

Lawyers Weigh In On High Court Claim Construction Ruling

Law360, New York (January 20, 2015, 6:02 PM ET) -- The U.S. Supreme Court on Tuesday cast aside the Federal Circuit's long-standing rule that all district court claim construction rulings must be reviewed anew on appeal. Here, attorneys tell Law360 why the decision in *Teva Pharmaceuticals v. Sandoz* is significant.

Bill Atkins, Pillsbury Winthrop Shaw Pittman LLP

"The Teva decision is a ground shift, but not a true earthquake. The district court has now been given deference on factual issues while much of claim construction remains a matter of law. Markman proceedings just became even more important and more expensive, as the strategic question will be whether to use an expert there or not."

Elizabeth Barnhard, Leason Ellis LLP

"As a result of the U.S. Supreme Court's *Teva v. Sandoz* decision requiring the Federal Circuit to apply a clear error standard of review to a district court's findings of fact pertaining to patent claim construction, litigants will have to pour their efforts into the Markman hearing and trial. The battle of experts over claim term meanings will be even more critical to a successful outcome for the prevailing party on appeal. The losing party can no longer assume that there will be a strong probability of reversal on appeal under a *de novo* standard of review."

Erik P. Belt, McCarter & English LLP

"Patentees should appreciate *Teva* because those that make their claim construction cases in district court — before juries and judges who lack deep technical knowledge — now have stronger positions as appellee. Patent trials will carry added significance because non-prevailing parties can no longer count on the Federal Circuit to save their skins through *de novo* review. Aggregate patent-litigation costs should diminish because the reversal rate in patent cases — traditionally considerably higher than in other civil appeals — will decline, making prospective appellants less enthusiastic. This decision follows logically the Supreme Court's signals that the Federal Circuit ought to temper its zeal for *de novo* review in favor of deference to trial courts."

Stacey L. Cohen, Skadden Arps Slate Meagher & Flom LLP

"The court's decision to provide deference to the 'evidentiary underpinnings' of district courts' claim construction rulings makes clear that factual determinations in patent cases should not be treated differently than those in other areas of civil litigation. Today's ruling will provide more certainty in instances where a lower court's claim construction is based, in part, on extrinsic evidence, and also will likely affect the strategy of litigants at the trial court level when deciding when, and if, to argue that claim construction requires the court to consider extrinsic evidence."

Dominick Conde, Fitzpatrick Cella Harper & Scinto LLP

“The Supreme Court’s decision in *Teva* is a major departure from Federal Circuit law and will have a significant impact on claim construction at the district court and on appeal. At the district court level, the new standard of review will likely mean more reliance on experts in interpreting the claims because the Supreme Court reversed the Federal Circuit for failing to apply the ‘clearly erroneous’ standard to expert testimony regarding claim construction. The decision likely will play a key role in future appeals from lower court claim construction rulings.”

Sona De, Ropes & Gray LLP

“The U.S. Supreme Court’s opinion in *Teva v. Sandoz* suggests that deference should be given to the lower court’s factual findings during claim construction. The Federal Circuit, however, can still review on appeal the fundamental, intrinsic evidence in patent cases *de novo*. Therefore, *Teva v. Sandoz* will have minimal impact on Federal Circuit analysis and litigants at the appellate level, and no impact at the district court level.”

John Dragseth, Fish & Richardson PC

“I will be interested to see how district courts and litigants respond to *Teva*. District courts can perform claim construction many ways, and some judges might realize they can insulate their rulings from reversal by making explicit findings on extrinsic evidence — especially from experts. Savvy parties will try to help district courts along that route — at least if they think the court is leaning their way — which may raise the cost of *Markman* proceedings, with more expert witness preparation and involvement. Another key question is whether *Teva* will further drive down an already low reversal rate for Patent Office appeals.”

Shawn Hansen, Nixon Peabody LLP

“*Teva* will increase the probability that district court results in patent cases will stand up on appeal, making the district court all the more important in parties’ litigation and settlement strategies. *Teva* also will increase the role of expert testimony in patent claim construction as parties seek to establish extrinsic evidence subject to clear error review. In general, these implications of *Teva* should increase the pressure toward settlement in many patent cases, especially following claim construction by the district court.”

