

Where Do We Go from Here? - An Analysis of Teva's Impact on IPR Practice and How the Federal Circuit Is Attempting to Limit the Impact of Teva

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The recent Supreme Court case of *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* held that, although the ultimate issue of claim construction is a legal question subject to *de novo* review, underlying factual determinations based on extrinsic evidence must be upheld absent “clear error.”[1] The authors of this article predicted that this supposed “sweeping” change in the law would have a significant impact on litigation practice at the trial court level, but would not necessarily change how the Federal Circuit approaches claim construction on appeal.[2]

The Federal Circuit recently confirmed that *Teva* applies not only to claim constructions from district courts but also in the context of claim constructions from the Patent Trial and Appeal Board (“PTAB”), such as in *inter partes* review (“IPR”) proceedings.[3] However, three recent Federal Circuit cases demonstrate that the court is still largely applying a *de novo* standard of review to claim construction decisions from district courts and the PTAB. Therefore, as explained below, although *Teva* will likely increase the already high reliance on experts in IPR practice, the Federal Circuit may nevertheless continue to rely on intrinsic evidence to review claim constructions *de novo*.

Recent Federal Circuit Cases Applying *Teva*

Although the Supreme Court issued the *Teva* opinion less than a month ago, the Federal Circuit has already written three opinions applying *Teva* in the context of district court and PTAB appeals.[4] These decisions confirm that *Teva* applies to both district court and IPR proceedings.[5] However, as described in detail below, in each of these decisions, the Federal Circuit limited or distinguished *Teva* and applied a *de novo* standard of review based on the intrinsic evidence.

In re Imes

Imes involved an appeal of a PTAB decision affirming the Examiner’s rejection of certain claims as anticipated or obvious over various references.[6] The invalidity analysis centered on the PTAB’s construction of the term “wireless” as including communications along metal contacts of a removable memory card and the computer system.[7] The Federal Circuit reversed the PTAB’s claim construction and held that the specification defined the term “wireless” to refer to communications that carry waves through atmospheric space using electromagnetic or acoustic waves rather than through a wire.[8] The court further reasoned that communications along metal contacts of a memory card or a computer system do not carry waves through atmospheric space as contemplated by the patent application.[9] The court relied heavily on the specification as intrinsic evidence and specifically stated that it was reviewing the PTAB’s claim construction *de novo* because “[n]othing in this case implicates the deference to fact findings contemplated by the recent decision in [*Teva*].”[10]

In re Cuozzo Speed Technologies, LLC

Cuozzo Speed was an appeal from a patent owner of an IPR decision holding certain claims as obvious.[11] The court initially held that it lacked jurisdiction to review the PTO’s decision to institute the IPR.[12] The court then addressed whether the PTAB properly construed the claims under the “broadest reasonable interpretation” standard used in PTAB proceedings.[13] The Court confirmed that *Teva* applies to review of IPR decisions by noting that it must review the

PTAB's claim construction under the standards set forth in *Teva*.^[14] Nevertheless, the court stated that it would review the claim construction *de novo* "[b]ecause there is no issue here as to extrinsic evidence."^[15] Notably, the underlying IPR proceeding was the first IPR decision and involved affidavits attesting to the accuracy of translations of certain references, but no expert declarations on the construction of claim terms.^[16] ^[17]

The court affirmed the PTAB's construction of the disputed limitation "integrally attached" based on the specification and prosecution history. The Court then affirmed the PTAB's finding of obviousness and the PTAB's denial of the patent owner's motion to amend the claims.^[18]

Fenner Investments, Ltd. v. Celco Partnership

Unlike the PTAB decisions at issue in *Imes* and *Cuozzo Speed*, *Fenner Investments* involved the appeal of a district court claim construction.^[19] The court noted *Teva*'s holding that intrinsic evidence and the ultimate issue of claim construction are reviewed *de novo*, whereas subsidiary fact findings based on extrinsic evidence are reviewed for "clear error."^[20]

