



## Intellectual Property Alert: Supreme Court Overturns *De Novo* Review of Patent Claim Construction

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Jan. 22, 2015 — On Tuesday, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, the Supreme Court reversed long-standing Federal Circuit precedent under which patent claim construction was reviewed wholly *de novo*. Specifically, the Court held that while part of a district court’s claim construction should be reviewed *de novo*, its factual findings are reviewed for clear error.

The opinion responded to last year’s Federal Circuit *en banc* opinion in *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, which reaffirmed 6–4 the Federal Circuit’s historical treatment of claim construction as a purely legal issue subject only to *de novo* review. In *Teva*, the Supreme Court validated many of the *Lighting Ballast* dissent’s arguments, and responded to many of the majority’s concerns. Notably, Banner & Witcoff represented the American Bar Association in its effort to change the claim construction standard with *Lighting Ballast*, as reported [here](#).

### **Background**

Teva Pharmaceuticals is the assignee of the disputed patent, which is directed toward a manufacturing method for the multiple sclerosis treatment drug Copaxone. Teva filed suit against Sandoz and others for patent infringement based on their attempts to market a generic version of Copaxone.

At trial, the meaning of “molecular weight” was disputed based on a claim limitation reciting a “molecular weight of 5 to 9 kilodaltons.” Sandoz argued the term was indefinite because the molecular weight could differ based on which molecules are used in the calculation. Because the claims did not specify the particular method of calculation, the district court consulted evidence extrinsic to the patent to determine how to interpret the claims—specifically, expert testimony regarding how one of ordinary skill in the art would have measured molecular weight. The district court agreed with Teva’s expert and, therefore, found the patent valid.

On appeal, the Federal Circuit reviewed the district court’s claim construction entirely *de novo*, per its long standing practice and precedent. The Federal Circuit disagreed with the district court’s determinations regarding Teva’s expert, but did not hold that they were “clearly

erroneous.” The Supreme Court granted certiorari to clarify the standard of review that the Federal Circuit—which “reviews the claim construction decisions of federal district courts throughout the nation”—must apply when doing so.

### **The Proper Standard**

The Court deferred to the “clear command” of Federal Rule of Civil Procedure 52(a)(6), which states that “a court of appeals ‘must not set aside’ a district court’s ‘findings of fact’ unless they are clearly erroneous.” In the majority’s view, “this rule and the standard it sets forth must apply when a court of appeals reviews a district court’s resolution of subsidiary factual matters made in the course of its construction of a patent claim.”

While patent claim construction is ultimately a matter of law, a patent’s claims may sometimes use “technical words or phrases not commonly understood.” And “those words may give rise to a factual dispute.” Sometimes those disputes may be resolved solely by considering intrinsic evidence—e.g., the figures or written description of a patent. But a judge often must consider extrinsic evidence, such as expert testimony, to resolve those questions of fact. It is those subsidiary factual findings that are reviewed “under the ‘clearly erroneous’ standard” established by Rule 52(a)(6). The Court noted, however, that the Federal Circuit will continue “to review *de novo* the district court’s ultimate interpretation of the patent claims.”

After “set[ting] forth *why* the Federal Circuit must apply clear-error review when reviewing subsidiary factfinding in patent claim construction,” the majority gave an implicit nod to the *Lighting Ballast* majority in explaining “*how* the rule must be applied in that context.” For example, the Court explained that “‘experts may be examined to explain terms of art, and the state of the art, at any given time,’ but they cannot be used to prove ‘the proper or legal construction of any instrument of writing.’” Thus, the Federal Circuit “can still review the district court’s ultimate construction of the claim *de novo*. But, to overturn the judge’s resolution of an underlying factual dispute, the [Federal Circuit] must find that the judge, in respect to those factual findings, has made a clear error.”

As an example of how to apply the correct standard, the Court applied its framework to “an instance in which Teva . . . argue[d] that the Federal Circuit wrongly reviewed the District Court’s factual finding *de novo*.” When considering the proper construction for the “molecular weight” in Teva’s Copaxone patent, the district court “credited Teva’s expert’s account, thereby rejecting Sandoz’s expert’s explanation.” The Federal Circuit, by contrast, failed to accompany its rejection of Teva’s expert’s opinion with a “finding that the District Court’s contrary determination was ‘clearly erroneous.’” Thus, the Court held, “the Federal Circuit was wrong.”

