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High Court Claim Construction Ruling Set To Spur New Fights

By **Ryan Davis**

Law360, New York (January 20, 2015, 8:43 PM ET) -- The U.S. Supreme Court's decision Tuesday that a district court's factual findings during claim construction are entitled to deference on appeal will make it tougher to get many patent decisions overturned, but it will likely cause new battles over what constitutes factual evidence, attorneys say.

In a **7-2 decision** in Teva Pharmaceuticals USA Inc. v. Sandoz Inc., the justices discarded the Federal Circuit's long-standing rule that all aspects of claim construction must be reviewed afresh on appeal, and they held that if a judge makes factual determinations when interpreting a patent, those findings are entitled to deference.

The high court ruled that if a district judge's claim construction ruling only examines evidence intrinsic to a patent, like its claims, specifications and prosecution history, that decision is a legal finding subject to de novo review on appeal. However, if the court examines extrinsic evidence, like the meaning of a claim during a specific time period, those findings can only be reviewed for clear error.

While attorneys say the decision could reduce the relatively high rate of reversal for patent cases, some worry that it will lead to new fights about when the deferential standard of review applies.

In cases where a judge considers extrinsic evidence, the decision "could have a very big impact," said Jeffry Nichols of Brinks Gilson & Lione, since it will be more difficult for the Federal Circuit to overturn those rulings under the deferential standard of review.

"You should have a very good idea at the district court level what your chances of success are, rather than waiting for the appeal," he said.

In many cases, however, judges rely only on intrinsic evidence when construing the claims of a patent, and Tuesday's ruling will have no effect on those cases.

Attorneys said it remains to be seen whether the decision will spur more courts to consider extrinsic evidence about what the claims mean, such as expert testimony about the scientific background of the patents.

According to Jordan Sigale of Dunlap Codding, many district judges are frustrated by the Federal Circuit's frequent reversals of patent decisions and are likely to start considering extrinsic evidence more frequently so that their decisions will get deference on appeal.

"Now that they've got a path to minimize disruptions to their cases, they're going to take it," he said.

Litigants seeking to secure a win in district court that can withstand an appeal may also be motivated to submit expert testimony and other factual evidence during claim construction, resulting in more "battles of the experts" over the meaning of claim terms.

"Today's decision makes the claim construction process more complicated than it needed to be," Saina Shamilov of Fenwick & West LLP said. "It will add another layer to what is already a complicated claim construction process."

It also may not always be entirely clear whether the district court engaged in enough fact-finding to trigger the deferential standard of review or whether it actually considered extrinsic evidence, and it will be up to the Federal Circuit to make that determination, Sigale said.

"I think it's going to spawn a whole new issue in litigation in the near term," he said.

By affording more deference on appeal to factual findings in claim construction, the decision has the potential to reduce the relatively high rate of reversal for patent cases compared to other types of litigation, said Lee Carl Bromberg of McCarter & English LLP.

"I think this ruling basically changed the landscape for patent litigation in dramatic way," he said.

Other attorneys say the ruling will have a minimal impact on the majority of patent cases, since judges are unlikely to take on the complex task of considering expert testimony in most claim construction proceedings.

"This a very interesting change that highlights the important role that extrinsic evidence can play in claim construction," Stacey Cohen of Skadden Arps Slate Meagher & Flom LLP said. "However, because intrinsic evidence is still highly favored by the courts, this decision is not necessarily a sea change."

As a result of the decision, attorneys will have to give more thought about whether to put experts on the stand during claim construction, said Bradford J. Badke of Ropes & Gray LLP. However, most judges are "so firm in their belief" that claim construction should be based on intrinsic evidence that they are unlikely to consider such evidence, he said.

"This decision is probably not going to make that big a difference in terms of the practical, everyday life of patent litigators," he said. "It's usually not the case that the judge will engage in fact-finding."

"At the end of the day, all roads point heavily to the intrinsic record, and that is still subject to de novo review," said Sona De, Badke's Ropes & Gray colleague.

The Supreme Court itself was at odds over what the impact of the decision will be. In the majority opinion, Justice Stephen Breyer wrote that "subsidiary fact-finding is unlikely to loom large in the universe of litigated claim construction."

In a dissent, Justice Clarence Thomas said that he is worried that the majority's holding "will spawn costly ... collateral litigation over the line between law and fact."

"If this case proves anything, it is that the line between fact and law is an uncertain one," he said.

While the practical effect on litigation of the new standard of review for claim construction was not immediately clear, attorneys said it was notable that the Supreme Court has once again struck down a rule created by the Federal Circuit that applies only to patent law.

Echoing past decisions **throwing out** the Federal Circuit's standard for awarding attorneys' fees to prevailing parties in patent cases and **discarding a rule** that injunctions issue automatically after a finding of patent infringement, the justices chastised the lower court for ignoring rules that

apply to all other types of litigation.

The Federal Rules of Civil Procedure require that factual findings must be given deference on appeal, and "we cannot find any convincing ground for creating an exception to that rule here," the court said.

"The biggest thing here is that the Supreme Court has once again gone back to the Federal Circuit and said patent cases are not that special and you don't get to create exceptions," Felicia Boyd of Barnes & Thornburg LLP said.

--Editing by Jeremy Barker and Emily Kokoll.