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# Supreme Court's New Standard of Review for Claim Construction

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February 20, 2015

# Supreme Court continues to rein in CAFC

- Question:
  - "[W]hat standard the Court of Appeals should use when it reviews a trial judge's resolution of an underlying factual dispute"?
- Answer:
  - ~~*de novo*~~
  - "[T]he appellate court must apply a '**clear error**,' not a ***de novo***, standard of review."

# Outline

- Background – how did we get here?
- Dissecting Court's opinion in *Teva v. Sandoz*
- Implications going forward

# How did we get here?

- **1982**: From the beginning, Federal Circuit has grappled with the legal-factual nature of claim construction.
- **1995**: Federal Circuit ruled *en banc* – but not without dissent – that claim construction is solely a rule of law to be reviewed ***de novo*** on appeal (*Markman I*)
- **1996**: Supreme Court unanimously affirmed, but was silent as to the standard of review (*Markman II*)
  - In dictum, Court did say that claim construction is a "mongrel practice," "fall[ing] somewhere between a pristine legal standard and a simple historical fact"

# *Markman II* left disagreement within CAFC

- After *Markman II*, Federal Circuit judges debated which standard of review to apply
  - "Where a district court makes findings of fact as a part of claim construction, we may not set them aside absent clear error." *Metaullics Sys. Co. v. Cooper*, 100 F.3d 938, 939 (Fed. Cir. 1996) (citing Fed. R. Civ. P. 52(a)).
  - "The proper construction of a claim… is solely a matter of law, over which on appeal we exercise complete and independent review." *Tanabe Seiyaku Co. v. Int'l Trade Comm'n*, 109 F.3d 726, 731 (Fed. Cir. 1997).

# *Cybor* supposedly settled the dispute

- "[C]laim construction, as a purely legal issue, is subject to *de novo* review on appeal." *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*).
- Four judges strongly disagreed, including
  - Judge Rader noted that claim construction reversal rates were as high as 40%
  - Judge Newman: "By continuing the fiction that there are no facts to be found in claim interpretation, we confound rather than ease the litigation process."

# *Phillips* dissent calls for revisiting *Cybor*

- *Philips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) clarified the hierarchy of evidentiary sources for claim construction.
- Judges Mayer and Newman dissented
  - "[T]here can be no workable standards by which this court will interpret claims so long as we are blind to the factual component of the task."
  - Again relied heavily on Fed. R. Civ. P. 52(a)
- Reported reversal rates dropped post-*Phillips*, but the issue continued to linger…

# *Cybor* revisited in *Lighting Ballast*

- The district court took up the issue of whether claim elements were “means plus function”.
  - On reconsideration, the court found that based on **expert testimony** regarding the POSITA, plaintiff overcame the presumption that the term “voltage source means” was a means-plus-function limitation.
- CAFC panel reversed, applying *Cybor* to conduct *de novo* review of claim construction and find claims invalid as indefinite.
- Affirmed in *en banc* 6-4 opinion (two new judges did not participate)

# *Lighting Ballast* (cont.)

- Majority (Judges **Newman**, Lourie, Dyk, Prost, Moore & Taranto):
  - Cannot abandon *de novo* review because:
    - *Stare decisis*
    - It is not broken (judges know how to work with it) – "After fifteen years of experience with *Cybor*, we conclude that the court should retain plenary review of claim construction, thereby providing national uniformity, consistency, and finality to the meaning and scope of patent claims."
    - Not justified as it may create peripheral litigation
    - The high reversal rate had steadily declined
    - No better alternative test defined to distinguish between questions of fact and law

# *Lighting Ballast* (cont.)

- Dissent (Judges O'Malley, Rader, Reyna & Wallach (Judge Mayer had taken Senior status in 2010)):
  - Not enough reason to uphold *de novo* review of *Markman I*
    - *Cybor* misapprehended *Markman II*
    - *De novo* standard runs contrary to FRCP 52(a)
    - *Stare decisis* not sufficient ground if contrary to FRCP

# *Teva v. Sandoz* takes on the standard

- District Court (810 F. Supp.2d 578 (S.D.N.Y. 2011))
  - The question turned on definiteness of claim term "average molecular weight"; there are multiple methods in the field to calculate, and different methods yield different values.
  - Court relied heavily on expert testimony to conclude that POSITA reading the intrinsic record (prosecution history) would understand that "average molecular weight" was intended to refer to one particular method of calculation.
  - With respect to defendant's argument about unspecified test conditions, "[t]he Court credit[ed] and accept[ed] Dr. Grant's and Dr. Dubin's explanation regarding the calibration standards and test conditions."
  - "Average molecular weight" construed and claims found not indefinite.

# *Teva v. Sandoz* takes on the standard

- CAFC panel (723 F.3d 1363 (Fed. Cir. 2013))
  - Applying *de novo* review, reversed District Court's finding that the claims were sufficiently definite
  - Rejected testimony from plaintiff's expert that District Court had found persuasive, adopting instead testimony from defendant's expert
  - *En banc* review was denied, but petition for *certiorari* was granted in March 2014

# Supreme Court Majority Opinion

- 7-2 opinion written by Justice Breyer
  - "Today's case … requires us to determine what standard the Court of Appeals should use when it reviews a trial judge's resolution of an underlying factual dispute. Should the Court of Appeals review the district court's factfinding *de novo* as it would review a question of law? Or, should it review that factfinding as it would review a trial judge's factfinding in other cases, namely by taking them as correct 'unless clearly erroneous?' See Fed. R. Civ. P. 52(a)(6)."
  - The answer was the latter.
  - Fed. R. Civ. P. 52(a)(6) "sets forth a 'clear command'" and there is no "convincing ground for creating an exception to that Rule here."
  - *Markman II* did "not imply an exception to Rule 52(a) for underlying factual disputes." – "A conclusion that an issue is for the judge does not indicate that Rule 52(a) is inapplicable."
  - To the contrary, *Markman II* "recognized that courts may have to resolve subsidiary factual disputes."

