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Supreme Court Changes Appellate Review Standard for Claim Construction

This week, the Supreme Court rejected the Federal Circuit's long standing practice of applying a de novo review standard to district court claim construction decisions. Instead, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854 (Jan. 20, 2015), the Supreme Court ruled that factual findings made by the district court in connection with claim construction can be reversed on appeal only when they are clearly erroneous. As a result, cases where extrinsic evidence, such as expert testimony, is relied on to determine factual issues central to claim construction (including claim indefiniteness) will be more difficult to reverse on appeal.

In *Teva*, the district court relied on expert testimony and found that a skilled artisan would understand that the claim term "molecular weight" was limited to mean molecular weight as calculated by a particular method shown in the patent. The Federal Circuit reviewed this factual finding de novo and reversed. However, the Supreme Court held that the Federal Circuit should have applied a "clear error," not a de novo, standard of review for such factual determinations, even though claim construction is ultimately a question of law. The Supreme Court relied on Federal Rule of Civil Procedure 52(a)(6), which states that a court of appeals "must not . . . set aside" a district court's "[f]indings of fact" unless they are "clearly erroneous." The Court found no convincing reason to depart from

this rule in patent cases, and recognized that the complex nature of patent cases supports giving such deference to the original finder of fact:

[P]ractical considerations favor clear error review. We have previously pointed out that clear error review is 'particularly' important where patent law is at issue because patent law is 'a field where so much depends upon familiarity with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience.' *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U. S. 605, 610 (1950). A district court judge who has presided over, and listened to, the entirety of a proceeding has a comparatively greater opportunity to gain that familiarity than an appeals court judge who must read a written transcript or perhaps just those portions to which the parties have referred.

(Slip Op. at 7-8). In other words, the Supreme Court thought it important to give deference to the district court's firsthand review of any extrinsic evidence showing what one of ordinary skill in the art would consider to be the right construction of a patent claim, as is the practice in other areas of law, including contract interpretation.

CONTINUED ON NEXT PAGE

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In so doing, the Supreme Court recognized that “[i]n some instances, a factual finding will play only a small role in a judge’s ultimate legal conclusion about the meaning of the patent term. But in some instances, a factual finding may be close to dispositive of the ultimate legal question of the proper meaning of the term in the context of the patent.” (Slip Op. at 13).

The *Teva* decision is critical for cases where the intrinsic evidence (i.e., the patent, its prosecution history and the cited prior art) may not be clear cut and where extrinsic evidence is introduced and relied upon. It will also be significant in most cases where indefiniteness is at issue, as was the case in *Teva*. If parties use expert witnesses to opine on factual issues or present

other evidence that requires a factual determination, a district court’s decision will be harder to reverse on appeal.

Litigation strategies will have to take this new development into account. For example, the *Teva* decision will require more thought to be given to issues such as venue and the proclivities of the assigned judge, in cases where factual determinations will be required for claim construction.

We will continue to monitor the developing law in this area. Please let us know if you have any questions.

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