

**Deference-In-Part: Review of a District Court's Claim Construction**  
(*Teva Pharm. USA, Inc. v. Sandoz, Inc.*, Case No. 13-854 (Fed. Cir. Jan. 20, 2015).)

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Since 1998, the United States Court of Appeals for the Federal Circuit has consistently held that the entirety of a district court's claim construction decision, including any subsidiary determinations of the relevant facts, should be reviewed *de novo* on appeal. In *Cybor Corp. v. FAS Techs., Inc.*, the Federal Circuit held *en banc* "that claim construction, as a purely legal issue, is subject to *de novo* review on appeal."<sup>2</sup> The Federal Circuit reached the same conclusion again last year in *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Co.* after considering whether the current *de novo* standard of review should be replaced with a more deferential "clear error" analysis or a hybrid approach giving deference to some, but not all, subsidiary determinations of fact.<sup>3</sup>

On January 20, 2015, the United States Supreme Court issued its decision in *Teva Pharm. USA, Inc. v. Sandoz, Inc.* and overruled the Federal Circuit's long-standing precedent establishing *de novo* claim construction review.<sup>4</sup> Fed. R. Civ. P. 52 mandates findings of fact must not be set aside unless clearly erroneous. In *Teva*, the Supreme Court held its decision in *Markman v. Westview Instruments, Inc.* did not create an exception to Rule 52. Under *Teva*, the ultimate decision on claim construction is a legal conclusion reviewed *de novo*, but certain explicit factual determinations must be reviewed for clear error under Rule 52.<sup>5</sup>

### **I. Procedural Background**

Teva Pharmaceuticals sued Sandoz, Inc. for allegedly infringing a patent directed to a drug used to treat multiple sclerosis. Sandoz argued the patent was invalid due to indefiniteness because the term "molecular

weight" in the claims to the drug could have multiple meanings significant to an infringement analysis. The district court took evidence from experts for each party and concluded the patent was definite because a skilled artisan would know which meaning of "molecular weight" the patent claimed.<sup>6</sup> On appeal, the Federal Circuit reversed, finding the patent invalid as indefinite. The Federal Circuit reviewed *de novo* all aspects of the district court's claim construction, including the district court's determination of subsidiary facts. Teva filed a petition for *certiorari* (review) to the Supreme Court.<sup>7</sup>

### **II. Supreme Court's Decision**

The Supreme Court majority<sup>8</sup> began its analysis with Rule 52, referring to its prior holdings that the rule makes no exceptions and applies to both subsidiary and ultimate facts.<sup>9</sup> The Court's holding in *Markman v. Westview Instruments, Inc.*<sup>10</sup> that claim construction was "exclusively within the province of the court, not that of the jury," did not create any exception to Rule 52, nor did the Court believe an exception was warranted in *Teva*.<sup>11</sup> In *Markman*, the Court concluded "it was proper to treat the ultimate question of the proper construction of the patent as a question of law in the way that we treat document construction as a question of law."<sup>12</sup> Continuing with its written document analogy, the Court in *Teva* observed that, like patents, some instruments could be interpreted solely as a matter of law, where the words are used in their ordinary meaning. Other instruments may use technical words and phrases, and understanding the meaning of such words and phrases may require review of extrinsic evidence, which could give rise to

subsidiary factual disputes. In such circumstances, “the determination of the matter of fact will precede the function of construction” and must be reviewed for clear error.<sup>13</sup>

The Court was not persuaded by the argument that it may too difficult to separate the factual from legal issues and apply separate standards, noting that this is a common practice in appellate courts,<sup>14</sup> Nor was the Court persuaded by the argument that clear error review lead to less uniformity in decisions.<sup>15</sup> The Court reasoned that the ultimate construction would still be reviewed *de novo*, and the litigants would have the option to bring related cases to the attention of the district court judge as either persuasive authority or for consolidation. It would therefore be unlikely that divergent subsidiary findings of fact would lead to differing constructions on appeal.

The Court proceeded to explain how its rule must be applied:

[W]hen the district court *reviews only evidence intrinsic to the patent* (the patent claims and specifications, 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*. In some cases, however, the district court will need 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. . . . In cases where those subsidiary facts are in dispute, courts will need to make subsidiary factual findings about that extrinsic evidence.* These are the “evidentiary underpinnings”

of claim construction that we discussed in *Markman*, and this subsidiary fact finding must be reviewed for clear error on appeal.<sup>16</sup>

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Accordingly, the question we have answered here concerns review of the district court’s resolution of a subsidiary factual dispute that helps that court determine the proper interpretation of the written patent claim. The district judge, after deciding the factual dispute, will then interpret the patent claim in light of the facts as he has found them. This ultimate interpretation is a legal conclusion. The appellate court can still review the district court’s ultimate construction of the claim *de novo*. But, to overturn the judge’s resolution of an underlying factual dispute, the Court of Appeals must find that the judge, in respect to those factual findings, has made a clear error.<sup>17</sup>

