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Teva Impact Will Depend On Phillips Hierarchy Of Evidence

Law360, New York (March 30, 2015, 10:19 AM ET) -- In its recent decision in *Teva v. Sandoz*, the U.S. Supreme Court made a fundamental change in the rules governing appellate review of claim constructions — holding that appellate courts must apply a “clear error” standard of review to factual determinations made by district courts as part of their claim construction rulings. *Teva Pharm. USA Inc. v. Sandoz Inc.*, 135 S. Ct. 831, 837-40 (2015).

Beyond stating the general principal that factual determinations supporting claim construction must be reviewed only for clear error, the Supreme Court also provided criteria for distinguishing between issues of fact and issues of law, which continue to be subject to *de novo* review. *Id.* at 840-42. Where a decision is based exclusively on the claim language, the specification and/or the prosecution history, without resort to extrinsic evidence, it is a pure issue of law and reviewed *de novo*; where it is based at least in part on an evaluation of extrinsic evidence, the findings based on that evidence are reviewed for clear error. *Id.* The ultimate issue of claim construction is always an issue of law reviewed *de novo*; but as the Supreme Court recognized, underlying factual findings will often effectively determine the construction of claim terms. *Id.* at 841-42.



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By using these familiar categories of intrinsic and extrinsic evidence to mark the distinction between issues of fact and law, the Supreme Court created an interesting counterpoint between the subordinate status afforded extrinsic evidence under *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), and the deference that will be afforded district court factual findings based on extrinsic evidence.

Phillips expressed a preference for basing claim construction on intrinsic evidence drawn from the claims, the specification and the prosecution history. *Phillips*, 415 F.3d at 1318. But under *Teva v. Sandoz*, district court decisions based purely intrinsic evidence will be reviewed *de novo*, while factual determinations based on extrinsic evidence, even where they determine a court’s ultimate decision on claim construction, will be afforded deference. *Teva v. Sandoz*, 135 S.Ct. at 837-40. Thus, under *Teva v. Sandoz*, district court decisions driven by extrinsic evidence (the least favored under *Phillips*) will be more likely to withstand review than those based purely on the intrinsic record.

Evidentiary Categories and the Practical Impact of *Teva v. Sandoz*

The impact of *Teva v. Sandoz* in particular cases will depend significantly on the application of the *Phillips* hierarchy of evidentiary sources. The Supreme Court’s opinion emphasized that appellate courts will continue to exercise *de novo* review on the ultimate issue of claim

construction. But the power of de novo review is truly effective only in those cases where factual findings do not, for all practical purposes, determine the construction of claim terms, and in many cases the application of the Phillips hierarchy of evidence is likely to determine the impact of district court factual findings on the ultimate issue of claim construction.

Where the Federal Circuit views the claim language, the specification, and/or the prosecution history as clear and dispositive, deference to fact finding based on extrinsic evidence will not necessarily prevent it from reversing district court constructions. (Even where a district court may not have relied exclusively on intrinsic evidence for its decision, the Federal Circuit may conclude that it should have done so, and that its factual findings based on extrinsic evidence should be given no weight in the analysis.) On the other hand, where the Federal Circuit agrees that extrinsic evidence is needed to interpret the intrinsic record, the new deference rule applicable to factual findings will often effectively require it to defer to the lower court's ultimate claim construction.

Because of the new significance attached to evidentiary categories in determining the standard of appellate review, *Teva v. Sandoz* puts a renewed focus on the criteria that the Federal Circuit applies in determining whether extrinsic evidence may be relied upon. The key question becomes, "When does intrinsic evidence standing alone definitively settle the issue of claim construction?"

In many cases where claim construction is disputed the intrinsic record in isolation may not be dispositive of the ultimate issue. Because claim construction focuses on the meaning of claim terms to a person skilled in the art in the context of the patent, Phillips, 415 F.3d at 1312-14, and because ascertaining that meaning is often a highly specialized and technical endeavor (see *Teva*, 135 S.Ct. at 841), often it will be justifiable, even essential, for the district court to base its claim construction ruling in part on expert testimony or evidence from other extrinsic sources. In these cases, appellate court deference to lower court findings based on extrinsic evidence, reviewed only for clear error, will require affirmance of the lower court's ruling.

