trials during appeals").

86. *See* Michel, *supra* note 57, at 1186 (noting that it is not uncommon for an appeal to take a year or more).

also an appeal taken from the final judgment, which would be issued after the accounting is completed, the situation becomes even more complicated.[87]

The problems inherent in granting litigants the right to appeal while giving the district court discretion regarding whether to stay the accounting thus beg the question: why not make the stay mandatory? The reason this option was not selected is to allow the district court to evaluate and, if needed, avoid the cost of the delay due to the interlocutory appeal incurred by the parties, and in particular the cost to the patentee; the discretion allows the district court to balance the harm caused by a stay against that caused by denying the stay.[88] For example, a court has the flexibility to require a bond or other security from a defendant to ensure that a plaintiff's judgment will be collectable after the appeal's pendency,[89] to deny the stay altogether if there will be some large expense due to the delay, to take into account the fact that the accounting for a particular case would be simple and thus not justify the total cost of the appeal, or just to continue with the accounting if the parties so wish.[90] Thus, there are practical reasons to avoid making the stay mandatory.

2. *A More Efficient Way*. While there are efficiencies in allowing a district court to retain discretion over the stay of an appeal, a more efficient process is possible. Making the appeal itself available only at the discretion of the district court judge offers even more advantages. Making the appeal available only at the district court's discretion preserves the ability to balance the harm induced by the delay with the costs associated with the accounting while eliminating the unneeded cost of the extra appeal in those cases where the accounting is completed before the appeal concludes. This would be a

87. For a further discussion of the practical realities of this situation, see *infra* Part II.C.

88. *See* 11 WRIGHT, MILLER, & KANE, *supra* note 42, § 2902 ("[T]he court . . . should consider carefully the harm that a stay might cause to the party who has obtained the judgment and balance this against the harm that denial of a stay would cause to the losing party.").

89. *See, e.g.*, Brooktree Corp. v. Advanced Micro Devices, Inc., 757 F. Supp. 1101, 1104 (S.D. Cal. 1990) (requiring a real property security instead of a bond as a condition for staying execution of a money judgment to ensure that the opposing party's victory "is not jeopardized").

90. *See* Icyclair, Inc. v. Dist. Court of U.S. for S. Dist. of Cal., 93 F.2d 625, 626 (9th Cir. 1937) (continuing with an accounting because "[n]o stay of the proceedings upon the accounting was ordered or requested").

new type of discretionary appeal, not already covered by the permissive appeal provisions in 28 U.S.C. § 1292(b).

Under the current permissive appeal provision, an interlocutory decision not otherwise eligible for interlocutory appeal may become eligible if the district court certifies that the decision "involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation."[91] In addition to certification by the district court, such an order must be approved by the appellate court with jurisdiction over the appeal.[92] This framework is inadequate for two reasons.

First, the criteria used by the district court to decide whether an appeal should be allowed is too restrictive. Section 1292(b) was intended to only be used in "exceptional cases where a decision on appeal [could] avoid protracted and expensive litigation."[93] The courts have held true to this intent.[94] However, the focus for interlocutory appeals from patent liability judgments should instead be on the costs to the parties and the court system as a whole, as was the intent behind both the allowance of discretionary stays of the accounting[95] and the enactment of § 1292(c)(2).[96] The criteria used to determine whether to allow an appeal should be the same as those currently used to allow or deny a stay of the accounting pending the resolution of the interlocutory appeal. This will preserve the availability of the procedure when a savings to the system can be realized.

The second reason the current permissive appeal procedures are inadequate for § 1292(c)(2) appeals is that the Federal Circuit would

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91. 28 U.S.C. § 1292(b) (2000).

92. *Id.*

93. S. REP. NO. 85-2434, at 7 (1958), *reprinted in* 1958 U.S.C.C.A.N. 5255, 5260.

94. *See, e.g.*, White v. Nix, 43 F.3d 374, 376 (8th Cir. 1994) ("[Section] 1292(b) 'should and will be used only in exceptional cases where a decision on appeal may avoid protracted and expensive litigation, as in antitrust and similar protracted cases.'" (quoting S. REP. NO. 85-2434, at 7 (1958), *reprinted in* 1958 U.S.C.C.A.N. 5255, 5260)). *But see* Solimine, *supra* note 19, at 1196–97 (noting that some datasets indicate that use of the statute is not always limited to only exceptional cases).

