Client Alert

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Supreme Court Gives More Deference to District Courts' Factual Findings in Patent Claim Construction

Earlier this week, the US Supreme Court reversed the Federal Circuit in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854 (U.S. Jan. 20, 2015), establishing that "clear error" is the proper standard of review for certain "subsidiary factual findings" related to patent claim construction. Prior to the Court's ruling, the Federal Circuit applied a *de novo* standard of review to district courts' legal and factual findings related to claim construction.

Teva's patent at issue claimed a method for making the multiple sclerosis drug Copaxone®, and recited that the active ingredient weighs 5 to 9 kilodaltons. The accused infringer, Sandoz, argued before the district court that the claim was indefinite, and thus incapable of construction, because the patent failed to provide clear guidance regarding what the proper method for calculating the molecular weight (*e.g.*, peak average molecular weight, number average molecular weight or weight average molecular weight). The parties offered expert testimony in support of their respective positions. Teva's expert testified that a person of ordinary skill in the art would have known to use a peak average molecular weight calculation based on the patent's disclosure. Sandoz's expert testified that the patent did not provide sufficient guidance regarding which method should be used to calculate the molecular weight.

The district court weighed the testimony, ultimately siding with Teva's expert and concluding that the claim was definite and amenable to construction. On appeal, the Federal Circuit reviewed the district court's findings *de novo*. Reviewing the evidence *de novo*, the appellate court reversed the lower court, concluding that the specification failed to provide clear guidance regarding which method of calculation should be used. Accordingly, the Federal Circuit found the claims at issue to be indefinite. Teva sought review at the Supreme Court, arguing that the Federal Circuit applied the wrong standard of review to the district court's findings of fact.

The Supreme Court reversed. Justice Breyer, writing for the majority, began by noting that the judiciary is bound by the "clear command" of Federal Rule of Civil Procedure 52(a)(6), which requires appellate courts to review a district court's finding of fact for clear errors. The Court explained that its decision in *Markman v. Westview Instruments, Inc*., 571 U.S. 370 (1996), which held that claim construction was a legal issue to be decided by the court, did not create an exception to Rule 52. While a judge must determine the scope of a patent's claims, that determination may involve both legal and factual findings.

Next, the Court turned to its previous cases addressing the interpretation of other written instruments, like contracts. It observed that the interpretation of such written instruments presents a question solely of law, at least when the words in those instruments are used in their ordinary meaning. The Court explained that the use of technical words or phrases in written instruments can create a "factual dispute" that may require extrinsic evidence to "establish a usage of trade or locality." In such cases, these factual determinations have been reviewed for clear error. The Court saw no reason to deviate from this general rule in the context of factual determinations made in the context of claim construction, particularly to the extent they turned on how a person of ordinary skill in the art understood the patent terms.

Sandoz argued that it would be too difficult to determine whether an issue was factual or legal. But the Court rejected this notion, and provided the following guidance regarding the delineation between factual and legal issue:

> (1) Legal Determination – "When the district court reviews only evidence intrinsic to the patent (the patent claims and specification, along with the patent's prosecution history)"
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> (2) Factual Determination – When "the district court will need to 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."

In the instant case, the Court stated that the district court used the expert to determine the meaning of the term "molecular weight" to a skilled artisan, which amounts to a factual determination, and, thus, should be reviewed for clear error.

Interestingly, in a rare deviation from its recent patent cases, the Court in *Teva* was not unanimous. Justice Thomas authored a strong dissent, which was joined by Justice Alito. The dissenters fundamentally disagreed with the majority's premise that a patent is like any other written instrument, such as a contract or deed, and instead argued that patents were more like statutes. They noted that a patent, like a statute, has a "regulatory effect"—the ability to restrain others. In that context, determinations are "analytically more akin to a fact" when they relate to a "simple historical fact of the case," and are "analytically more akin to … a legal conclusion" when "they define rules applicable beyond the parties' dispute." In the case of a patent, the critical factual dispute—how a person of ordinary skill in the art would understand a certain term or phrase—is not a "historical fact," but is instead a "legal fiction" that does not exist outside the context of claim construction. As such, the dissenters would subject the entire claim construction process to *de novo* review. By overruling the Federal Circuit, the dissenters fear that majority opinion will only encourage more uncertainty and litigation over patent rights.

Teva represents a significant shift in power from the Federal Circuit back into the hands of the district court. District court claim construction rulings that rely on extrinsic evidence will be subjected to a two-tier standard of review. Rulings based on the intrinsic record (*i.e.*, the claims, specification and prosecution history) will be reviewed *de novo*, while rulings based on extrinsic evidence (expert testimony, scientific treatises, inventor depositions and the like) will be reviewed for clear error. Litigants should carefully weigh this new paradigm when deciding what evidence to rely on in support of their proposed claim constructions.

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