

Supreme Court Calls for Greater Deference to District Court Claim Construction

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This week, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, the Supreme Court held that the Federal Circuit must apply a deferential “clear error” standard of review to any finding of fact underlying a district court’s claim construction. This holding overrules Federal Circuit precedent treating all aspects of claim construction, including any fact-based questions relating to claim construction, as purely legal questions to be reviewed *de novo*.

The dispute in *Teva* focused on the meaning of the claim term “molecular weight.” The defendants argued that the term could have any of three meanings and therefore is indefinite. The district court heard evidence from the parties’ experts, rejected the indefiniteness argument, and construed the term to refer to the peak average molecular weight. On appeal, the Federal Circuit reviewed the district court’s ruling *de novo* and reversed.

Before the Supreme Court, *Teva* argued the Federal Circuit’s *de novo* review violated Federal Rule of Civil Procedure 52(a)(6), which requires appellate courts to apply a “clear error” standard of review to findings of fact. In particular, *Teva* contended that the Federal Circuit was required to defer to the district court’s finding as to how a skilled artisan would understand certain portions of the specification and the prosecution history.

The Supreme Court refused to accept a patent law exception to the “clear command” of Rule 52(a), reasoning that both precedent and practical considerations support “clear error” review of factual determinations underlying a court’s claim construction. Writing for the majority, Justice Breyer analogized a district court’s consideration of extrinsic evidence regarding “the background science or the meaning of a term in the relevant art during the relevant time period” to a court’s consideration of evidence regarding trade usage in a contract dispute. The Court also reasoned that practical considerations support deferential review of underlying factual findings: a district judge has a “comparatively greater” opportunity to gain familiarity with the scientific principles at issue and can make credibility determinations about dueling experts.

In its opinion, the Court drew important distinctions between intrinsic and extrinsic evidence, and between subsidiary facts and the ultimate question of claim construction. The latter, the Court held, is a question of law to be reviewed *de novo*, even though it may be supported by underlying facts – such as the meaning of technical terms of art – that must be reviewed for clear error. Moreover, when a district court considers only intrinsic evidence – the patent claims, specification and file history – all aspects of its construction are purely legal determinations, subject to *de novo* review. By contrast, when a district court makes subsidiary findings of fact based on extrinsic evidence, those findings are subject to the “clear error” standard. On the record before it, the Court concluded that the Federal Circuit erred in reviewing *de novo* the district court’s conclusion, based on disputed expert testimony, as to how one of ordinary skill in the art would understand a key figure in the patent specification.

Justice Thomas dissented, joined by Justice Alito, warning that the majority’s decision undermines the public notice function of patents: “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 dissent further argued that “clear error” review would undermine uniformity and would lead to costly satellite litigation over what constitutes a subsidiary fact. The *Teva* majority’s response to the dissent’s concern about added costs and uncertainty was that subsidiary factfinding is “unlikely to loom large in the universe of litigated claim construction.”

The case has been remanded to the Federal Circuit to review the district court’s decision in light of the “clear error” standard applicable to factual determinations. The Federal Circuit’s further review of this case will likely clarify its approach in future cases, and may highlight the

difficulty of applying the Supreme Court's decision in practice. For example, the Federal Circuit will need to decide how much deference to give the district court's determination concerning possibly inconsistent statements in the prosecution history, and the extent to which that determination affects the ultimate conclusion as to the meaning of the claim language.

Regardless of what happens on remand, the Supreme Court's decision means that litigants will have new incentives to shift their focus in claim construction from intrinsic evidence, which Federal Circuit precedent has treated as usually dispositive, to extrinsic evidence warranting factual findings, which would be entitled to greater deference on appeal. As the parties jockey for *Markman* rulings that contain favorable findings of fact and are harder to overturn on appeal, we can expect to see greater reliance on expert testimony, additional claim construction briefing, submission of proposed findings of fact, longer and more expensive hearings, and numerous battles, both at the district court and on appeal, over whether a contested issue is one of fact or law.

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