Allen E. Hoover, Fitch Even Tabin & Flannery LLP

“Although today’s decision in *Teva v. Sandoz* will change the Federal Circuit’s framework for review of claim construction decisions, whether the decision will have much practical effect remains to be seen. In the ruling, the Supreme Court reiterated that claim construction decisions based on the intrinsic record should be reviewed *de novo*. In addition, the court did not alter the general rules that the claims should be construed principally in light of the intrinsic record and that inconsistent extrinsic evidence should not be used to trump the intrinsic record. Not many cases exist where the Federal Circuit bases its analysis on competing interpretations of the extrinsic evidence.”

Paul Hughes, Mayer Brown LLP

“*Teva Pharmaceuticals* significantly alters the standard of review that the Federal Circuit is to apply to appeals of claim construction. Following *Teva*, a district court’s factual determination underlying a claim construction order — such as a court’s weighing of competing expert testimony — is subject to deference on appeal. Cognizant of the need to provide clear guidance in the application of this new rule, the court provided unusually robust prospective guidance to aid the Federal Circuit in distinguishing questions of fact from questions of law.”

Paul Kitch, Nixon Peabody LLP

“Bring on the experts! Today’s decision will lead to faster final resolution of patent litigation. Up until this point, the losing party at the district court had a significant chance of obtaining a change in claim construction on appeal — often leading to a reboot of the litigation process. Now, when extrinsic evidence such as expert testimony is relied upon to construe patent claims, the Federal Circuit must defer to any factual findings made by the district court unless it concludes those findings are clearly erroneous — a significantly higher burden than the ‘without deference’ standard associated with de novo review. I anticipate almost all parties will assert a factual dispute exists and will introduce and urge the district court to adopt their proposed factual findings supported by expert testimony. If the court does so, then the winner is insulated from reversal just because the Federal Circuit feels it would have made different factual findings.”

Douglas Kline, Goodwin Procter LLP

“For almost twenty years, patent litigants who don’t like their district court claim constructions have known that they can get fresh review on appeal to the Federal Circuit with no deference to the district court construction that they do not like. This is because ever since *Markman* in 1996, the Federal Circuit has reviewed district court claim constructions de novo. Today, the Supreme Court has changed that approach. From now on, when a district court resolves factual disputes concerning extrinsic evidence bearing on patent claim construction, the Federal Circuit will review those subsidiary factual findings for clear error. Giving this deference should result in the Federal Circuit affirming some claim construction decisions that it might have overturned under the old standard. This new approach likely will change the way litigants think about their likelihood of success on appeal and, ultimately, the desirability of settlement.”

Stephen G. Kunin, Oblon McClelland Maier & Neustadt LLP

“The Supreme Court’s decision in *Teva v. Sandoz* is important for appellate reviews of both court and [U.S. Patent and Trademark Office] decisions. The clear error standard for review of claim terms that are determined using extrinsic evidence such as technical dictionaries and technical expert testimony is deferential in the same way that the substantial evidence standard is under the Supreme Court decision in *Dickinson v. Zurko*. This will lead to fewer Federal Circuit reversals of district court, [International Trade Commission] and [Patent Trial and Appeal Board] claim construction rulings, especially when 35 USC 112(f) is invoked for means or step plus function limitations. To avoid application of the de novo review standard, the lower court and PTAB judges will be encouraged to rely more on extrinsic evidence to interpret claim terms of a highly technical nature.”

Janet Linn, Bleakley Platt & Schmidt LLP

“The Supreme Court’s decision in *Teva v. Sandoz* should result in more rigorous *Markman* opinions from the district courts. Because the Federal Circuit would review their claim construction de novo, district court judges previously had little incentive to provide in detail the bases for their construction of claim terms in their *Markman* opinions. By according deference to subsidiary factual findings, the Supreme Court’s decision should foster *Markman* opinions outlining the specific factual findings underlying the court’s claim construction. This will provide the litigants, and the Federal Circuit in any appeal, a better understanding of the district court’s reasoning.”

Scott P. McBride, McAndrews Held & Malloy Ltd.