Nonetheless, the Federal Circuit focused entirely on the intrinsic evidence and affirmed the district court's claim construction of the term "personal identification number."^[21] First, the court noted that the claims are not analyzed in the abstract and instead are construed from the perspective of one of ordinary skill in the art at the time of the invention based on the intrinsic evidence.^[22] Second, the court analyzed the use of the term "personal identification number" in the specification.^[23] Specifically, the court noted the specification's discussion of overcoming the prior art problems associated with locating and tracking personal identification numbers by setting up "a user-centered system in which users have personal identification numbers that are associated with the individual."^[24] The court also relied on arguments during prosecution in which the applicant distinguished its "user-centered design" from the device-centered communication system of the prior art.^[25] The court then dismissed the applicant's arguments that the district court's claim construction renders the claims "inoperable" or is negated by the doctrine of claim differentiation.^[26]

Impact on IPR Practice and District Court Practice

Although IPR proceedings do not have a long history, the vast majority of patent practitioners are using experts to support their IPR petitions, with some estimating the number of petitions supported by expert declaration near 90%.^[27] ^[28] Other data indicates a slight increase in the percentage of granted petitions when an expert declaration is employed.^[29] In light of these statistics and *Teva*'s deferential review of decisions relying on extrinsic expert evidence, many practitioners are likely to rely heavily on expert declarations in IPR proceedings.

However, the statistics regarding expert declarations in IPR cases do not identify the issues on which the experts opined (*e.g.*, claim construction, motivation to combine, inherency, etc.) or to what degree, if any, the PTAB relied on the expert declarations. Further, claim construction admissions made by a party's expert during deposition can be used against that party before the PTAB and, under *Teva*, could be harder to overturn on appeal. And, as a general matter, experts are subject to deposition on all topics on which they opine, so unnecessarily using an expert for multiple issues could open up the expert to cross-examination (and potential admissions) on a wide range of topics. Thus, practitioners should think carefully about whether an expert will be useful in a particular case, and on what topics an expert declaration would be appropriate. For example, if the teachings of the references are clear and there are no issues with inherency or

motivation to combine references, an expert is unlikely to add much additional value beyond the references themselves. The *Teva* decision impacts only the effect on appeal of claim construction-related expert declarations, but even on that issue, an expert may not add much value if the intrinsic evidence is clear. Each of the appealed decisions discussed above was decided pre-*Teva*. Post-*Teva*, the PTAB and District Court judges may try to ensure that their claim construction decisions are based on factual determinations to avoid being overturned on appeal.

As a result, the PTAB and District Court judges may rely much more heavily on extrinsic evidence, specifically credibility determinations regarding experts, when deciding claim construction issues.[30] It will be interesting to see how the Federal Circuit analyzes claim construction when these post-*Teva* cases are appealed.

Effects of *Teva* on Litigation Practice

Regardless of how the courts choose to apply *Teva*, this decision will have a significant and immediate impact on litigation practice. Litigants should think strategically, however, about whether an expert is desirable, particularly in cases where a party believes it has a strong claim construction case based on the intrinsic record. The decision to proffer an expert should be carefully weighed based on at least the following factors: (i) the strength or weakness of the intrinsic record, (ii) how favorably or unfavorably the assigned judge tends to view extrinsic evidence, and (iii) whether you expect to be supporting or attacking the court's construction on appeal. Moreover, the authors expect there will be significant pre-hearing motion practice to strike expert declarations that parties feel are inappropriate.

Furthermore, appellants will need to carefully frame the issues on appeal. For example, in *Teva*, the issue was framed as a factual one. Therefore, the Federal Circuit will have to review the trial court's determination regarding expert opinions for "clear error." However, since the Supreme Court specifically left the ultimate question of claim construction, as well as determinations regarding the intrinsic evidence, as legal issues subject to *de novo* review, it will be important for appellants to frame the claim construction issues as legal ones based on intrinsic evidence in order to obtain a *de novo* standard of review on appeal. Conversely, respondents that want to keep the district court's claim construction will need to try and push the claim construction analysis toward a review of extrinsic evidence and, thus, obtain a "clear error" standard of review.

