DC CLIENT ALERT

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Supreme Court Changes The Standard Of Review For Claim Construction Decisions

By Richard J. Oparil

The U.S. Court of Appeals for the Federal Circuit has long held that a District Court's construction of the meaning of claim terms in a patent is not entitled to any deference and would be reviewed on appeal using a de novo standard. The Supreme Court rejected those decisions on January 20 and held that the Federal Circuit "must apply a 'clear error,' not de novo, standard of review" to the factual underpinnings of a District Court's claim construction determination.

In *Teva Pharmaceuticals USA, Inc. v. Sandoz Inc.* (here), the Court ruled that "when the district court reviews only evidence intrinsic to the patent (the patent claims and specification, 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." But when a District Court considers extrinsic evidence, such as an expert opinion, it "will need to make subsidiary factual findings about that extrinsic evidence." Those findings are now entitled to deference. Thus, "if a district court resolves a dispute between experts and makes a factual finding that, in general, a certain term of art had a particular meaning to a person of ordinary skill in the art at the time of the invention, the district court must then conduct a legal analysis: whether a skilled artisan would ascribe that same meaning to that term in the context of the specific patent claim under review."

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According to the majority opinion written by Justice Breyer, when the District Court credited the explanation of Teva's expert regarding how a skilled artisan would use a patent figure to determine what a potentially ambiguous claim term meant, it resolved a factual issue. The Federal Circuit erred by not affording any deference to the finding on appeal. The Supreme Court relied on Federal Rule of Civil Procedure 52(a)(6), which provides that in matters tried to the bench, the Court's "[f]indings of fact . . . must not be set aside unless clearly erroneous."

The *Teva* decision will have a broad impact on patent litigation. Many District Court's discourage or do not allow the use of extrinsic evidence in construing claims. That may change. The *Teva* decision will incentivize the parties to an infringement case to obtain discovery and to present extrinsic evidence, including expert testimony, in support of their claim construction positions in an attempt to maximize deference to a favorable District Court decision. In addition, District Courts may delay claim construction rulings until the later stages of a case in order for the development of a more complete factual record.

Federal Circuit Upholds Patent Damages Of More Than $1 Billion

By Richard J. Oparil

On January 13, 2015, the Federal Circuit affirmed a District Court's ruling that found W.L. Gore & Associates liable for willful infringement of a patent owned by C.R. Bard. This ruling adds $205 million to $854 million in damages involving vascular grafts using ePTFE (brand name Gore-Tex®). In *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.* (here), the Court found Gore's defense that relied on invalidity because of joint inventorship was unreasonable.

An accused infringer's actions are not willful if it has a reasonable defense to the charge of infringement. "To establish willful infringement, the patentee has the burden of showing by clear and convincing evidence that the infringer acted [i.e. infringed] despite an objectively high

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likelihood that its actions constituted infringement of a valid patent." Recklessness by an infringer can constitute willfulness, thus doubling the damages owed.

The *Bard* decision sprung out of many years of litigation. Gore claimed that its employee was a joint inventor of the patent and that the failure to list him as such rendered the patent invalid. As a result, according to Gore, it could not be liable for willful infringement. The Federal Circuit disagreed. Gore's defense was considered unreasonable because the Patent and Trademark Office and the Federal Circuit had previously determined that Gore's employee was not a joint inventor of the grafts. Thus, Gore's defense to willful was not reasonable and the $1 billion judgment was affirmed. Judge Newman dissented and highlighted many facts that she believed constitute objectively reasonable challenges to the validity of Bard's patent.

USPTO Acting Director Announces Initiative On Patent Quality

By Richard J. Oparil

On January 22, the acting director of the U.S. Patent and Trademark Office (and nominee for the position), Michelle Lee, announced a new patent quality initiative, built on three prongs: (1) excellence in prosecution services, (2) excellence in customer service; and (3) excellence in patent quality. Lee said there will soon be a new Federal Register Notice on patent quality and the USPTO will hold a two-day conference on quality.

Lee also announced that the creation of a new senior executive position in the office dedicated to coordinating its efforts to ensure patent quality and to guide new initiatives. Valencia Martin-Wallace has been named to the newly created position of Deputy Commissioner for Patent Quality. Martin-Wallace has been with the USPTO for over 22 years, first joining the Office as a Patent Examiner. She went on to become a Supervisory Patent Examiner in electronic gaming devices, electronic educational devices and networking technologies. In 2011, Martin-Wallace was promoted to the position of Assistant Deputy Commissioner for Patent Operations.

In her second appearance at confirmation hearings before the Senate Judiciary Committee on January 21, Lee said that both the USPTO and the courts have taken significant steps in addressing problems in the patent system following enactment of the America Invents Act. Lee supports further "balanced" statutory reform to particularly address patent litigation abuses, but was unwilling to take a stance on any particular reform, such as the automatic-fee-shifting that was a central aspect of patent reform bills last year.

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