95. *See* 11 WRIGHT, MILLER, & KANE, *supra* note 42, § 2902 ("[T]he court . . . should consider carefully the harm that a stay might cause to the party who has obtained the judgment and balance this against the harm that denial of a stay would cause to the losing party.").

96. *See supra* note 38 and accompanying text.

also have to approve the appeal.[97] Given that the appellate courts are generally perceived to be more burdened than the district courts,[98] and that this provision saves judicial resources by trading appellate time for district time,[99] the Federal Circuit may be ill-inclined to approve such appeals, even if doing so would be objectively cost-justified. Indeed, there is evidence that this is the case. As noted earlier, a large percentage of reversals result from incorrect claim construction rulings.[100] However, the Federal Circuit has thus far refused to hear permissive appeals related to claim construction,[101] requiring litigants to rely on other methods to attain expedited review of claim construction decisions. The reasons behind this refusal are not clear,[102] but allowing the Federal Circuit to decrease its docket by eliminating appeals under § 1292(c)(2) would defeat the purpose behind the provision; it would allow the Federal Circuit to second-guess whether the cost savings are feasible. District courts are in a better position make this determination and the process should reflect this fact. Accordingly, the most efficient appeal process in this situation is to grant discretion over the entire appeal exclusively to the trial judge. Because the rationale for allowing any appeal is then based on the same criteria previously used to determine whether to stay the accounting, any appeal taken by the litigants would result in a stay. This process would eliminate the inefficiencies associated with allowing an appeal but proceeding with the accounting.

If this change is made, it should be noted that litigants denied the opportunity to appeal by the trial judge but still intent on taking an interlocutory appeal will probably fall back on § 1292(a)(1) and appeal any injunction issued. Because, in such cases, the district court has denied the appeal under § 1292(c)(2), the accounting will be performed during the pendency of the appeal. This again would produce an inefficient result from the perspective of § 1292(c)(2) because the cost of the accounting is again incurred while awaiting

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97. *See* 28 U.S.C. § 1292(b) (2000) (requiring that the appellate court that would otherwise have jurisdiction over the appeal also accept the certification).

98. *See supra* Part I.D.

99. *See supra* Part I.D.

100. *See supra* note 4 and accompanying text.

101. *See* Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1479 (Fed. Cir. 1998) (en banc) (opinion of Newman, J.) (noting that the Federal Circuit has declined all certified questions claim interpretation).

102. *See* Moore, *supra* note 4, at 34–35 (noting that no case has explained the Federal Circuit's refusal and suggesting possible reasons).

the outcome of an appeal regarding liability. However, this opportunity is exactly what § 1292(a)(1) is intended to permit: a faster route to an appeal for a litigant who has been denied an injunction or who has been enjoined from some action.[103] Thus, although the purposes of the rules conflict, this is likely the correct result in these cases; the gain has been deemed worth the cost. Also, as mentioned in Part I.B, although the scope of both appeals is likely to be very similar, and thus both appeals afford the defendant much the same opportunity, the differing purposes behind these statutory provisions may cause a narrowing in the scope of the interlocutory injunction appeal.[104] This should result in a more narrowly tailored appeal with a lower overall cost.

B. The Proper Scope of an Appeal from a Final Judgment following Both an Interlocutory Appeal and an Accounting

A second procedural detail must be examined to make cases involving interlocutory appeals more efficient: which issues should be appealable from a final judgment following both an interlocutory appeal under § 1292(c)(2) and the completion of an accounting. Although it is not unusual for parties to appeal a final judgment on issues related to the accounting, a requirement that all potential liability issues related to the interlocutory decree be raised during the interlocutory appeal would be more efficient. The law-of-the-case doctrine governs this requirement when dealing with multiple appeals from a final judgment.[105]

