

CLIENT ALERT

Supreme Court Overturns Federal Circuit's *De Novo* Standard of Review for Patent Claim Construction Rulings

Jan.23.2015

In a highly-anticipated decision, the Supreme Court held in *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 574 U.S. ____ (January 20, 2015) that the Federal Circuit must review factual findings underlying a district court's patent claim construction for clear error, overturning the *de novo* standard long-applied by the Federal Circuit. See, e.g., *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272 (Fed. Cir. 2014) (en banc); *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc). While the ultimate conclusion of patent claim construction remains a legal one subject to *de novo* review, factual determinations subsidiary to that legal conclusion will now be overturned only if clearly erroneous. The Supreme Court's decision will likely have a profound impact as parties become more cognizant of the now-important divide between questions of fact and law in district court claim construction rulings.

In overruling the Federal Circuit's *de novo* standard of review, the Supreme Court explained that its decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)—that the construction of patent claims is a question of law exclusively for a court to decide—did not trump the "clear command" of Federal Rule of Civil Procedure 52(a)(6) that factual findings (including those necessary to decide claim construction) must be reviewed on appeal under the "clearly erroneous" standard. In some instances, the Supreme Court noted, a factual finding will be just a small piece of the ultimate legal conclusion about the meaning of a patent claim term. In other instances, the factual finding may be dispositive of how a patent claim term is construed. In either case, the Supreme Court explained, the ultimate conclusion of what a claim term means remains a legal one, to be reviewed *de novo* on appeal. Factual questions subsidiary to the legal question of claim construction, whether minor or dispositive, are to be reviewed on appeal for clear error.

The Supreme Court's opinion also provides some practical guidance for both the Federal Circuit and future litigants. In the most-straightforward scenario, when a district court's claim construction is based on an analysis of intrinsic evidence alone (patent claims, specification, and prosecution history), that claim construction determination is solely one of law, to be reviewed *de novo*. When resort to extrinsic evidence is necessary to construe a claim term, such as to understand background science or the meaning of a term of art during the relevant time period, and that extrinsic evidence is disputed, a district court may need to make subsidiary factual findings. The Court's *Teva* opinion indicates that those types of subsidiary factual findings should be reviewed deferentially on appeal for clear error, even if the district court based its factual findings on documents or expert declarations, rather than live testimony, as the *Teva* district court did.

Teva is an important decision that will have a significant impact. In future district court patent litigations, a party's ability to frame an issue for decision during claim construction as one of fact or law may directly effect that party's chances of success. A claim construction determination steeped in factual findings, such as resolution of conflicting expert testimony, will likely be more difficult to overturn on appeal due to the deferential "clearly erroneous" standard of review. In contrast, claim construction determinations based primarily on intrinsic evidence may be more easily overturned, due to *de novo* review of questions of law.

For pending litigations, *Teva* raises significant questions which may only be answered in the weeks and months to come. For example, for pending appeals before the Federal Circuit involving disputes over claim construction, will parties be permitted to submit supplemental briefing to address the new *Teva* standard? Similarly, at the district court level in cases where claim construction issues have been briefed, will parties be permitted to supplement their arguments to account for the separate standards, and will courts perhaps allow submission of additional extrinsic evidence from which factual determinations can be made in reaching an ultimate claim construction decision? These questions, and others, will likely be answered on a case-by-case basis, and will undoubtedly have an important impact on future cases.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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