“*Teva v. Sandoz* attempts to delineate the proper role of expert testimony in claim construction. Nevertheless, the ultimate question of construction remains a legal conclusion. And the impact will likely vary from district court to district court and from case to case. Some judges may continue to de-emphasize extrinsic evidence. Some judges may rely more heavily on extrinsic evidence — to reduce the perceived likelihood of reversal. Some litigants will rely more heavily on expert testimony. And disputes

are likely to emerge over whether *Teva v. Sandoz* changed the definition of 'intrinsic evidence' — e.g., as to documents cited during patent prosecution."

Clifton E. McCann, Thompson Hine LLP

"For 16 years, litigators in complex patent cases have had somewhat less of a concern that district court judges would properly construe patent claims, knowing that the more tech-savvy Federal Circuit would provide backup and could overrule lower courts on a de novo basis. After this decision, attorneys will work harder to make it easier for district court judges to understand the technological issues underlying claim construction. We are likely to see increases in parties' reliance on expert testimony and in district courts' use of special masters with technical expertise."

Matt McFarlane, Robins Kaplan LLP

"The *Teva* opinion suggests that disputes of subsidiary fact deserving clear error review may only be found in the extrinsic evidence. But in practice, however, the distinction is not so clean. For many complex technologies, expert testimony is required to assist the court in understanding the intrinsic evidence from the perspective of the skilled artisan. It remains to be seen whether the Federal Circuit clearly distinguishes such 'interpretative' expert testimony from 'factual' expert testimony when conducting its de novo review of a district court's claim construction."

William Oldach, Vorys Sater Seymour and Pease LLP

"The Supreme Court decision today should provide greater certainty to claimed construction decisions by district courts. In recent years, it has often been the view of patent litigators that such decisions had a 50-50 chance of being overturned by the Federal Circuit. That should now begin to change."

Joshua R. Rich, McDonnell Boehnen Hulbert & Berghoff LLP

"Today's decision is likely to increase the cost and complexity of claim construction because it encourages parties to introduce extrinsic evidence, especially expert testimony, in an attempt to maximize deference to a favorable decision. And some trial courts may end up relying on that extrinsic evidence to insulate their decisions."

Andrew C. Ryan, Cantor Colburn LLP

"Today's decision brings claim construction more in line with other aspects of patent law, such as obviousness, when it comes to appellate review. As with obviousness, underlying findings of fact by a district court relating to claim construction will now be subject to a clear error standard rather than de novo review. Under the new standard, a district court's findings of fact must stand unless the appellate court is definitely and firmly convinced that a mistake has been made. This is a fairly significant change in the law of claim construction. At a minimum, it should add some degree of reliability that a district court's claim construction will be upheld on appeal in cases where the claim construction was based on a lower court's findings of fact."

James Ryndak, Hinshaw & Culbertson LLP

"The Supreme Court's *Teva* decision will have a dramatic, wide-ranging and long-lasting impact on U.S. patent litigation. Claim construction will become more of a fact-based battle of experts, in which the meaning of claim words and phrases are contested as issues of fact. Winning the issue at the trial court level will take on added importance, as overturning a district court on claim construction as to factual issues will require meeting the 'clearly erroneous' standard. And the court's decision makes clear that all factual issues are subject to that 'clearly erroneous' standard, whether merely subsidiary or for an ultimate issue. Patent litigation will likely become even more complicated as the courts struggle with the fact/law dichotomy raised by the Supreme Court today."

Michael Weiner, Marshall Gerstein & Borun LLP

"I think the Teva case is likely to result in less consistency and predictability of claim construction decisions. Parties will probably rely more on extrinsic evidence, in particular expert testimony in Markman hearings, and then on appeal the winning party will argue that the claim construction decision is based on fact findings for which deference is required. District court judges may have an incentive to make their rulings in a way that makes them less likely to be reversed, such as by making a finding that one expert's claim construction testimony was credible. This may cause a lower reversal rate, but the greater deference will also encourage forum-shopping, and may result in less predictable claim construction rulings."

Bruce Wexler, Paul Hastings LLP

"By specifying that deference may, but not necessarily, arise only if extrinsic evidence is relied upon, the ruling could create incentives for Markman proceedings to be larger than they otherwise need to be. The Federal Circuit will also now again need to address the proper role of extrinsic evidence, this time in the context of whether or not it creates deference. The fundamental holding of the original Markman ruling — that pronouncing patent claim term meaning is the role and responsibility of the court and not the jury — remains."

--Editing by Emily Kokoll.