The law-of-the-case doctrine holds that "a decision of a legal issue or issues by an appellate court . . . must be followed in all subsequent proceedings in the same case" unless (1) subsequent evidence is substantially different, (2) controlling authority makes contrary law applicable, or (3) "the decision [is] clearly erroneous and would work a manifest injustice."[106] This requirement also extends to all issues decided by necessary implication.[107] For example, an appellate affirmation of an issue necessarily implies that all arguments advanced against that issue have been considered and

103. *See supra* note 50 and accompanying text.
104. *See supra* Part I.B.
105. Martinez v. Roscoe, 100 F.3d 121, 123 (10th Cir. 1996).
106. White v. Murtha, 377 F.2d 428, 431–32 (5th Cir. 1967).
107. Smith Int'l, Inc. v. Hughes Tool Co., 759 F.2d 1572, 1577 (Fed. Cir. 1985).

rejected.[108] Thus, the law of the case precludes the court from reconsidering them in a subsequent appeal. Additionally, any facts necessary to the appellate decisions, and any necessary inferences derived from those facts, are similarly precluded.[109] However, appellate reversal of an issue merely means that the arguments explicitly addressed were considered and decided;[110] only one successful argument is needed to grant a reversal, whereas all arguments must be rejected to uphold the judgment.

Moreover, for appeals from final judgments, "a legal decision made at one stage of litigation, unchallenged in a subsequent appeal when the opportunity to do so existed, becomes the law of the case . . . and the parties are deemed to have waived the right to challenge that decision at a later time."[111] The result for interlocutory appeals, however, is different. Interlocutory judgments are deemed to merge into the final judgment, and thus an appeal from the final judgment technically appeals all interlocutory judgments as well.[112] An interlocutory appeal, on the other hand, is limited to specific interlocutory judgments, and thus the scope of the review available to the appellate court is limited to those issues.[113] Consequently, any issues not raised on interlocutory appeal—and thus not decided by the appellate court either explicitly or by necessary inference—are not yet the law of the case and can be raised and argued on appeal from the final judgment.[114] For most interlocutory appeals, this is a good result; interlocutory appeals are optional for litigants[115] and should not be turned into traps for the unwary.[116]

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108. Mutual Life Ins. Co. v. Hill, 193 U.S. 551, 553–54 (1904); *Smith Int'l, Inc.*, 759 F.2d at 1577.

109. *See Smith Int'l, Inc.*, 759 F.2d at 1578 ("The reasons that led the Ninth Circuit to conclude that these facts did not establish fraud also require the same conclusion with respect to unenforceability.").

110. *Mutual Life Ins. Co.*, 193 U.S. at 553–54.

111. Martinez v. Roscoe, 100 F.3d 121, 123 (10th Cir. 1996).

112. Hendler v. United States, 952 F.2d 1364, 1368 (Fed. Cir. 1992).

113. Weiss v. York Hosp., 745 F.2d 786, 803 (3d Cir. 1984).

114. *See* W. States Mach. Co. v. S.S. Hepworth Co., 152 F.2d 79, 81 (2d Cir. 1945) (holding that new issues could be raised on the appeal from the final judgment after an interlocutory appeal from a judgment final but for an accounting).

115. Brownlee v. Dyncorp, 349 F.3d 1343, 1348 (Fed. Cir. 2003); Am. Preferred Prescription, Inc. v. Tracar, S.A. (*In re* Am. Preferred Prescription, Inc.), 255 F.3d 87, 92 (2d Cir. 2001).

116. 16 WRIGHT, MILLER, & COOPER, *supra* note 53, at § 3921.1. If this were not the rule for the general case, unwary litigants would take their interlocutory appeal without asserting all their arguments and then find those untaken arguments waived on appeal from a final judgment.

On the other hand, this result is inefficient for appeals from patent suits in which the judgment is final but for an accounting. Again, the purpose behind § 1292(c)(2) is to spare the litigants and the system the expense of the accounting if the defendant is initially adjudged liable but is later exonerated. Under the current law, the defendant can take an interlocutory appeal on some liability arguments and lose, go through the process of the accounting, and then raise other liability arguments on a subsequent appeal.[117] If the court then reverses, the accounting is wasted once again. Even if the court reverses in part and affirms in part, the accounting will probably still have to be redone because the basis for liability has changed.[118] This is again suboptimal.