Applying this framework to the facts of the case, the Court observed that the district court credited Teva’s expert’s testimony (extrinsic evidence) and rejected Sandoz’s expert’s explanation. This was a factual determination by the district court, upon which the district court relied in reaching the ultimate legal conclusion that the term was definite. The Federal Circuit’s decision, on the other hand, the Court observed, rejected Teva’s expert’s testimony (extrinsic evidence). The Federal Circuit should have accepted the district court’s factual findings unless they were clearly erroneous. The Court thus vacated the Federal Circuit’s judgment and remanded the case for further processing.<sup>18</sup>

Justice Thomas, joined by Justice Alito, dissented. The dissent argued that claim construction does not involve findings of

fact and, thus, is subject to *de novo* review on appeal.<sup>19</sup> The dissent drew a distinction between statutory construction and the construction of written instruments such as contracts and deeds. Statutory construction is a question of law, even though it may involve subsidiary evidentiary findings.<sup>20</sup> The construction of contracts and deeds, on the other hand, also involve subsidiary evidentiary findings that are treated as issues of fact.<sup>21</sup> Because patents are issued by the government and bind the public as a whole, the dissent contended that patents are more closely related to statutes and should therefore always be subject to *de novo* review.<sup>22</sup>

### **III. Summary**

The ultimate claim construction in a patent case remains a legal conclusion subject to *de novo* review. When the district court reviews only intrinsic evidence to reach its claim construction decision, the Federal Circuit must review the constructions *de novo*. If, on the other hand, the district court reviews extrinsic evidence, such as expert testimony, and makes a finding of fact based on that extrinsic evidence, Fed. R. Civ. P. 52 applies, such that the subsidiary fact determination cannot be overturned except for clear error. In some cases, fact-finding on extrinsic evidence may play only a small role in the ultimate legal conclusion of claim construction. As can be seen from *Teva*, however, factual determinations may also be practically dispositive.

Both the majority and the dissent in *Teva* focused on differentiating questions of fact and law in the abstract, without addressing the differentiation of intrinsic and extrinsic evidence in the Federal Circuit's *Phillips v. AWH* methodology for claim construction. However the Court's holding in *Teva* bases the decision to apply "clear error" or *de novo* review on whether there is a specific fact finding on *extrinsic* evidence. Implicitly, claim construction can continue as it has under *Phillips* with the adjustment that specific fact findings on extrinsic evidence will be entitled to deference on appeal.

In *Lightning Ballast*, the Federal Circuit majority expressed concerns that a standard of review that apportions differing levels of deference between the ultimate legal conclusions and subsidiary factual determinations could lead to "lengthy peripheral litigation" to disentangle the factual aspects, which "most agree could affect the outcome of very few, if any cases."<sup>23</sup> It remains to be seen, however, the actual, real-world effect the Court's decision in *Teva* will have as the Federal Circuit begins to review district court claim constructions under the new standard, where the character of evidence relied upon—intrinsic v. extrinsic—to find facts, rather than a fact/law determination, will apparently control.

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<sup>1</sup> This article reflects only the present considerations and views of the authors, which should not be attributed to Kirkland & Ellis LLP, or to any of its or their former or present clients.

<sup>2</sup> 138 F.3d 1448, 1451 (Fed. Cir. 1998).

<sup>3</sup> 744 F.3d 1272 (Fed. Cir. 2014).

<sup>4</sup> Case No. 13-854, slip op. at 13 (Jan. 20, 2015).

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 2–3.

<sup>7</sup> *Id.* at 3–4.

<sup>8</sup> Justice Breyer delivered the opinion of the Court. He was joined by Chief Justice Roberts, and Justices Scalia, Kennedy, Ginsburg, Sotomayor, and Kagan.

<sup>9</sup> Slip op. at 4.

<sup>10</sup> 517 U.S. 370 (1996)

<sup>11</sup> Slip op. at 5.

<sup>12</sup> *Id.* (citing *Markman*, 517 U.S. at 388–91).

<sup>13</sup> *Id.* at 6.

<sup>14</sup> *Id.* at 8.

<sup>15</sup> *Id.* at 9.

<sup>16</sup> *Id.* at 11–12 (emphasis added).

<sup>17</sup> *Id.* at 13.

<sup>18</sup> *Id.* at 16.

<sup>19</sup> Slip op. at 1 (Thomas, J. dissenting).

<sup>20</sup> *Id.* at 3 (Thomas, J. dissenting).

<sup>21</sup> *Id.* at 4 (Thomas, J. dissenting).

<sup>22</sup> *Id.* at 7, 10 (Thomas, J. dissenting).

<sup>23</sup> *Lighting Ballast*, 744 F.3d at 1285.