## **The Dissent**

Justice Thomas authored a dissenting opinion, joined by Justice Alito. While the dissent agreed with the majority that “there is no special exception to Federal Rule of Civil Procedure 52(a)(6) for claim construction,” the dissent argued that claim construction does not involve findings of fact, and therefore Rule 52(a)(6) does not apply.

“Patents are written instruments,” the dissent argued, “so other written instruments supply the logical analogy.” For example, “[t]he classic case of a written instrument whose construction does *not* involve subsidiary findings of fact is a statute.” And the dissent reasoned that “[b]ecause they are governmental dispositions and provide rules that bind the public at large, patent claims resemble statutes,” instead of contracts and deeds. Therefore, “because the ultimate meaning of a patent claim, like the ultimate meaning of a statute, binds the public at large, it should not depend on the specific evidence presented in a particular infringement case.” The majority, by contrast, said the dissent, “has not justified applying a different rule to the construction of legislative acts that take the form of a patent.”

To the dissent, even “the ‘fact’ of how a skilled artisan would understand a given term or phrase at a particular point in history” should not be considered a factual finding. The “skilled artisan inquiry” is “a legal fiction; it has no existence independent of the claim construction process.” Citing *Markman v. Westview Instruments, Inc.*, the dissent argued that “this characteristic of claim construction” is what distinguishes it “from other patent determinations that must go to a jury.” Therefore, reasoned the dissent, these determinations should be “categorized as ‘conclusions of law,’” and would “fall[] outside the scope of Rule 52(a)(6).”

## **Possible Future Impacts**

Based on the unique facts of each case, different panels of the Federal Circuit may come to different conclusions regarding what constitutes clear error. The majority and dissent both agree that in practice, the Court’s decision in *Teva* is unlikely to significantly affect the outcome of many cases. The Justices do not agree, however, on whether “clear error” review will increase or decrease the costs of obtaining those outcomes.

For example, *Teva*’s new standard is likely to affect the types of arguments presented in many patent infringement cases, both at the district court and on appeal. Specifically, parties engaging in *Markman* hearings are likely to carefully consider whether to rely on more or less expert testimony and other extrinsic evidence in arguing for their preferred claim construction. Appellants will likely argue that the extrinsic evidence considered in claim construction either was not dispositive or clearly erroneous, with appellees making opposite claims. According to the dissent, such “collateral litigation over the line between law and fact” will “result[] in a

substantial expenditure of scarce judicial resources on difficult questions that have no effect on the outcome of the case.” By contrast, the majority argued that complete *de novo* review “contribute[s] only negligibly’ to accuracy ‘at a huge cost in diversion of judicial resources.”

The Federal Circuit in *Lighting Ballast* offered several additional criticisms of departing from *de novo* review. For example, the *en banc* majority said, deference to district court judges would result in “heightened forum-shopping and the inability of the judicial system to arrive at a uniform, settled meaning for a patent’s scope.” Nor would an “amorphous standard” of appellate review “produce a better or more reliable or more accurate or more just determination of patent claim scope.” Judge Lourie’s concurrence further argued that changing the existing *de novo* review would simply be “a cosmetic public” exercise with no actual change in practice.

The dissent hinted at several additional areas of law that may be affected by the majority’s decision in *Teva*. For example, when reviewing statutes and regulations—which “frequently have technical meanings unknown outside the specialized community they are meant to regulate”—courts “treat the inquiry into those meanings as involving only conclusions of law.” But, the dissent continued, “[t]he majority’s unexamined reliance on technical usage could be read to cast doubt on this practice, as well as on our holding in *Markman* that claim construction is exclusively for the court. If claim construction involves subsidiary questions of technical meaning or usage that are indistinguishable from those questions submitted to the jury in the contract context, then one might wonder why such issues are not submitted to the jury in the patent and statute contexts, too.”

## **Conclusion**

The Court remanded the case back to the Federal Circuit for further consideration. The Federal Circuit’s application of the “clear error” standard is what, as a practical matter, will ultimately determine whether—if at all—the Court’s departure from *de novo* review will “loom large in the universe of litigated claim construction.”

The Court’s full opinion is available [here](#).

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