The better solution is to require litigants to raise all liability issues on interlocutory appeal and to treat this interlocutory judgment as if it were a final judgment for purposes of infringement and validity.[119] Having then addressed all available patent liability issues before the accounting, there is no chance that the cost of the accounting will be completely wasted. In addition to ensuring a cost savings to the system, this requirement, together with limits on appellate brief length and argument time, would promote efficiency by forcing the parties to advance only their best arguments. Moreover, the appellate court would benefit because it would only have to examine liability once.

Because the interlocutory judgment being appealed from must be final but for an accounting, this solution is both feasible and fair. This rule is feasible because the scope of an appeal under § 1292(c)(2), while limited, will typically encompass all interlocutory

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117. *See W. States Mach. Co.*, 152 F.2d at 81 (ruling that issues not presented in an interlocutory appeal can be considered on final appeal).

118. It is possible that the accounting was done in such a way as to make adjustment of the remedy simple. *See* Wang Labs., Inc. v. Toshiba Corp., 993 F.2d 858, 870 (Fed. Cir. 1993) (holding that certain infringement issues must be remanded, choosing a royalty rate, and remanding damages to be calculated at that rate). Alternately, it may be that the accounting is completely independent of the liability issue reversed. *See* La Plante v. Am. Honda Motor Co., 27 F.3d 731, 738 (1st Cir. 1994) (vacating liability issues because of jury instructions and remanding for retrial on liability because liability was separable from the damages calculation). However, an accounting that enables an easy adjustment of the remedy is unlikely to be common.

119. Of course, if the district court makes a ruling during the accounting phase that affects the liability determination, that ruling should be reviewable on appeal from the final judgment. This, however, should occur rarely.

judgments that bear on patent validity and infringement.[120] Thus, all patent liability issues are already available to the parties; any liability issues that depend on the accounting could not be raised until after the final judgment is entered anyway and thus would not be barred under this new rule.

Additionally, the nature of the basic requirements for this interlocutory appeal ensures that no liability decisions will be made by the district court after an appeal is taken; the district court will not certify the judgment as final but for an accounting if it does not believe this to be the case. This solution is fair because it imposes essentially the same requirement as when an appeal is taken from a final judgment.[121] The parties have all the necessary information and can just as effectively argue their points on interlocutory appeal as they can on final appeal. It could be argued that this rule could be used as a weapon in litigation since it allows one party to force the other to appeal issues before the accounting process begins. However, because the accounting proceedings and the issues within the scope of the appeal must be independent,[122] this situation causes no real unfairness or harm. All the relevant information is available; the timing may be different, but the fundamental positions and arguments of the parties are the same.

Although this rule is more efficient, feasible, and fair, it may nevertheless not be viable in practice. If litigants feel that it is in their best interest not to appeal any liability issues until the trial is completed, no interlocutory appeals will be taken, and the purpose of the provision will be defeated. Attorneys may want to delay appeal for one reason or another, even though there may not be any real advantage to doing so. If a large number of attorneys choose this strategy, it may be more efficient to forgo this rule optimization and allow parties to take two "bites at the (liability) apple," thus allowing the system to continue realizing the savings from those cases that are appealed and reversed after interlocutory judgments. Forgoing this rule optimization may also be acceptable if the cost of the accounting

120. *See* Saf-Gard Prods., Inc. v. Serv. Parts, Inc., 532 F.2d 1266, 1269–73 (9th Cir. 1976) (refusing to rule on unfair competition issues, but fully examining the infringement and validity arguments).

121. Martinez v. Roscoe, 100 F.3d 121, 123 (10th Cir. 1996).

122. Otherwise, no decision concerning the appealed issues could be made because the accounting would not have occurred yet.

itself is already sufficient to incentivize litigants to argue all liability arguments in the first appeal, as may be the case.

