New York Law Journal
A NEW YORK LAW JOURNAL SPECIAL SECTION
Litigation
An ALM Publication
WWW.NYLJ.COM
MONDAY, DECEMBER 15, 2014

De Novo Review Of **Patent Claim Construction**

Will SCOTUS provide clarity or uncertainty?

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In October 2014, the U.S. Supreme Court heard argument in *Teva Pharmaceuticals USA v. Sandoz*, (No.13-854) (Oct. 15, 2014), a case that should finally resolve the Federal Circuit's multi-decade debate concerning the appellate standard of review for claim construction. Sixteen years ago, in *Cybor v. FAS Technologies*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc), the Federal Circuit held that the district court's claim construction should be given no deference. But after *Cybor*, Federal Circuit judges remained deeply divided on this issue and in 2013 re-visited it in *Lighting Ballast Control v. Philips Electronics*, Nos. 2012-1014, 2014 WL 667449 (Fed. Cir. Feb. 21, 2014). To the surprise of some, the Federal Circuit maintained its de novo review of claim construction. But shortly thereafter, on March 31, 2014, the Supreme Court decided it was time for it to address this issue itself. *Teva Pharmaceuticals USA. v. Sandoz*, (No.13-854) 2014 WL 199529 (March 31, 2014). Now the question is whether the court will overrule *Cybor*, a question that is important to both practitioners and district court judges.

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Evolution of the Standard of Review

Since its inception in 1982, the Federal Circuit grappled with whether claim construction was a purely legal issue, or a mixed issue of law and fact. On one side, cases held that claim construction was a "legal or factual, or mixed issue," applying deference to the district court's factual conclusions. *McGill v. John Zink*, 736 F.2d 66 (Fed. Cir. 1984). Along an opposite line of cases, claim construction was interpreted as strictly a matter of law, subject to de novo review. *SSIH Equip. S.A. v. United States Int'l Trade Comm'n*, 718 F.2d 365, 376 (Fed. Cir. 1983).

In 1995, the Federal Circuit sought to resolve "inconsistencies in [its] precedent" regarding claim construction. *Markman v. Westview Instruments*, 52 F.3d 967, 976-77 (Fed. Cir. 1995) (en banc). Sitting en banc, it ruled that claim construction is "properly viewed solely as a question of law,"

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and on appeal "the construction given the claims is reviewed de novo." Id. at 979, 983-84.

The Supreme Court unanimously upheld that claim construction was a legal issue but largely remained silent regarding the proper standard of review, only noting that claim construction is a "mongrel practice," "fall[ing] somewhere between a pristine legal standard and simple historical fact." *Markman v. Westview Instruments*, 517 U.S. 370, 378, 388 (1996) (*Markman II*).

This left the standard of review unresolved. Federal Circuit judges took up the debate. Some judges felt that the district court's claim construction deserved no deference, while other judges believed "[w]here a district court makes findings of fact as part of a claim construction, we may not set them aside absent clear error." *Metaullics Systems v. Cooper*, 100 F.3d 938 (Fed. Cir. 1996) (J. Mayer); *J.T. Eaton & Co. v. Atlantic Paste & Glue*, 106 F.3d 1563, 1577 (Fed. Cir. 1997) (Rader, J. dissenting).

Cybor v. Fas Technologies, was supposed to resolve this dispute. 138 F.3d 1448 (Fed. Cir. 1998) (en banc). Sitting en banc, the Federal Circuit held that "we review claim construction de novo on appeal including any allegedly fact-based questions relating to claim construction," and expressly "disavow[ed] any language in previous opinions of this court that holds, purports to hold, states, or suggests anything to the contrary." *Cybor*, 138 F.3d at 1456.

Yet following *Cybor*, Federal Circuit judges continued to call for reconsideration of the de novo standard. *Philips v. AWH*, 376 F.3d 1382 (Fed. Cir. 2004) (Judges Haldane Robert Mayer and Pauline Newman); *Amgen v. Hoechst Marion Roussel*, 469 F.3d 1039, 1040-46 (Fed. Cir. 2006) (Judges Timothy B. Dyk, Arthur J. Gajarsa, Richard Linn, Paul Michel, Moore, Newman and Randall Ray Rader); *Retractable Techs. v. Becton Dickinson & Co.*, 659 F.3d 1369, 1373 (Fed. Cir. 2011) (Judge Kathleen M. O'Malley).

'Lighting Ballast'

In 2013, the Federal Circuit answered the calls to reconsider the standard of review again. *Lighting Ballast Controls v. Philips Electronics*, 498 Fed. Appx. 986, 2013 WL 11874, at *4-6 (Fed. Cir. Jan. 2, 2013). On Feb. 21, 2014, the Federal Circuit issued a sharply divided 6-4 decision, affirming the de novo standard of review.

