Intellectual Property

Supreme Court: Underlying Factual Issues in Patent Claim Construction Must be Reviewed for Clear Error, Ultimate Conclusion ***De Novo***

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Earlier today, the Supreme Court handed down its decision in *Teva Pharms. USA, Inc. v. Sandoz, Inc., et al.,* 574 U.S. ___ (2015), regarding whether a *de novo* or clear error standard should apply when the Federal Circuit reviews a district court's factual findings in support of claim construction. In a 7-2 opinion by Justice Breyer, the Court held that when reviewing a district court's resolution of underlying factual matters made in the course of claim construction, the Federal Circuit must apply the more deferential "clear error" standard of review, although the *de novo* standard still applies to the ultimate conclusion in claim construction. Below, we provide a brief background of the case and summary of the decision, as well as our preliminary analysis of the decision.

Background

Teva owned several patents directed to a polypeptide used in its multiple sclerosis drug Copaxone®. Teva filed a patent litigation suit after Sandoz filed an application seeking FDA approval to market generic versions of Copaxone®.

The central claim term at issue before the district court was "molecular weight," which Sandoz argued was not amenable to construction, and thus rendered Teva's patented claims invalid for indefiniteness. After the district court rejected Sandoz's argument and construed "molecular weight" to mean peak average molecular weight, a Federal Circuit panel (Rader, Moore, and Benson) reviewed the district court's claim construction *de novo* and held the term "molecular weight" to be indefinite. On January 16, 2014, Teva filed its petition for certiorari, which was granted on March 31, 2014.

Supreme Court Decision

The Supreme Court reversed the decision of the Court of Appeals for the Federal Circuit, and concluded that under Fed. Rule Civ. Proc. 52(a)(6), when the ultimate legal conclusion of a term's claim construction is predicated upon factual findings, the Federal Circuit must apply a "clear error" standard of review for its review of the findings of fact. The Court did not, however, entirely jettison *de novo* review in claim construction proceedings.

In reaching its decision, the Supreme Court distinguished cases where a claim can only be construed based on intrinsic evidence (the claims, specification, and prosecution history) without the aid of extrinsic evidence. Justice Breyer noted that, "[a]s all parties agree, when the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent's prosecution history) the judge's determination will amount solely to a determination of law, and the Court of Appeals will review that construction de novo." *Teva*, 574 U.S. __, at 11-12.

However, the Court acknowledged that there are cases where the district court must "look beyond the patent's

intrinsic evidence and to consult extrinsic evidence in order to understand, for example, the background science or the meaning of a term in the relevant art during the relevant time period." *Id.* at 12. In such cases, where "subsidiary facts are in dispute," district court judges must "make subsidiary factual findings about that extrinsic evidence," and such findings "are the 'evidentiary underpinnings' of claim construction . . . [that] must be reviewed for clear error on appeal." *Id.*

The Court did not disturb the long-held view that a claim term's construction itself remains "a legal conclusion," *id*. at 13, that is for the judge rather than a jury. Accordingly, "[t]he appellate court can still review the district court's ultimate construction of the claim de novo." *Id*. The Court was careful to draw a distinction between the factual findings and the ultimate claim construction itself, noting that in order "to overturn the judge's resolution of an underlying factual dispute, the Court of Appeals must find that the judge, in respect to those factual findings, has made a clear error." *Id.; see also* Fed. Rule Civ. Proc. 52(a)(6).

Justice Thomas wrote a dissenting opinion, in which Justice Alito joined, arguing that the majority erred in applying Rule 52(a)(6) to "claim constructions" because claim constructions do not involve "findings of fact." *Teva*, 574 U.S. __, at 1 (J. Thomas, dissenting). In the dissent, Justice Thomas grappled with the question of whether patents "are more like statutes or more like contracts and deeds," ultimately concluding that the answer to that question was important in assessing the significance of factual findings on which claim constructions are made. Justice Thomas also expressed concern with giving too much deference to lower courts, who may be inclined to rely too heavily on a single piece of extrinsic evidence in a patent case. *Id.* at 7 ("[B]ecause 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.").

Analysis

We expect the Court's ruling to impact claim construction litigation in the short term, particularly while the district courts and the Federal Circuit consider how to apply the ruling in specific cases.

For example, litigants will most certainly have to make new arguments about whether a claim construction issue depends (or depended) on any finding of fact. Some parties may seek to introduce ever greater amounts of extrinsic evidence in hopes that the district court judge will rely on that extrinsic evidence, thereby guaranteeing the more deferential standard of review on appeal. Some parties may also seek broader claim construction discovery, including additional depositions, documents, and other extrinsic materials to support their claim construction "facts." Similarly, parties that have already received favorable claim construction rulings will argue to the Federal Circuit that the district court based its ruling on factual findings, reviewed for clear error. Alternatively, parties that have received an adverse claim construction ruling will argue that the district court did not base its ruling on any factual findings, and the ruling should be reviewed on appeal *de novo*.

At the same time, the Court itself suggested that the *Teva* decision should not significantly impact patent litigation, stating that "subsidiary fact finding is unlikely to loom large in the universe of litigated claim construction," *Teva*, 574 U.S. __, at 10, and noting "in some instances, a factual finding will play only a small role in the judge's ultimate conclusion about the meaning of a patent term," *id*. at 13. The Court afforded the Federal Circuit room to cast its review of lower court claim construction rulings as review of the "legal conclusion" itself, rather than the "factual determination(s)" underlying the ruling, not unlike the mixed question of law and fact standard for assessing a patent claim's obviousness. In this way, it is likely the Federal Circuit may still be able to perform *de novo* review of many claim constructions, including, but not limited to, those claim constructions that do not turn on extrinsic evidence.

It will be interesting to see how the Federal Circuit handles these issues moving forward, and we will of course strive to keep our clients up to date as these issues play out in the lower courts.

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