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Patent Claim Construction Questions In the Wake of the Supreme Court's Decision In Teva v. Sandoz

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The Court of Appeals for the Federal Circuit recently issued its first precedential decision applying the standard of review for patent claim construction articulated by the Supreme Court in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S.Ct. 831 (2015). That decision, *In re Papst Licensing Digital Camera Patent Litigation*, 2015 WL 408127 (Fed. Cir. Feb. 2, 2015), suggests that the proper application of *Teva* will take some time to work out.

Teva mandates that the Federal Circuit apply a "clear error," not a *de novo*, standard of review to a district court's resolution of factual disputes related to claim construction arising from "extrinsic evidence" – that is, any evidence other than the patent's claims, written description, and record of prosecution with the U.S. Patent & Trademark Office. *Teva* at 836-37. Appellate review of claim construction based entirely on evidence "intrinsic" to the patent and its prosecution history should be performed *de novo*, as a matter of law. *Teva* at 840-41. The Supreme Court's decision partially overruled the Federal Circuit's prior *en banc* decision in *Lighting Ballast Controls LLC v. Philips Electronics North America Corporation*, 744 F.3d 1272 (Fed. Cir. 2014), in which the Federal Circuit affirmed a *de novo* standard of review for all claim construction decisions, no matter what type of evidence was considered by the district court. Writing for the majority in *Lighting Ballast*, Judge Newman relied primarily on *stare decisis* to affirm the *de novo* claim construction review rule, first announced 15 years earlier in *Cybor v. Fas Technologies*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc). *Lighting Ballast Controls LLC*, 744 F.3d 1281-84.

In re Papst Licensing Digital Camera Patent Litigation concerns two patents, each of which discloses a device that facilitates the transfer of data between a host computer and another device. In construing the claims at issue, the district court said that it relied only on "intrinsic evidence – the claims, the specification, and the prosecution history", which "provide the full record necessary for claims construction." 670 F.Supp.2d 16, 30 (D.D.C. 2009). Although the district court in *Papst* stated that it relied only on intrinsic evidence, it clearly referred in its decision to an industry dictionary – the New IEEE Standard Dictionary of Electrical & Electronics Terms – in several parts of its analysis and, with respect to one claim term, "adopt[ed] the definition from the New IEEE Dictionary as the most clear and pertinent." 670 F.Supp.2d at 60. That claim term was at issue on appeal, so one might think that *Teva's* new "clear error" standard would be applied, notwithstanding the lower court's characterization of the evidence on which it relied.

On appeal, however, the Federal Circuit cited *Teva* in passing and relied on the district court's characterization of the evidence it considered (*i.e.*, only intrinsic evidence), before proceeding to review the claim constructions *de novo*. Relying on the *de novo* review standard, the Court of Appeals reversed the constructions at issue and vacated the lower court's grant of summary judgment in favor of the alleged infringers.

The Federal Circuit's decision in *Papst* is notable more for the questions it raises about the application of *Teva* than its actual result. For example, the decision glosses over the question of how the Federal Circuit should determine whether or not to apply *Teva's* more limited *de novo* standard of review. Should it defer to the lower court's own characterization of its analysis or, conversely, should it scrutinize the evidence relied on by the lower court to determine the proper standard of review to apply? Will the resolution of this question be affected by the Federal Circuit's view of the district court's claim construction?

In the wake of *Teva*, many commentators expect that district courts will attempt to guard their claim construction analyses against *de novo* appellate review by relying expressly on extrinsic evidence. Whether that approach will have the intended shielding effect remains to be seen. One can, for example, envision a scenario in which the Federal Circuit decides that a lower court's apparent reliance on extrinsic evidence was unnecessary and consequently not entitled to deference. That was the apparent result in *Enzo Biochem Inc. v. Applera Corp.*, Case No. 2014-1321 (Fed. Cir. Mar. 16, 2015), in which the court applied a *de novo* standard of review and relied solely on intrinsic evidence to reverse the district court's claim construction, notwithstanding that the district court's analysis relied in part on extrinsic evidence. The court noted that the district court's finding based on extrinsic evidence, had the court considered it, "would be subject to review under *Teva*," but concluded that the finding "did not override [the court's] analysis of the totality of the" intrinsic evidence.

It will take time for the Federal Circuit to develop fully how *Teva* should be applied in that and other circumstances, and to see whether the Supreme Court agrees with the Federal Circuit's approach. Carter Ledyard & Milburn continues to review this and other emerging patent issues and will report on notable developments.

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