There is a final issue that would have to be addressed if this solution were to be implemented. The obvious way to evade this requirement is to take an interlocutory appeal from any permanent injunction granted, litigate whatever liability arguments are within the scope of that interlocutory appeal,[123] and then raise any other liability arguments on appeal from the final judgment. The loophole could be closed by requiring that litigants raise all their arguments during the interlocutory appeal from the permanent injunction. This modification has been independently suggested by other commentators in the context of appealing permanent injunctions issued after a significant decision on the merits but before a final judgment.[124] A judgment that is final but for an accounting is likely to qualify as such a situation, and thus would effectively close this loophole. Implementing these two improvements would advance the purpose behind § 1292(c)(2) and make patent trials more efficient.

C. Dealing with Multiple Concurrent Appeals under the Current Law

Without these improvements, the current law allows a district judge to proceed with an accounting during the pendency of an interlocutory appeal.[125] Given that an appeal in a patent case can often take a year or more,[126] in this situation the accounting will often be completed before the interlocutory appeal. There will also usually be an appeal from the final judgment because the parties will likely appeal issues related to the accounting as well as any liability issues not raised on interlocutory appeal.[127] Because there is thus a good chance that both appeals will be pending at once, some exploration of this situation is warranted to provide some knowledge about the relative efficiency of various alternatives and some certainty in the law.

When such multiple concurrent appeals are outstanding, the most efficient solution would be to consolidate the interlocutory

123. *See supra* Part I.B.

124. 16 WRIGHT, MILLER, & COOPER, *supra* note 53, § 3921.1.

125. FED R. CIV. P. 62(a). For a further discussion of this issue, see *supra* Part II.A.

126. Michel, *supra* note 57, at 1186.

127. *See supra* Part II.B.

appeal and the appeal from the final judgment.[128] Although some work would probably have already been completed and some judicial resources expended in the interim, this would avoid requiring two appellate panels to learn and consider the case. It would also allow the parties to conserve resources by arguing only one outstanding appeal. Unfortunately, if the interlocutory appeal is too far advanced to efficiently consolidate the appeals, this option will be foreclosed by practical concerns.

In this situation, the appeal from the final judgment should be stayed pending resolution of the interlocutory appeal. The interlocutory appeal will generally deal with liability issues, whereas the second appeal will probably include primarily accounting issues. Because the accounting process is typically dependent on the infringement and validity judgments,[129] it is likely that at least some issues that would have been raised on final appeal may become moot as a result of the interlocutory appeal decision.

Regardless of whether the appeal from the final judgment is stayed, an interesting issue arises when the interlocutory appeal concludes and the appellate court remands some liability issues to the trial court during the pendency of the final appeal. Assuming that there are independent and separable issues involved in the outstanding appeal, the question of which court has jurisdiction over the remanded issues arises. Generally, a federal district court and a federal appellate court should not attempt to exercise jurisdiction over a case simultaneously.[130] However, this is exactly what happens when an interlocutory appeal is taken, so this is not an absolute rule.[131]

To minimize inefficiencies induced by confusion in these situations, which court has jurisdiction over what issues must be clear

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128. *See, e.g.*, Cal. *ex rel.* Lockyer v. Dynegy, Inc., 375 F.3d 831, 837 (9th Cir. 2004) (noting that a final judgment and interlocutory appeal were consolidated where the final judgment was entered before the briefing of the interlocutory appeal was complete).

129. At the very least, the court must know which claims are valid and which are infringed to know what parts of which products are infringing.

130. Griggs v. Provident Consumer Disc. Co., 459 U.S. 56, 58 (1982) (per curiam).

131. *See* Plotkin v. Pac. Tel. & Tel. Co., 688 F.2d 1291, 1293 (9th Cir. 1982) ("We hold that an appeal from an interlocutory order does not stay the proceedings, as it is firmly established that an appeal from an interlocutory order does not divest the trial court of jurisdiction to continue with other phases of the case.").

at all times.[132] Accordingly, some rules have been developed. A proper interlocutory appeal generally divests the district court of jurisdiction over all issues appealed.[133] Similarly, the entry of final judgment and subsequent appeal from that judgment transfers jurisdiction over all other appealed issues to the appellate court.[134] The district court only retains authority to aid in the appeals process, for example, to preserve the status quo pending the appeal, to correct clerical mistakes, or to aid in a judgment that has not been superseded.[135] It does not regain jurisdiction over those issues until the court of appeals issues its mandate.[136]

