

Seeking uniformity in claim construction

THE CASE:

Teva Pharmaceuticals USA, Inc v Sandoz, Inc
Supreme Court of the United States
Oral arguments heard 15 October 2014

Should factual conclusions made by a district court when examining claim construction be given deference on appeal or should they be reviewed *de novo*? **Robert R Brunelli** and **David B Kellis** examine the issues

On 15 October, the Supreme Court heard oral arguments in *Teva Pharmaceuticals USA, Inc v Sandoz, Inc*, regarding the proper standard of review for patent claim constructions. Although *de novo* review of district court claim constructions has been the US Court of Appeals for the Federal Circuit's *modus operandi* since at least 1996 – when the Supreme Court held, in *Markman v Westview Instruments, Inc*, that the construction of a patent, including terms of art within its claim, is exclusively within the province of the court – litigants, lawyers, and judges alike have lamented the resultant unpredictability, with studies observing that approximately one in four cases are reversed or vacated on claim construction grounds.¹

With Teva comes the possibility that the court will require the Federal Circuit to afford more deference to lower courts' claim constructions. But those expecting a sea change ruling are likely to be disappointed. Teva asks only whether Rule 52(a) of the Federal Rules of Civil Procedure requires deference to a district court's factual findings made in support of patent claim construction. Teva does not contend that the district court's ultimate claim construction is anything other than a legal conclusion, subject to *de novo* review. And neither does Teva assert that the court engages in fact-finding when it bases its claim construction on intrinsic evidence – the claim language, specification, and prosecution history. Instead, Teva asserts only that subsidiary factual findings, including those based on expert testimony or other evidence outside the four corners of the patent and its prosecution history, merit clear error review. On this narrow question, a win for Teva would have no effect on many cases, as lower courts often do not consider extrinsic evidence when construing claims.

While constructions reached in the remaining cases could receive slightly more protection against appellate revision if Teva

wins, the Federal Circuit would still review the ultimate construction of the claims, including all conclusions drawn from the predominant intrinsic evidence, *de novo*. Moreover, because current Federal Circuit precedent affords intrinsic evidence greater weight than extrinsic evidence, the Federal Circuit will also review *de novo* whether the district court's factual findings need be considered.² Even if Teva wins, then, reviewing panels will likely have little difficulty justifying claim construction reversals.

While perhaps not earth-shattering, a Teva victory would still have consequences. Litigants might seek to sheath their claim construction positions in factual findings by presenting courts with expert testimony and other extrinsic evidence, especially if they expect more sympathy from the district court than the Federal Circuit. This would increase the expense of claim construction and further burden district judges with longer *Markman* hearings or more declarations to review. Additionally, district judges would be incentivised to anchor their claim constructions in clearly stated factual findings to avoid reversal. Perhaps most significantly, uncertainty in the claim construction context would increase – at least initially – as litigants begin to fight about the proper claim construction and the proper standard of review.

That is if Teva wins. Oral arguments demonstrated that reversal here is not guaranteed. Counsel for Teva and the government struggled to clearly define subsidiary factual findings that would be subject to clear error review, and the court struggled both to identify scenarios analogous to claim construction (interpretation of the Dodd-Frank Act? bus accident caused by technical failure?) and to find a workable boundary between legal conclusions and factual findings in the claim construction context. Such concerns may not bode well for the petitioner. If nothing else, the current approach is workable. An opinion upholding that approach would leave the

patent community with at least predictable uncertainty.

Concerns about workability, though, have not been the driving force in recent Supreme Court patent jurisprudence. Rather, the court has now issued several opinions abolishing the Federal Circuit's workable bright-line rules and replacing them with well-known standards from other areas of law. The justices could easily do the same here.

Indeed, as Justice Breyer observed, the text of Rule 52 leaves little room for applying a clear error standard to some facts and a *de novo* standard to others. It would be no surprise, then, if the court were to again sacrifice uniformity within patent law for uniformity across the various fields of law, and decide that Rule 52(a) must be applied to factual findings underlying claim construction as to factual findings elsewhere.

Footnotes

1. See, eg, Kimberly A Moore, Are district court judges equipped to resolve patent cases?, 15 *HARV JL & TECH* 1, 14 (2001).
2. *Phillips v AWH Corp*, 415 F3d 1303, 1317-19 (Fed Cir 2005).

Authors



Robert Brunelli, head of Sheridan Ross' IP litigation practice, has more than 20 years of experience counseling early-stage start-ups to multinational corporations in trial and appellate courts and before governmental tribunals.

David B Kellis practises in the areas of patent litigation, counseling, and prosecution at Sheridan Ross.