



Supreme Court Changes Appellate Standard of Review for Claim Construction Rulings in Patent Cases

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc. – No. 13-854 – January 20, 2015

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In *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, the Supreme Court revised the standard of review used by the Federal Circuit for nearly twenty years in reviewing claim construction rulings, replacing a *de novo* standard with a “clearly erroneous” standard. Teva sued Sandoz for infringing its patent covering a method of manufacturing Copaxone, a drug used to treat multiple sclerosis. The relevant claim recited that the active ingredient has a particular “molecular weight.” Sandoz argued that the claim was indefinite under 35 U.S.C. §112 ¶2 because the term “molecular weight” could refer to any of three different methods of calculating molecular weight.

After hearing expert testimony, the District Court found that the patent was sufficiently definite because a skilled artisan would understand the term “molecular weight” referred specifically to one of the three allegedly possible interpretations. The District Court’s decision was based on the testimony of Teva’s expert regarding how one skilled in the art at the time of the invention would have understood the term. On appeal, the Federal Circuit reviewed the District Court’s decision, including the evaluation of expert testimony, under the *de novo* standard and found that the claims were indefinite. The Supreme Court reversed the Federal Circuit’s decision, finding that the Federal Circuit applied the incorrect standard of review.

Writing for the majority, Justice Breyer noted that Federal Rule of Civil Procedure 52(a)(6) prevents appellate courts from setting aside a district court’s findings of fact unless they are clearly erroneous. Justice Breyer further noted that although the ultimate question of claim construction is a question of law, underlying questions of fact that inform the claim construction determination are still subject to the “clearly erroneous” standard of Rule 52(a). For example, district courts often hear expert testimony regarding how a particular term is understood by those in the industry—a factual question that the trial court is better positioned to resolve than an appellate court. The majority distinguished between a district court’s consideration of solely intrinsic evidence (e.g., patent specification, drawings, claims, and prosecution history), and a consideration that includes evidence that is extrinsic to the patent (e.g., background science, meaning of a term of art during a particular time period, etc.). In the former, the appellate court’s review is *de novo*, while the latter constitutes a factual finding that is subject to review for clear error. However, even when a district court must decide a subsidiary factual dispute—e.g., resolving a dispute between competing experts about the meaning of a term at the time of invention—the court must still make a legal determination whether one skilled in the art would ascribe the same meaning to the term in the context of the

specific patent at issue. That legal determination is reviewed *de novo*, but to overturn the district court's construction on the basis of the underlying factual finding, the appellate court must find clear error.

In weighing the testimony of each side's expert in this case, the District Court credited Teva's expert's testimony regarding how a skilled artisan would understand the term "molecular weight." The Federal Circuit did not accept Teva's expert's explanation, but did not find that the District Court clearly erred in crediting the testimony of Teva's expert. And for that reason, the Supreme Court remanded the case for the Federal Circuit to apply the correct standard of review.

Prior to the *Teva* decision, the Federal Circuit routinely overturned claim construction rulings under *de novo* review, which often led to increased uncertainty and litigation costs, as well as provided hope to parties dissatisfied with a claim construction ruling that it would be overturned on appeal. The *Teva* decision may reduce uncertainty and costs by ostensibly requiring greater deference to the trial court, but the ultimate effect may depend on how parties litigate claim construction and how district court judges craft their claim construction rulings. Litigants and judges may be inclined to rely more heavily on expert testimony during claim construction in order to insulate claim construction rulings from appellate review. The Federal Circuit's deference to the lower court's factual findings in connection with claim construction places a greater emphasis on the court's already-critical function of construing claims. In view of this deference, litigants should carefully consider the use of experts during claim construction and whether the resultant limited appellate review helps or hurts their case.

For more information, contact:

[Ryan M. Corbett](#) in Tampa at (813) 367-5740 or rcorbett@burr.com

or your Burr & Forman attorney with whom you regularly work.

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