Writing for the majority, Newman primarily relied on stare decisis to affirm *Cybor*. She acknowledged that for 15 years *Cybor,* has been criticized (including by herself) but concluded "[w]e have been offered no argument of public policy, or changed circumstances, or unworkability or intolerability, or any other justification for changing the *Cybor* methodology and abandoning de novo review of claim construction." Id. at *8-11. The majority gave short shrift to the dissent's reliance on Federal Rule of Civil Procedure 52(a), reasoning that Rule 52(a) applies to conclusions of fact whereas claim construction is a question of law.

The dissent, written by O'Malley, argued that stare decisis was an insufficient reason to uphold an incorrectly decided case. In particular, the dissent stated *Cybor* misapprehended *Markman II*, which did not reach the standard of review. The dissent argued that reviewing claim construction findings of fact entirely de novo is contradictory to Rule 52(a), which states that "[f]indings of fact … must not be set aside unless clearly erroneous." Id. at *33.

'Teva Pharmaceuticals v. Sandoz'

Procedural History. In *Teva Pharmaceuticals*, the primary claim term addressed was "average molecular weight." *Teva Pharmaceuticals USA v. Sandoz*, 723 F.3d 1363, at 1367-69 (Fed. Cir. 2013). Both sides agreed the term had several potential meanings, including: (1) peak average molecular weight; (2) weight average molecular weight; and (3) number average molecular weight. Because the patent and prosecution history did not specify how "average molecular weight" should be calculated, the district court relied on expert testimony. The district court credited Teva's expert to conclude that a person of ordinary skill in the art would understand the term meant "peak average molecular weight," and found the term sufficiently definite. *Teva Pharmaceuticals USA v. Sandoz*, 810 F. Supp. 2d 578, 587-96 (S.D.N.Y. Aug. 29, 2011).

On appeal, the Federal Circuit reversed, finding the term indefinite because the patents did not resolve the ambiguity in its meaning. *Teva Pharmaceuticals*, 723 F.3d at 1369. The Federal Circuit, in accordance with *Cybor*, gave no deference to the district court's findings of fact related to a person of skill in the art. Id. at *1368-69.

Teva sought Supreme Court review of the Federal Circuit's decision. Shortly after the Federal Circuit's en banc decision in *Lighting Ballast*, the Supreme Court granted certiorari. *Teva Pharmaceuticals USA v. Sandoz*, (No.13-854) 2014 WL 199529 (March 31, 2014). The Supreme Court stated the issue as "[w]hether a district court's factual finding in support of its construction of a patent claim term may be reviewed de novo, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires." Id. (March 31, 2014). Essentially, the court has decided to review the arguments underlying *Cybor* and *Lighting Ballast*, and thus will finally end the debate as to the proper standard of review for a district court's claim construction in patent suits.

Arguments Presented by Petitioners, Teva Pharmaceuticals. Teva argues that *Cybor* and the de novo standard should be overruled, and the court should hold that "factual findings made during claim construction—like all other factual findings—must be reviewed deferentially on appeal." Brief for Petitioners Teva Pharmaceuticals USA (June 13, 2014) at 2 (Petitioners Brief). Teva's argument is premised on two points: (1) claim construction is not always a purely legal exercise, sometimes involving "factual" determinations by the district court; and (2) Federal Rule of Civil Procedure 52(a)(6) dictates "[f]indings of fact, whether based on oral or other evidence, must not be set aside unless clearly erroneous." Petitioners Brief at 14-17.

Teva asserts that because patent claims are interpreted from the perspective of a person of skill in the art, when the intrinsic record does not clearly define claim terms, a district court must make findings based on extrinsic evidence to construe the claims. Petitioners Brief at 25-35. These findings, it argues, are "factual," particularly in light of the court's treatment of similar findings in other aspects of patent law. Id. Teva argues that Rule 52 mandates appellate courts defer to district court fact findings. Teva claims this is so because, practically speaking, district courts are better suited to making those determinations, especially when they involve complex technology. Petitioners Brief at 18-25. Teva's position is supported by amicus briefs

from the U.S. government,[1] the American Bar Association, the American Intellectual Property Law Association and others.

Arguments Presented by Respondents. Respondents Sandoz, Momenta, Mylan and Natco (Respondents) argue that *Cybor*, and the de novo standard, should be maintained. But hedging their bets, they also say that if the court does determine deference should be afforded to some district court fact findings, those "facts" should be limited to "scientific principles or other issues whose truth is determined separate and apart from the particular patent asserted." Brief for Respondents Sandoz, Momenta Pharmaceutical, Mylan Pharmaceuticals, Mylan, and Natco Pharma. (Aug. 11, 2014) at 13-16 (Respondents Brief). Respondents assert that because claim construction is a legal issue, there are no "findings of fact" and Rule 52(a)(6) is inapplicable.