Extrinsic evidence may be necessary not only to interpret claim terms directly but also to interpret portions of the intrinsic record itself. This is exactly what happened in *Teva v. Sandoz*. The trial court relied on expert testimony to determine how a person of skill in the art would interpret one of the figures in the patent, and referred to the figure, thus interpreted, in construing the claim. *Teva*, 135 S.Ct. at 842-43.

On the other hand, in many instances the Federal Circuit may find that the intrinsic evidence, standing alone, determines the construction of disputed terms. (As Phillips noted, in many cases, the specification can be dispositive. 415 F.3d at 1415.) In such cases, district court factual findings based on extrinsic evidence will not determine the outcome of claim construction. Even though the district court may have made factual determinations based on extrinsic evidence, the Federal Circuit, reviewing the intrinsic evidence de novo and finding it dispositive, may nevertheless reverse the ultimate claim construction decision.

This kind of truly effective de novo review appears most likely where, applying familiar principles of claim construction, and without the aid of extrinsic sources, the intrinsic record can be read to provide specific definitions for claim terms, or to give specific guidance for their interpretation. Where the intrinsic record can be read as self-explanatory and dispositive on the issue of claim construction, appellate courts will be able to exercise effective de novo review.

Such cases include those where the patentee has acted as his or her own lexicographer and defined claim terms in the specification. Phillips, 415 F.3d at 1316. A patentee may implicitly define a term by consistently using it in a particular way throughout the

specification, or by the way the term is used in a comprehensive description of “the invention” or “the present invention.” See *Honeywell Int’l Inc. v. ITT Indus. Inc.*, 452 F.3d 1312, 1318 (Fed. Cir. 2006). In such cases the appellate court may be more likely to view the intrinsic evidence as the sole, definitive source of the claim construction, without recourse to extrinsic evidence; and presumably, even after *Teva v. Sandoz*, it may review de novo, and reverse, any decision by the court below that fails to interpret the intrinsic evidence the same way and give it the same dispositive weight.

It follows that the determination whether the patentee provided a definition of a claim term will often determine the true scope of appellate review. Needless to say this issue, in some form, has always been strenuously disputed in claim construction proceedings and appeals. Following *Teva v. Sandoz*, the importance of such disputes and determinations has only been heightened.

Other cases where deference to district court fact finding may be less likely to drive decisions on appeal are those where statements distinguishing the invention from prior art — either in the specification or in the prosecution history — impose limits on the available claim constructions. Where the specification clearly draws a distinction between the invention and prior art, it may compel a claim construction consistent with that distinction. See *Inpro II Licensing, S.A.R.L. v. T-Mobile USA Inc.*, 450 F.3d 1350, 1354-55 (Fed. Cir. 2006). Similarly, where a patentee has disclaimed claim scope in the specification or prosecution history, the claim construction must conform to the disclaimer. See *Phillips*, 415 F.3d at 1316-17; *Purdue Pharma LP v. Endo Pharms. Inc.*, 438 F.3d 1123, 1136 (Fed. Cir. 2006). In such cases, intrinsic evidence standing alone may establish definitive boundaries for claim construction; and here again, if the appellate court concludes that the district court failed to recognize and respect those boundaries, it may review that decision de novo and reverse. In many cases where the Federal Circuit would have found claim scope disclaimer determinative before *Teva v. Sandoz*, it will likely continue to do so, and show no deference to contrary district court interpretations.

Other canons of claim construction that focus on intrinsic evidence — for example, the doctrine of claim differentiation, *RF De. Inc. v. Pac. Keystone Techs. Inc.*, 326 F.3d 1255, 1263 (Fed. Cir. 2003), and the requirement that a claim should not be construed to exclude the patent’s preferred embodiment, *Therapeutics Inc. v. Perrigo Co.*, 616 F.3d 1283, 1290 (Fed. Cir. 2010) — may also prompt appellate courts to give less weight to district court factual determinations — and reverse lower court claim constructions notwithstanding the deference that *Teva v. Sandoz* requires.

Conclusion

Following *Teva v. Sandoz*, where district court claim construction decisions are based on factual findings drawn from extrinsic sources, those decisions will not always be subject to truly effective de novo review. Parties will also have an increased incentive to offer arguments in the district court based on extrinsic evidence (including expert testimony where possible), so as to attempt to insulate any favorable decision from de novo review. However, because of the preference expressed in *Phillips* for interpretations based on intrinsic evidence alone, litigants challenging adverse claim construction rulings are likely to obtain effective de novo review if they can show that the district court’s construction is inconsistent with the plain terms of the intrinsic record.

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