Conclusion

Despite the already heavy reliance on experts in IPRs, and the additional push for experts in IPR and District Court proceedings that *Teva* is likely to create, the Federal Circuit may nevertheless limit its analysis to the intrinsic evidence or couch its review in terms of the "ultimate question" of claim construction so that it may maintain *de novo* review of claim construction decisions. As lower court claim construction decisions post-*Teva* are appealed, the Federal Circuit will establish a pattern of treatment for such decisions, including its decision on remand of the *Teva* case.

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Citations

[1] *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, No. 13-854 (2015), Slip Op. at 1.

[2] “*Teva and Its Potential Impact on Patent Litigation*,” K&L Gates IP Litigation Alert, by M. Abernathy et al., available at <http://www.klgates.com/teva-and-its-potential-impact-on-patent-litigation-01-28-2015/>.

[3] *In re Cuozzo Speed Techs., LLC*, No. 2014-1301 (Fed. Cir. Feb. 4, 2015), Op. at 19, available at <http://www.cafc.uscourts.gov/images/stories/opinions-orders/14-1301.Opinion.2-2-2015.1.PDF>.

[4] *Cuozzo Speed*, No. 2014-1301; *In re Imes*, No. 2014-1206 (Fed. Cir. Jan. 29, 2015); *Fenner Invs., Ltd. v. Cellco P’ship*, No. 2013-1640 (Fed. Cir. Feb. 12, 2015).

[5] *Cuozzo Speed*, Op. at 19; *Imes*, Op. at 4; *Fenner Invs.*, Op. at 4.

[6] *Imes*, Op. at 2.

[7] *Id.* at 3.

[8] *Id.* at 4.

[9] *Id.*

[10] *Id.*

[11] *Cuozzo Speed*, Op. at 2.

[12] *Id.* at 5-6. The Court based its reasoning on (1) the explicit language in 35 U.S.C. § 314(d) prohibiting appeal of a decision to institute an IPR, and (2) its prior decision in *In re Hiniker* holding that a flawed decision to institute reexamination is not a basis for setting aside a final decision in reexamination. *Id.* at 6-8.

[13] *Id.* at 19.

[14] *Id.*

[15] *Id.*

[16] “CAFC Affirms PTAB in First Inter Partes Review Appeal,” by G. Quinn, IPWatchdog (Feb. 4, 2015), available at <http://www.ipwatchdog.com/2015/02/04/cafc-affirms-ptab-in-first-inter-partes-review-appeal/id=54464/>.

[17] PTAB Trials, Case No. IPR2012-00001, available at https://ptabtrials.uspto.gov/prweb/PRWebLDAP2/Hcl5xOSeX_yQRYZAnTXXCg%5B%5B*/!STANDAR?UserIdentifier=searchuser.

[18] *Cuozzo Speed*, Op.. at 21-26.

[19] *Fenner Invs.*, Op. at 2-4.

[20] *Id.* at 4.

[21] *Id.* at 4-12.

[22] *Id.* at 4-5.

[23] *Id.* at 6-8.

[24] *Id.* at 7.

[25] *Id.* at 8-9.

[26] *Id.* at 9-12.

[27] “Harnessing Patent Litigation Volume VIII: A Look at Twenty Seven Months of *Inter Partes* Review Proceedings Before the United States Patent and Trademark Office,” by Harness Dickey, p. 2 Table Showing “Petitions Supported by Expert Declarations” (2014), available at <http://ipr-pgr.com/wp-content/uploads/2015/01/IPR-PGR-Report-Vol.-8.pdf>.

[28] “*Inter Partes* Review - One Year Later,” Alston & Bird Intellectual Property Advisory, Sept. 17, 2013, by C. Douglas et al., available at <http://www.alston.com/advisories/inter-partes-review/> (stating that as of September 2013, the petitioner had filed an expert declaration with its IPR, and that “petitions filed with an expert declaration have had about a 10 - percent greater chance of getting granted as compared to petitions filed without an expert declaration”).

[29] It should not make a difference whether the expert testimony is live or given through declarations, given that the expert testimony at issue in *Teva* was provided through written declarations.