

OFFICE OF THE GENERAL COUNSEL

Practice Group Advisory

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SUMMARY

U.S. Supreme Court ruling may encourage early disposition of patent infringement suits and also result in fewer appeals and reversals.

If you have any questions regarding the issues raised by the *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* decision, please contact:

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U.S. SUPREME COURT RULING MAY ENCOURAGE EARLY DISPOSITION OF PATENT INFRINGEMENT SUITS

On January 20, 2015, the U.S. Supreme Court issued a ruling in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* that gives increased deference to trial court rulings on patent claim interpretation (sometimes referred to as “claim construction”). This ruling may encourage early disposition of patent infringement suits and also result in fewer appeals and reversals if the case results in summary judgment or trial.

Background of the Case

Teva Pharmaceuticals (“Teva”), which owned a patent for making a multiple sclerosis drug, sued Sandoz, alleging that Sandoz’s drug infringed Teva’s patent. Sandoz’s defense was that Teva’s patent claims were indefinite and thus did not satisfy 35 U.S.C. §112 ¶2 of the patent statute. Section 112 ¶2 requires that a patent claim point out and distinctly claim the patented invention. The district court interpreted the meaning of Teva’s patent claims by reviewing Teva’s entire patent (*i.e.*, both the patent specification and the patent claims) and its patent prosecution history and also considered evidence presented in court by scientific experts. After concluding that Teva’s patent claims were sufficiently definite, the district court held that the patent was valid.

Sandoz appealed the decision to the Court of Appeals for the Federal Circuit (Federal Circuit), which reversed the decision after conducting what is known as a “*de novo* review.” Essentially, the Federal Circuit reviewed the evidence and conducted its own interpretation of the meaning of Teva’s patent claims, finding that the patent claims were indefinite and that Teva’s patent was therefore invalid. Teva then appealed to the U.S. Supreme Court.

In its 7-2 opinion, the Supreme Court reversed the Federal Circuit, noting that the Federal Circuit had applied the incorrect standard of review. According to the Court, the Federal Circuit should have reviewed the district court’s decision for “clear error” and shown greater deference to the lower court’s analysis. In particular, the Court noted that *de novo* review of claim interpretation (by the Federal Circuit) would have been appropriate had the trial judge reviewed “only evidence intrinsic to the patent (the patent claims and specifications, along with the patent’s prosecution history).” However, the trial judge had gone further and consulted extrinsic evidence, specifically the testimony presented in court by scientific expert witnesses. Because the Federal Circuit did not have the opportunity to assess the credibility of the testifying witnesses, the Court opined that it should have deferred to the trial judge’s analysis in that regard. Accordingly, the Court reversed the Federal Circuit.

Anticipated Impact of Teva

While the *Teva* ruling focused on a largely procedural issue, it may have several practical impacts on patent litigation. Parties to patent infringement suits may have greater confidence in the scope of patent coverage post-*Teva* and may therefore be more willing to reach early settlement. The increased deference accorded to the trial court may also lead to an increase in successful early summary judgment motions and decrease the likelihood that summary judgment is overturned on appeal.

Finally, even in patent infringement cases that continue to trial, the parties may be more likely to narrow their case at an earlier point, focusing on their strongest arguments and withdrawing weaker patents, patent claims and defenses. For entities with limited resources to pursue patent claims, including universities, the result may be more efficient and cost-effective patent litigation.