Although slightly counterintuitive, application of these principles to this situation suggests that the appellate court should continue to have jurisdiction over the remanded issues until it issues its mandate or the appeal from the final judgment is abandoned. After the parties take the appeal from the final judgment, the district court is left without jurisdiction over any of the issues appealed; the interlocutory appeal divests it of jurisdiction over issues appealed there,[137] and the entry of final judgment, in combination with the final appeal, divests it of jurisdiction over all other issues.[138] Thus, the only appealed issues the district court can possibly have while the appeal from the final judgment is outstanding are any returned to it by the appellate court's mandate from the interlocutory appeal. However, because all interlocutory judgments are included in the appeal from the final judgment, those issues are technically also appealed along with the final judgment.[139] Thus, the appellate court should retain jurisdiction over those remanded issues as well, until such time as that appeal is concluded.

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132. *See* United States v. DeFries, 129 F.3d 1293, 1303 (D.C. Cir. 1997) ("[I]t is essential that well-defined, predictable rules identify which court has that [jurisdiction] at any given time.").

133. *Griggs*, 459 U.S. at 58. An interlocutory appeal concerning an injunction, however, is specifically exempted from this rule. *See* FED. R. CIV. PROC. 62(c) (allowing a court to "suspend, modify, restore, or grant an injunction during the pendency of the appeal upon such terms as to bond or otherwise as it considers proper for the security of the rights of the adverse party").

134. *Griggs*, 459 U.S. at 58.

135. Fundicao Tupy S.A. v. United States, 841 F.2d 1101, 1103 (Fed. Cir. 1988).

136. *Id.*

137. *Griggs*, 459 U.S. at 58.

138. *Fundicao Tupy S.A.*, 841 F.2d at 1103.

139. Hendler v. United States, 952 F.2d 1364, 1368 (Fed. Cir. 1991).

On first glance, it may appear that the law-of-the-case doctrine would actually allow a district court to immediately assert jurisdiction over the liability issues remanded from an interlocutory appeal. Because the appellate court has already decided those issues, the law of the case would dictate that they cannot be revisited on appeal from the final judgment, and thus the district court could address them. This, however, is incorrect. "[T]he 'law of the case' doctrine is not an inexorable command"[140] like *res judicata*.[141] It contains exceptions,[142] and thus does not completely prevent the appellate court from reconsidering the issues decided on interlocutory appeal. Therefore, the appellate court must have jurisdiction to decide these issues and the district court cannot. Accordingly, the appellate court must retain jurisdiction over all issues appealed to it, including those also decided on interlocutory appeal.

D. Why Should an Appeal Like § 1292(c)(2) Be Limited to Particular Types of Cases?

Even without any of the above optimizations or clarifications, the judicial system is more efficient because of § 1292(c)(2).[143] However, it is unclear that such a savings is unique to patent cases. Any case with a complicated damages proceeding is likely to be a candidate for bifurcation,[144] providing an opportunity to use this type of procedure. Such cases could similarly benefit from immediate review if the liability determination is reversed on an interlocutory appeal. Indeed, there is already a similar provision provided in admiralty cases, allowing an interlocutory appeal after the "rights and liabilities" of the parties have been determined but before the damages

140. White v. Murtha, 377 F.2d 428, 431 (5th Cir. 1967).

141. *See* Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1582 (Fed. Cir. 1994) ("[T]here is a difference between [law of the case] and *res judicata*; one directs discretion, the other supersedes it and compels judgment." (quoting S. Ry. Co. v. Clift, 260 U.S. 316, 319 (1922) (second alteration in original)).

142. *See White*, 377 F.2d at 431–32 (noting that exceptions are made when "evidence on a subsequent trial [is] substantially different, controlling authority . . . ma[kes] a contrary decision of the law applicable to such issues, or the decision [is] clearly erroneous and would work a manifest injustice").

143. *See supra* Part I.D.

