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Teva's Effect on Review of PTAB Claim Construction Rulings

Law360
May 11, 2015

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The U.S. Supreme Court issued its long-awaited claim construction decision in Teva v. Sandoz in January 2015.[1] In it, the Supreme Court was presented with the question: whether a district court's factual finding in support of its construction of a patent claim term may be reviewed de novo, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.

The Supreme Court held that when the Federal Circuit reviews a district court's subsidiary factual determinations made in the course of claim construction, it must apply a "clear error" standard of review not a de novo standard of review.[2] However, the court explained that when the district court considers only evidence intrinsic to the patent (the patent claims, specification, and prosecution history), and is not required to resolve any underlying factual disputes, this amounts solely to a determination of law and will be reviewed de novo.[3] The court also reaffirmed its holding in Markman v. Westview Instruments Inc.,[4] that the ultimate question of proper claim construction of a U.S. patent is a question of law, which a court of appeals will review de novo.[5]

Notably, post-Teva, several Federal Circuit opinions have held that the district court claim construction under review was based only on intrinsic evidence and therefore did not require any departure from de novo review.[6] Further cases recited the Teva standard of review, but simply concluded there was "no error" in the district court's claim construction[7] or that any finding of fact, even if considered and reviewed for clear error, would not outweigh the intrinsic evidence.[8] It thus remains to be seen whether this indicates an inclination by the Federal Circuit to avoid deference and adhere to its pre-Teva approach.

Impact of Teva on the Federal Circuit's Review of PTAB Claim Construction Decisions

But what about the impact of Teva on the Federal Circuit's review of Patent Trial and Appeal Board claim construction decisions? The question posed to the Supreme Court only addressed review of a district court's claim construction.

So far, however, precedential and nonprecedential Federal Circuit decisions indicate that Teva applies to the Federal Circuit's review of PTAB claim construction decisions:

> We review the Board's claim construction according to the Supreme Court's decision in Teva Pharmaceuticals U.S.A., Inc. v. Sandoz, Inc., __U.S.__, 135 S.Ct. 831, 841, __L.Ed.2d__ (2015). We review underlying factual determinations concerning extrinsic evidence for substantial evidence and the ultimate construction of the claim de novo. … Because there is no issue here as to extrinsic evidence, we review the claim construction de novo.[9]

However, in at least one nonprecedential decision, the Federal Circuit panel indicated that whether Teva changes Federal Circuit review of PTAB decisions remains an open question:

> [T]he Supreme Court decided Teva Pharms. USA Inc. v. Sandoz Inc., 135 S.Ct. 831 (Jan. 20, 2015), which changed our standard of review of a district court's factual determinations in construing a claim. Because the Board did not base its construction in this case on any findings of fact, and instead only considered intrinsic evidence, we need not consider whether Teva also changes our standard of review on appeals from the Board.[10]

Claim Construction Before PTAB

Claim construction is an essential step in America Invents Act post-grant proceedings such as inter partes reviews, both in the institution decision and in the final written decision.[11] The PTAB determines the scope of claims in patent applications by giving claims their broadest reasonable interpretation "in light of the specification as it would be interpreted by one of ordinary skill in the art."[12] While the PTAB's broadest reasonable interpretation of claim terms in most final written decisions (FWD) so far is based on the intrinsic evidence (claims, specification, and prosecution history) (see chart below, Fig. 1), the PTAB has been referring to extrinsic evidence to support its claim constructions.[13] For example, if the intrinsic evidence does not provide a definition of a claim term, the PTAB has relied on extrinsic evidence to find the definition.[14] The PTAB has also been receptive to expert testimony as to how one of ordinary skill in the art would understand a claim term.[15]

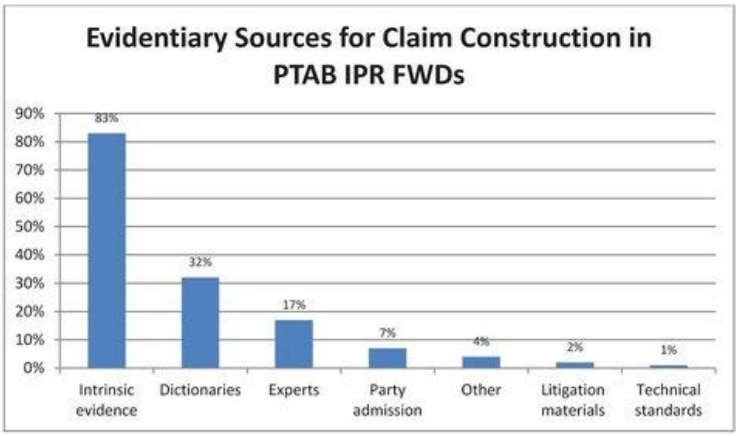

Fig. 1: Evidentiary Sources for Claim Construction in PTAB IPR FWDs.
Source: Finnegan research, as of April 1, 2015; based on 269 PTAB FWDs. Acknowledgement to Daniel Klodowski, Kai Rajan, Elliot Cook, Joseph Schaffner and Cara Lasswell of Finnegan.

