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THE PRACTICE Commentary and advice on developments in the law

Federal Circuit Must Heed Trial Court Findings

U.S. Supreme Court has determined that some patent law appeals aren't so special after all.

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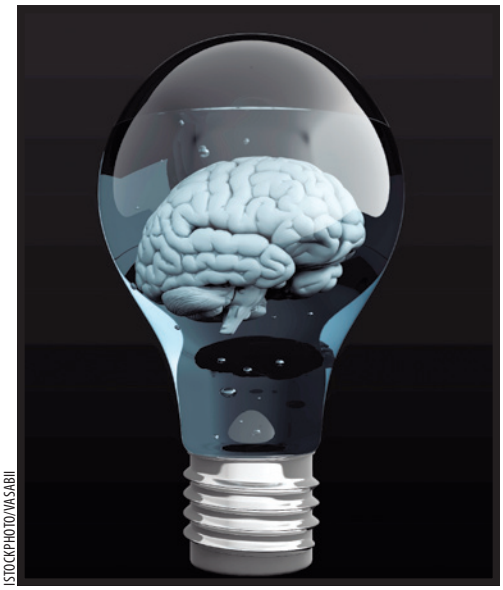
The Court of Appeals for the Federal Circuit was established in 1982 with a mandate to bring uniformity to patent law. In service of that goal, the Federal Circuit ruled in 1998, and reaffirmed in an en banc decision last year, that a central issue in patent litigation, claim construction—the interpretation of the meaning of terms in patent claims—is a question of law, to be reviewed without deference on appeal.

But on January 20, in *Teva Pharmaceuticals USA v. Sandoz*, the U.S. Supreme Court reversed the Federal Circuit and significantly modified that rule, holding that factual findings made by a trial court during claim construction must be reviewed deferentially on appeal, not on a de novo basis.

Teva can be seen as one of a number of Supreme Court rulings trimming back the discretion of the Federal Circuit and rejecting Federal Circuit holdings that established special procedural rules for patent cases.



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Claim construction is vitally important in some patent litigations because it can determine whether a defendant's actions will be found to infringe the claims, whether prior art that may anticipate or make obvious the patent is within the scope of the claims and whether the claims are sufficiently definite.

In *Markman v. Westview Instruments*, the Supreme Court in 1996 ruled that claim construction "is a matter of law reserved entirely for the court," rather than a jury issue. Two years later, in *Cybor Corp. v. FAS Technologies*, the en banc Federal Circuit broadly interpreted *Markman*, holding that trial court claim-interpretation rulings should be reviewed de novo on appeal and that district court factual findings supporting claim-construction rulings should receive no deference on appeal.

Critics argued that *Cybor* was inconsistent with Federal Rule of Civil Procedure 52(a)(6), which provides that district court findings of fact, "whether based on oral or other evidence, must not be set aside unless clearly erroneous, and the reviewing court must give due regard to the trial court's opportunity to judge the witnesses' credibility."

COMPETING VIEWS

As a matter of policy, opponents argued that *Cybor* encouraged unnecessary claim-construction appeals, increased the cost of patent litigation and made it more difficult to settle cases.

Some studies showed that as many as 50 percent of district court claim-construction rulings were reversed on appeal. Supporters said, however, that plenary review by the

Federal Circuit was necessary for certainty and uniformity and that a specialist court was best situated to understand how patents are drafted and should be interpreted.

Last year, in *Lighting Ballast Control v. Philips Electronics North America*, the en banc Federal Circuit reaffirmed *Cybor* by a narrow 6-4 majority. Rejecting arguments that *Cybor* is bad policy, the *Lighting Ballast* majority found that, after 15 years, *Cybor* was settled law and that Congress had not changed the rule, despite "extensive patent-related legislative activity" since the case was decided.

The *Teva* case, in which claim construction turned on what the Supreme Court called "evidentiary underpinnings," provided a particularly appropriate vehicle for that court to test *Cybor*.

Teva's patent, which covers a method for manufacturing a drug used to treat multiple sclerosis, claims that the drug's active ingredient compound has a "molecular weight of 5 to 9 kilodaltons." The parties disputed how "molecular weight" should be construed.

Sandoz, the accused infringer, asserted that the term could be understood in at least three different ways—to refer to the weight of the molecule most prevalent in the claimed compound (called "peak average molecular weight"), to the average weight of all the molecules in the compound, or to a formula that gives additional weight to heavier molecules.

Because the patent did not indicate which method should be used, Sandoz argued that the claim was invalid as indefinite. Teva argued that, under the relevant test—how the term would be understood by a person skilled in the art—the term referred to peak average weight.

Each side presented expert testimony, and the trial court credited Teva's expert, holding that the patent was sufficiently definite.

Reviewing the record de novo, the Federal Circuit reversed, rejecting Teva's expert testimony and holding the patent invalid.

The Supreme Court found that no exception to the "clearly erroneous" standard of review mandated by Rule 52(a)(6) would be made in patent cases. Although the review of intrinsic evidence concerning a patent—the patent's claims, specification and prosecution history—should be de novo, review of factual findings based on evidence extrinsic to the patent, such as dictionaries, treatises or expert testimony, must be deferential.

NOT THE EXCEPTION

In its landmark 2006 decision in *eBay v. MercExchange*, the Supreme Court disapproved of the Federal Circuit's presumption that patent infringement should be enjoined as a matter of course, ruling instead that the standard federal procedural rules governing injunctive relief applied without modification to patent cases. *Teva* is similar in rejecting the Federal Circuit's view that patent cases are exceptional.

Teva will not radically change patent litigation, because most claim-construction rulings are based largely, if not exclusively, on intrinsic evidence. But it likely will encourage parties to introduce extrinsic evidence, in the hope of strengthening their position on appeal. And whenever extrinsic evidence is properly admitted, chances are that *Teva* will simplify and streamline patent cases.

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