MBHB *snippets* Alert **January 20, 2015**

***Teva Pharmaceuticals USA, Inc. v. Sandoz Inc.* – U.S. Supreme Court Requires Trial Court's Findings of Fact in Claim Construction Be Given Deference**

By: Joshua R. Rich and Andrew W. Williams, Ph.D.

In a 7-2 decision authored by Justice Breyer, the U.S. Supreme Court today held that an "appellate court must apply a 'clear error,' not de novo, standard of review" to the evidentiary underpinnings of a district court's claim construction determination. *Teva Pharmaceuticals USA, Inc. v. Sandoz Inc.*, No. 13-854, slip op. at 1-2 (U.S. Jan. 20, 2015). But what are those evidentiary underpinnings? Apparently everyone was in agreement that "when the district court reviews only evidence intrinsic to the patent (the patent claims and specification, 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." *Id.* at 11-12. In contrast, when a district court relies upon extrinsic evidence to construe the claims, it "will need to make subsidiary factual findings about that extrinsic evidence." *Id.* at 12. It is this fact finding that is entitled to deference under Federal Rule of Civil Procedure 52(a)(6). Nevertheless, the Court was clear that "the ultimate question of construction will remain a legal question." *Id.* at 13. Therefore, "[f]or example, if a district court resolves a dispute between experts and makes a factual finding that, in general, a certain term of art had a particular meaning to a person of ordinary skill in the art at the time of the invention, the district court must then conduct a legal analysis: whether a skilled artisan would ascribe that same meaning to that term in the context of the specific patent claim under review." *Id.* at 12.

Prior to today's decision, the Federal Circuit had reviewed all of claim construction de novo. Based on the 1996 decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), claim construction has been treated as a question of law, which under the Federal Rules would not give rise to deference to trial court findings. However, the majority found that courts have been oversimplifying the holding of *Markman*, stating that the decision stands for the proposition

that while "the ultimate issue of the proper construction of a claim should be treated as a question of law, [it] also recognized that in patent construction, subsidiary factfinding is sometimes necessary." *Teva*, slip op. at 6. Under Rule 52(a)(6), "a court of appeals 'must not . . . set aside' a district court's '[f]indings of fact' unless they are 'clearly erroneous.'" *Id.* at 4 (quoting Fed. R. Civ. P. 52(a)(6)). Because *Markman* did not create an exception to that rule, it governs claim construction and compels the application of a deferential "clearly erroneous" standard to the findings of fact in claim construction.

In the *Teva* case itself, when the district court credited the explanation of Teva's expert regarding how a skilled artisan would use a patent figure to determine what a potentially ambiguous claim term meant ("molecular weight"), it resolved a subsidiary factual issue. And, because the Federal Circuit did not afford any deference to this finding on review, the appellate court's judgment was vacated, and the case was remanded for further processing consistent with the Supreme Court's opinion.

Justice Thomas, joined by Justice Alito, dissented from the majority's opinion. He noted that "subsidiary inquiries" related to statutes – even those that involved the determination of the intention of the statute's drafters – are generally considered determinations of law. On the other hand, when contracts or private deeds include ambiguities as to the drafters' intent, a court may be required to make findings. In Justice Thomas's opinion, the inquiry therefore boiled down to whether patents are more analogous to statutes or contracts.

Justice Thomas's conclusion was that patents are more similar (at least for claim construction purposes) to statutes than contracts. Patents are government instruments that delineate rights relative to the public as a whole. While their prosecution involves bargaining between the invention and the Patent Office, the quid pro quo offered by the inventor is an existing invention, not an executory promise as in a traditional contract. And the findings of fact are not the type of historical fact usually considered to be within the special competence of trial courts: how a person of ordinary skill in the art understands claim terms is based upon a legal fiction that does not exist outside of claim construction.

Finally, Justice Thomas noted that the majority's reliance on the trial court being better positioned to resolve credibility questions arising in expert testimony was in tension with the Federal Circuit's role in promoting uniformity in patent law. He raised doubt that the clear error standard of review being applied to findings of fact in claim construction would be "unlikely to loom large in the universe of litigated claim construction," as the majority claimed. Instead, he foresaw the specter of increased expense and uncertainty involved in appealing both the

correctness of claim construction findings and also whether those findings are of law or fact. That is, time will tell whether judicial deference will actually increase or decrease the likelihood and expense of appeals.

No. 13–854. Argued October 15, 2014—Decided January 20, 2015

The opinion can be found at http://www.supremecourt.gov/opinions/14pdf/13-854_o7jp.pdf.

Joshua R. Rich is a partner with McDonnell Boehnen Hulbert & Berghoff LLP. In almost 20 years of litigating intellectual property cases and counseling clients, Mr. Rich has built up broad experience in dealing with complex and difficult issues. rich@mbhb.com

Andrew W. Williams, Ph.D., is a partner with McDonnell Boehnen Hulbert & Berghoff LLP. Dr. Williams has over a decade of experience in all areas of intellectual property law, with particular emphasis on patent litigation, client counseling, and patent procurement in the areas of biochemistry, pharmaceuticals, and molecular diagnostics. williams@mbhb.com