144. *See* Gensler, *supra* note 54, at 708 (noting that courts bifurcate the issues of liability and damages when the expected damages evidence is specialized or lengthy).

proceedings commence.[145] This provision, like § 1292(c)(2), is designed to save the litigants and the courts the expense of the complex damages proceeding.[146] Even the text of the original bills are strikingly similar.[147] It seems odd that these are the only two types of cases in which such a provision appears.

The reason for such special treatment is not because patent accounting proceedings are uniformly more costly than other types of damages proceedings. For example, although "a great deal of litigation time is expended on the complex issue of [patent] damages,"[148] "[e]normous time and effort . . . [are also] devoted to proof of the fact and amount of damages" in a civil antitrust proceeding.[149] Both patent and antitrust cases typically involve "but-for" hypothetical tests,[150] and both typically require expert testimony and complex damage models to predict the situation the plaintiff would be in if not for the defendant's actions.[151] Additionally, both

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145. 28 U.S.C. § 1292(a)(3) (2000) (providing that an interlocutory appeal may be taken from "[i]nterlocutory decrees of . . . district courts or the judges thereof determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed").

146. Evergreen Int'l. Corp. v. Standard Warehouse, 33 F.3d 420, 424–25 (4th Cir. 1994).

147. *Compare* Act of April 3, 1926, ch. 102, 44 Stat. 233, 233–34 (1926):

> In all cases where an appeal from a final decree in admiralty to the circuit court of appeals is allowed an appeal may also be taken . . . from an interlocutory decree in admiralty determining the rights and liabilities of the parties . . . but the taking of such appeal shall not stay proceedings under the interlocutory decree unless otherwise ordered by the district court upon such terms as shall seem just.

with Act of Feb. 28, 1927, ch. 228, 44 Stat. 1261 (1927) (current version at 28 U.S.C. § 1292(c)(2)):

> [W]hen in any suit in equity for the infringement of letters patent for inventions, a decree is rendered which is final except for the ordering of an accounting, an appeal may be taken from such decree . . . [provided that] the proceedings upon the accounting in the court below shall not be stayed unless so ordered by that court during the pendency of such appeal.

148. MERGES & DUFFY, *supra* note 2, at 1039.

149. ROBERT PITOFSKY ET AL., TRADE REGULATION 108 (5th ed. 2003).

150. Antitrust remedies often attempt to restore plaintiffs to the economic condition they would have enjoyed but for the violation. Bigelow v. RKO Radio Pictures, Inc., 327 U.S. 251, 263–64 (1946). Patent remedies often try to determine the amount the patentee would have made but for the infringement. MERGES & DUFFY, *supra* note 2, at 1090.

151. Antitrust damages measurements "virtually always require the use of an expert economist or statistician, and a competent model typically requires the use of multiple regression analysis" to determine the extent of the plaintiff's poorer economic performance as well as to control for other factors in the market. 1 PHILLIP E. AREEDA & HERBERT HOVENKAMP, FUNDAMENTALS OF ANTITRUST LAW 138 (3d ed. 2003). Similarly, "in almost every [patent] case expert opinions will be necessary." Ned L. Conley, *An Economic Approach to Patent Damages*, 15 AIPLA Q.J. 354, 386 (1987).

proceedings often involve similar market-share calculations.[152] Because other types of actions are often just as complex, complexity and expense alone cannot be a reason to limit the procedure to the patent and admiralty areas.

One reason for such a distinction is that such an exception is unnecessary for most cases because under 28 U.S.C. § 1292(a)(1) an interlocutory appeal can be taken after an injunction issues. Perhaps patent cases are special because a patent has the unusual property of conferring expiring rights, and no permanent injunction can issue for an expired patent.[153] Absent this characteristic, it is probable that no special provision would be required, because an appeal could always be taken after an injunction against further infringement is granted.[154] Until recently, litigants in admiralty cases could not take interlocutory appeals from injunctions. This situation arose because courts sitting in admiralty did not have general equitable jurisdiction and thus the exclusion of their specific mention in the predecessor to 28 U.S.C. § 1292(a)(1) meant that no interlocutory appeals could be taken from injunctions issued by a court in admiralty.[155] Correspondingly, no other types of cases have been granted similar interlocutory appeal provisions because the appeal allowed from injunctive action was deemed sufficient. On the other hand, the admiralty distinction is no longer true; injunctions issued by admiralty courts can now be challenged via an interlocutory appeal.[156] If, as it appears, this