The Administrative Procedure Act governs the standards of review for a decision from PTAB.[16] The APA provides two different standards of review: one standard for "pure" questions of law — de novo with no deference, and a second, more deferential, standard for questions of fact — "substantial evidence."[17] Perhaps, therefore, the Federal Circuit's application of Teva to PTAB claim construction decisions is no different than the standard of review under the APA.

It is possible that even if the Federal Circuit applies Teva to review of PTAB claim constructions, practitioners may not notice much of a difference, either because the Federal Circuit can simply say the claim construction is only based on intrinsic evidence and review de novo as it did pre-Teva, or because the APA standard of review is applied, which was and is a two-part standard of review anyway. So far, in the one precedential Federal Circuit opinion deciding an appeal of a final written decision from a PTAB IPR proceeding, the Federal Circuit recited Teva, but determined it did not apply because the PTAB's claim construction was based only on intrinsic evidence.

Alternatively, the application of Teva in Federal Circuit appeals of PTAB decisions may bring greater deference to PTAB's claim constructions involving extrinsic evidence. A party involved in a Federal Circuit appeal of a PTAB FWD may want to emphasize any extrinsic evidence on which the claim construction decision was based in an attempt to force the Federal Circuit to consider any factual finding based on extrinsic evidence under the clear error standard. A party arguing that the PTAB's claim construction was correct will likely want the Federal Circuit to defer to the PTAB decision as much as possible rather than subject the entire decision to a de novo standard of review on appeal.

Teva does, then, perhaps present patent practitioners with the possibility of strategizing more about how to present extrinsic evidence, before district courts, before the PTAB and in the Federal Circuit appeals of PTAB FWDs.

And it is an interesting twist that, at least in the foreseeable future, claim construction in IPRs may be usually won or lost at PTAB. The Federal Circuit has issued only one precedential decision, In re Cuozzo, on a PTAB appeal and all the rest have been Rule 36 affirmances.[18] It is thus possible that it will be PTAB, not the Federal Circuit, that will effectively be the ultimate authority on claim construction in AIA post-grant proceedings.

[1] Teva Pharms. USA Inc. v. Sandoz Inc., 135 S.Ct. 831(U.S., Jan. 20, 2015).

[2] Teva, 135 S. Ct. at 832.

[3] Id. at 841.

[4] 517 U.S. 370 (1996).

[5] 135 S. Ct. at 837, 841.

[6] Eidos Display, LLC v. AU Optronics Corp., 779 F.3d 1360 (Fed. Cir. 2015); Pacing Technologies LLC v. Garmin Intern. Inc., 778 F.3d 1021 (Fed. Cir. 2015); Lexington Luminance LLC v. Amazon.com Inc., __ Fed.Appx.__, 2015 WL 524270 (Fed. Cir. February 9, 2015) (non-precedential); FenF, LLC v. SmartThingz, Inc., __Fed.Appx.__, 2015 WL 480392 (Fed. Cir. 2015)(non-precedential); In re Papst Licensing Digital

Camera Patent Litigation, 778 F.3d 1255 (Fed. Cir. 2015); In re Imes, 778 F.3d 1250 (Fed. Cir. 2015); Cadence Pharmaceuticals Inc. v. Exela PharmSci Inc., __F.3d__ (Fed. Cir. March 23, 2015); Vasudevan Software, Inc. v. MicroStrategy, Inc., __F.3d__ (Fed. Cir. April 3, 2015); TMI Products, Inc. v. Rosen Entertainment Systems, L.P., __Fed.Appx.__, 2015 WL 1515271 (Fed. Cir. April 2, 2015)(non-precedential); In re Bookstaff, __Fed.Appx.__, 2015 WL 1344663 (Fed. Cir. March 26, 2015)(non-precedential); Oracle America, Inc. v. Google, Inc., __Fed.Appx.__, 2015 WL 1267998 (Fed. Cir. March 20, 2015) (non-precedential); MobileMedia Ideas LLC v. Apple Inc., 780 F.3d 1159 (Fed. Cir. 2015).