Respondents' position rests on *Markman II*. Respondents in particular rely on statements in *Markman II* stating that claim construction is a "purely legal" issue with no subsidiary factual issues. Respondents Brief at 17-23. Respondents analogize claim construction to the court's interpretation of other legal documents, like statutes. Id. at 23-28. Through this lens, they argue claim construction differs from other parts of patent law, such that "factual" determinations made during claim construction are more akin to "legislative facts" found during statute interpretation, which are not afforded deference. Id. Consequently, determinations related to scientific principles or a person of ordinary skill are not "factual," but instead are "merely legal tools to construe the scope of the patent claim." Id. at 26-28.

Respondents' position is supported in amicus briefs from Fresnius Kabi Pharmaceuticals and various technology companies, including briefs from Google and Intel.

The Supreme Court Oral Argument. At oral argument, the Supreme Court asked a wide variety of questions and appeared divided over whether Rule 52(a) should apply to "factual" findings in claim construction.

Most of the justices' questions revolved around this issue. Justice Elena Kagan said that "Rule 52(a) sets out the blanket rule … [i]t says what is says, that [factual findings] are matters for the trial court." Oral Argument Tr. 39:22-25 (Kagan, J.). But Justice Samuel Alito didn't view the issue so simply, stating that "[i]f a patent is like public law, if it's like a statute or a rule, then factual findings regarding the meaning of that patent are not entitled to clear error review … [n]ow, on the other hand, if a patent is private law, if it's like deed or if it's like a contract, then Rule 52(a) comes into play." Oral Argument Tr. 46:11-14, 46:24-47:1 (Alito, J.).

Other justices expressed concern for not applying Rule 52(a). Justice Stephen Breyer was "nervous" about creating a narrow exception to Rule 52, asking "[w]here are we going if we start carving out one aspect of the patent litigation, namely the construction, and say that fact matters underlying that, root facts, even when they are one witness versus another, are for the court on review to decide, but in all other matters, they're really clear error?" Oral Argument Tr. 51:21-52:2 (Breyer, J.). Justice Ruth Bader Ginsberg asked "why shouldn't the fact law division for claim construction be the same as it is for obviousness?" Oral Argument Tr. 40:11-14 (Ginsburg, J.).

The court also struggled to determine how deference should apply to claim construction. Chief Justice John G. Roberts observed that "the difference between questions of law and fact has not always been an easy one for the court to draw." Oral Argument Tr. 11:2-5 (Roberts, C.J.). Justices Anthony Kennedy and Breyer attempted to develop simplified examples to explain the difference, but neither seemed to clarify the situation. Oral Argument Tr. 9:11-25, 18:17-19:5, (Kennedy, J., Breyer, J.).

The murky distinction between questions of law and fact led Kagan to express concern that fact findings might subsume conclusions of law. Oral Argument Tr. 14:11-14 (Kagan, J.). However, Justice Antonin Scalia did not see this as a problem, asserting that "[t]o say that the fact-finding will be dispositive of the legal question is not to say that it is the same as the legal question … it may be that … the outcome is virtually dictated, but it is not the same." Oral Argument Tr. 16:25-17:8 (Scalia, J.).

Apart from the applicability of Rule 52, Roberts was concerned that affording deference to district courts on claim construction could lead to inconsistent rulings, noting that, under a deferential standard of review, "two different district courts construing the same patent could come to opposite results based on a subsidiary factual finding, and neither of those would be clearly erroneous, and yet on a public patent that is going to bind a lot of other people, people won't know what to do." Oral Argument Tr. 27:21-28:2 (Roberts, C.J.). And Alito questioned the practical effect changing the standard would cause, asking "[i]f changing the standard isn't going to affect many, if any case, then is it worth complicating the system that is already in place?" Oral Argument Tr. 21:6-23 (Alito, J.).

Conclusion

The Supreme Court's decision in *Teva Pharmaceuticals v. Sandoz* should resolve the multi-decade debate over what standard of review to apply to a district court's claim construction. However, if the court's decision establishes a deferential standard of review without also providing guidance as to what constitutes a conclusion of law versus a finding of fact; the decision may cause confusion, rather than bring clarity.

If the Supreme Court holds that a deferential standard of review should apply, it likely would change claim construction practice in significant ways. For example, the Federal Circuit would have fewer bases to overturn claim construction decisions, and thus reversal rates should go down. Additionally, if the Supreme Court holds that findings of fact should be accorded deference under Rule 52 but conclusions of law should not, parties are likely to focus their claim construction positions based upon scientific evidence and expert testimony rather than legal argument. This would likely result in the usage of more expert testimony, and more frequent use of live witnesses at *Markman* hearings. As a consequence, in some cases those hearings would likely be longer, more time consuming to prepare for, and more expensive.

1. The U.S. government agrees that deference should be given to district court findings of fact in claim construction, but disagrees with Teva regarding the application to this case.