# Supreme Court Majority Opinion

- "Practical considerations" also favored clear error review
  - "A district court judge who has presided over, and listened to, the entirety of a proceeding has a comparatively greater opportunity to gain … familiarity [with specific scientific problems and principles] than an appeals court judge who must read a written transcript or perhaps just those portions to which the parties have referred." (citing to Judge O'Malley's dissent in *Lighting Ballast*)
- "Courts of appeals have long found it possible to separate factual from legal matters."
  - "At the same time, the Federal Circuit's efforts to treat factual findings and legal conclusions similarly have brought with them their own complexities" (citing to seemingly inconsistent excerpts from various CAFC opinions since *Markman*)

# Supreme Court Dissenting Opinion

- Justice Thomas, joined by Justice Alito
  - Compares patent claim constructions to legal construction of a statute
    - Reasons that statutory construction is overall an analytically legal inquiry. Patent construction on a de novo analysis helps ensure that construction is not skewed by specific evidence in a given case.
    - Statutes govern the rights and duties of the public, so evidentiary findings are subsidiary and go beyond the dispute at hand. Patents limit the public's use of whatever it patented.
  - Patents are not bargained-for contracts between private parties, but rights granted by the sovereign to the patentee to regulate the public's actions
  - Therefore, patent claims are more like statutes and land grant patents that set boundaries of land grants than contracts and deeds that set boundaries between private lands.

# Supreme Court Majority Opinion

- Effects of new standard of review
  - "[W]hen the district court reviews only evidence intrinsic to the patent (the patent claims and specifications [*sic*], 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*."
  - "Clear error" review will apply in cases where the district court needs to "look beyond the patent's intrinsic evidence and to consult extrinsic evidence in order to understand, for example, the background science or the meaning of a term in the relevant art during the relevant time period."
    - Even in those cases, however, ultimate question of claim construction remains a question of law that (a) must be decided by the court and (b) is subject to de novo review on appeal
    - Analogy to "voluntariness" of confession in criminal case

# Supreme Court Majority Opinion

- Effects of new standard of review
  - In this particular case, the District Court considered conflicting evidence from both parties' experts and made "a factual finding—about how a skilled artisan would understand the way in which a curve created from chromatogram data reflects molecular weights."
  - "The Federal Circuit should have accepted the District Court's finding unless it was 'clearly erroneous.' Our holding today makes clear that, in failing to do so, the Federal Circuit was wrong."
  - CAFC opinion vacated and remanded

# *Papst Licensing v. Fujifilm*

- Decided two weeks after *Teva*
- "[T]he district court relied only on the intrinsic record, not on any testimony about skilled artisans' understanding of claim terms in the relevant field" – thus, *de novo* review.
- **But**…
  - Defendants/appellees submitted letter arguing that District Court had considered expert testimony and resolved disputed factual issues
  - Plaintiff/appellant responded that District Court "rejected" and "did not admit" expert testimony in construing claims
  - If expert testimony (or other extrinsic evidence) is submitted by one party but "rejected" by the court, is that a factual finding?

# *Lexington Luminance v. Amazon.com*

- Decided Feb. 9
- "[W]e review the district court's claim constructions *de novo*, because the intrinsic record fully determines the proper constructions and the district court's constructions were not based on expert testimony."
  - As in *Papst*, if extrinsic evidence is submitted but disregarded by the district court, is that enough to avoid "clear error" review? Does it matter the grounds upon which the evidence is disregarded?
- Also raises question of *Teva*'s effect on indefiniteness
  - Before addressing claim construction, CAFC reversed District Court's finding of indefiniteness with no mention of *Teva*
  - Given that main issue in *Teva* was indefiniteness, shouldn't the same standard be applied?

# Other potential effects

- Pending cases – GVR in *Lighting Ballast*
- What about claim construction in the context of SJ motions? Lighting Ballast plaintiff argues such decisions are never appealable in light of *Teva*.
- What about the "ordinary meaning" used as the starting point for claim construction?
  - *Teva* suggests that there is a difference between words are "used in their ordinary meaning" versus "technical words or phrases not commonly understood"
  - But what if extrinsic evidence is used in arriving at "ordinary meaning" (e.g., use of "virtual" in *Papst v. Fujifilm*)?
  - *Cert* petition in *CSR v. Azure Networks* questions CAFC's use of extrinsic evidence in determining "customary" meaning of claim term.

# Other potential effects

- *Markman* proceedings
  - Increased use of experts and other extrinsic evidence – or not?
  - Return of live witness testimony?
  - Judges more likely to consider extrinsic evidence – but must comply with *Phillips v. AWH Corp.*
  - Tangential disputes about admissibility of extrinsic evidence
  - What about technical advisors? Tutorials? Do these sources qualify as extrinsic evidence consulted "in order to understand … the background science"?
- Increase in indefiniteness challenges?
- More post-*Markman* settlements
- PTAB proceedings

# THANK YOU