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152. *See, e.g.*, State Indus., Inc. v. Mor-Flo Indus., Inc., 883 F.2d 1573, 1580 (Fed. Cir. 1989) (upholding a patent damages award based on market share calculations); Michele Molyneaux, *Quality Control of Economic Expert Testimony: The Fundamental Methods of Proving Antitrust Damages*, 35 ARIZ. ST. L.J. 1049, 1061 (2003) (identifying the market share method as either a component in other methods of determining damages or an independent method).

153. McCullough v. Kammerer Corp., 331 U.S. 96, 98–99 n.1 (1947); H.R. REP. NO. 69-1890, at 2 (1927); S. REP. NO. 69-1319, at 1 (1927).

154. *See* S. REP. NO. 69-1319, at 1 (1927) (citing, as a motivation for passage of the law, the fact that expired patents were not eligible for an injunction and thus litigants had to pursue an accounting before appealing). *But see supra* Part I.B, discussing the differing scope of these interlocutory appeals.

155. *See* Schoenamsgruber v. Hamburg Am. Line, 294 U.S. 454, 457–58 (1935) ("While courts of admiralty have capacity to apply equitable principles in order the better to attain justice, they do not have general equitable jurisdiction and, except in limitation of liability proceedings, they do not issue injunctions."); Treasure Salvors, Inc. v. The Unidentified Wrecked & Abandoned Sailing Vessel, 640 F.2d 560, 565 n.4 (5th Cir. 1981) (noting that the "propriety of injunctive orders in admiralty was . . . questionable" prior to the unification of admiralty and equity).

156. *E.g.*, *Treasure Salvors*, 640 F.2d at 565 ("When [equitable relief in the form of an injunction] is ordered in the course of a proceeding within the court's admiralty jurisdiction[,]

prohibition of injunction-related appeals led to the special treatment of patent and admiralty cases, the foundations of this interlocutory appeal allowance for admiralty cases should be reevaluated.

There is also a more modern reason to retain the special treatment of patent cases embodied in 28 U.S.C. § 1292(c)(2); there appears to be a greater likelihood of reversal in patent cases and thus that a patent accounting will be a wasted effort. The Federal Circuit reverses between 35 and 50 percent of patent cases.[157] This high reversal rate indicates that the accounting portion of patent trials is likely to be wasted in a significant percentage of the cases and thus that the continued existence of this appeal opportunity is justified. It should be noted, however, that a large portion of the Federal Circuit's patent reversal rate is commonly attributed to a high district court error rate in patent claim construction decisions.[158] Given that the Federal Circuit, *en banc*, decided a case in August 2005 addressing the methods used for claim construction,[159] this reason to preserve the interlocutory appeal provision may lessen in the future.

Nonetheless, as it stands today, there appears to be good reason to have such a special provision for patent cases. It would also be a good idea to provide such an explicit provision for other categories of cases with similarly expensive damages proceedings that also sometimes elude appeal under § 1292(a)(1).

CONCLUSION

The increase in the number of patent suits[160] and the stakes involved[161] make it important that the patent litigation process be as efficient as possible. 28 U.S.C. § 1292(c)(2) aids in that goal by allowing the parties and the judicial system to save money if the district court is mistaken in its liability determination, whether due to erroneous patent claim construction or to some other reason. However, the implementation of this provision could be made more efficient and thus could more consistently achieve the original goals

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we see no legal, logical or policy obstacle to permitting interlocutory appeals of such orders under § 1292(a)(1).").

157. *See supra* notes 3–4 and accompanying text.

158. *See supra* note 4 and accompanying text.

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

160. Lanjouw & Schankerman, *supra* note 1, at 46.

161. *See* MERGES & DUFFY, *supra* note 2, at 11 (noting that the average damage judgment has soared recently).

of the provision: saving time and money for both the litigants and the courts. In addition to attempting to implement the improvements suggested here, an effort should be made to identify areas that exhibit characteristics similar to patent cases and investigate extending the benefits of this provision to those cases.