[7] Warsaw Orthopedic, Inc. v. NuVasive, Inc., 778 F.3d 1365 (Fed. Cir. 2015); Fenner Investments, Ltd. v. Cellco Partnership, 778 F.3d 1320 (Fed. Cir. 2015); Flexiteek Americas, Inc. v. Plasteak, Inc., __Fed.Appx. __, 2015 WL 1244475 (Fed. Cir. March 19, 2015) (non-precedential).

[8] Enzo Biochem Inc. v. Applera Corp., 780 F.3d 1149 (Fed. Cir. 2015).

[9] In re Cuozzo, 778 F.3d 1271, 1282-83 (Fed. Cir. 2015); See In re Imes, 778 F.3d 1250, 1252 (Fed. Cir. 2015) (an appeal of an examiner's rejection wherein the Court noted that nothing in this case implicates the deference to fact findings and reviewed the claim construction de novo.); see also In re 55 Brake LLC, No. 2014-1554, 2015 WL 1610170, at *1 (Fed. Cir. Apr. 13, 2015) (yet to be published); In re Bookstaff, No. 2014-1463, 2015 WL 1344663, at *2 (Fed. Cir. Mar. 26, 2015) (yet to be published).

[10] Oracle v. Google, __Fed. Appx.__, *2 (Fed. Cir. Mar. 20, 2015) (non-precedential).

[11] Corning Inc. v. DSM IP Assets BV, IPR2013-00043, Paper No. 14 at 4 (May 13, 2013);

[12] In re Am. Acad. of Sci. Tech. Ctr., 367 F.3d 1359, 1364 (Fed. Cir. 2004).

[13] In contrast, the district court applies a Phillips standard, under which intrinsic sources are emphasized. See Phillips v. AWH Corp., 415 F.3d 1303, 1313 (Fed. Cir. 2005) (en banc).

[14] See Apple Inc. v. Achates Ref. Pub. Inc., IPR2013-00080, Paper 21 (June 3, 2013); Paper 90 (June 2, 2014); Veeam Software Corp. v. Symantec Corp., IPR2013-00141, Paper 50, at 7 (July 29, 2014) (relying on a technical dictionary to define certain claim terms).

[15] See Carl Zeiss SMT GMBH v. Nikon Corp., IPR2013-00362, Paper No. 41 (Nov. 4, 2014); Amneal Pharm., LLC v. Supernus Pharm., Inc., IPR2013-00368, Paper No. 94 (Dec. 9, 2014) (weigh the expert declarations from both parties); Ariosa Diagnostics v. Isis Innovation, Ltd., IPR2012-00022, Paper No. 166 at 20-26 (Sept. 2, 2014) (noting that the Board's interpretation for the claim limitation is consistent with the construction used by Isis's expert at trial); Game Show Network, LLC v. John H. Stephenson, IPR2013-00289, Paper No. 8 at 6 (Nov. 11, 2013)(PTAB reviewed the expert testimony from both sides regarding how a person of ordinary skill in the art would interpret the specification. PTAB gave more weight to Petitioner's expert than Patent Owner's, finding that the Petitioner's testimony "is consistent with the words from the specification.").

[16] See Dickinson v. Zurko, 527 U.S. 150, 152 (1999).

[17] 5 U.S.C. § 706 (a reviewing court shall decide all relevant questions of law. . . The reviewing court shall hold unlawful and set aside agency action, findings, and conclusions found to be--. . . (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.)

[18] Softview LLC v. Kyocera Corp., 592 Fed.Appx. 949 (Fed. Cir. Feb. 9, 2015); Softview LLC v. Kyocera

Corp., 592 Fed.Appx. 947 (Fed. Cir. Feb. 9, 2015); Board of Trustees of the University of Illinois v. Micron Technology, Inc., 596 Fed.Appx. 923 (Fed. Cir. March 12, 2015); Board of Trustees of the University of Illinois v. Micron Technology, Inc., 596 Fed.Appx. 921 (Fed. Cir. March 12, 2015); Board of Trustees of the University of Illinois v. Micron Technology, Inc., 2015 WL 1061799 (Fed. Cir. March 12, 2015); Clearlamp, LLC v. LKQ Corp., 594 Fed.Appx. 687 (Fed. Cir. Feb. 18, 2015); In re Zillow, Inc., 596 Fed.Appx. 921 (Fed. Cir. March 12, 2015).