

Binding Claim Construction Rulings Pre-Teva Vs. Post-Teva

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In *Teva Pharmaceuticals USA Inc. v. Sandoz Inc.*, the U.S. Supreme Court held that clear error review applies to factual determinations underlying district court claim constructions.[1] There has been much discussion about the effect of *Teva* on the resolution of claim construction disputes in district court litigations. Much of that discussion, however, has focused on whether *Teva* “increase[d] the probability that district court results in patent cases will stand up on appeal.”[2] This article focuses on a different issue — whether established case law regarding the preclusive effect of a claim construction ruling in a subsequent or co-pending district court case supports the *Teva* court’s assumption that preclusion is a successful means of achieving uniformity.



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Before *Teva*, the Federal Circuit reviewed claim construction *de novo*,[3] in part because that standard would promote intrajurisdictional certainty and national uniformity as it relates to claim construction issues. In contrast, clear error review of claim construction rulings could inhibit those policy goals because one court could interpret a claim one way, and another court could interpret the same claim a different way — and both courts would be owed deference.[4] The *Teva* court, however, rejected that position, concluding that clear error review of underlying factual findings does not undermine national uniformity.[5]



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In reaching that conclusion, the court made a critical assumption: that claim constructions in “prior cases will sometimes be binding because of issue preclusion.”[6] This article examines whether and to what extent courts leading up to *Teva* gave preclusive effect to prior claim construction rulings, and it also analyzes *Teva*’s consequences for the doctrine of issue preclusion, particularly when two cases present different claim construction records.

Issue Preclusion Generally

Under the doctrine of issue preclusion, also called collateral estoppel, “once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a [subsequent] suit.”[7] In the patent context, where privity is satisfied, a prior claim construction ruling will have preclusive effect in a subsequent or co-pending action when (1) the identical issue is presented in both actions, (2) the issue was actually litigated in the first action, (3) the ruling is sufficiently final, and (4) the parties had a full and fair opportunity to litigate the issue in the first action.[8] As a purely procedural issue, the Federal Circuit applies “the law of the regional circuit ... to the issue of collateral estoppel,”[9] so the factors may differ slightly depending on the forum where the action is commenced. We discuss the finality and identity requirements in further detail below.

“Finality,” Depending On Progress Of Prior Litigation

1. Claim Construction Rulings, Standing Alone

Several courts have addressed the argument that claim construction rulings are themselves “final” and thus have preclusive effect on parties and their privities from the moment they issue in a prior or co-pending case. Support for that view is found in *TM Patents LP v. International Business Machines Corp.*, in which the district court suggested that Markman rulings have “special finality” given that, upon the conclusion of Markman proceedings, “nothing more remain[s] to be decided on the issue of claim construction.”^[10]

Though other district courts have also noted the “special finality” of Markman rulings,^[11] no court has actually held that claim construction rulings are themselves “final” (absent additional facts that bear on finality, such as judgment, dismissal or settlement in the prior action).^[12] Furthermore, at least one district court has expressed doubt about whether the “special finality” of claim construction rulings survives *Teva*.^[13] Even prior to *Teva*, several district courts held that the finality requirement is not satisfied by a claim construction ruling standing alone.^[14] In *Fitzgibbon v. Martin Cnty. Coal Corp.*, for example, a West Virginia court severed the defendants in the original action for jurisdictional reasons and transferred one of the matters to Kentucky.^[15] Following the transfer, the plaintiff in the Kentucky action invoked the doctrine of collateral estoppel based on the West Virginia court’s Markman ruling. The Kentucky court declined to preclude relitigation of claim construction, citing, *inter alia*, the ongoing nature of the West Virginia action.^[16]

2. Summary Judgment Rulings, Predicated On Claim Constructions

Courts have also addressed the issue of whether claim constructions that merge into summary judgment rulings are sufficiently final to have preclusive effect, even prior to final judgment.

Although not directed to claim construction rulings specifically, the district court’s decision in *Intellectual Ventures I LLC v. Capital One Fin. Corp.* is illustrative of the types of arguments made in support of preclusion under the circumstances.^[17] In *Capital One*, the court held that a prior, partial summary judgment ruling of invalidity satisfied the finality requirement even though the first action remained pending. The court noted that, under Fourth Circuit precedent, prior rulings need not satisfy “Rule 54(b) finality or appealability” and explained that “[a]s long as the prior adjudication of the identical issue is conclusive” there is “no reason to require the issue to be tried again because it lacked the formality of an express order.”

In other cases, however, courts have found that summary judgment rulings are not sufficiently final for purposes of issue preclusion.^[18] For example, in *Vardon Golf Co. Inc. v. Karsten Mfg. Corp.*, the Federal Circuit concluded that a grant of partial summary judgment was not entitled to preclusive effect.^[19] In the first action, the district court had construed the claims and granted summary judgment of noninfringement as to one of the patents-in-suit. The Federal Circuit held that the ruling was not sufficiently final because the “grant of summary judgment clearly was not immune to reversal or

amendment” and because Seventh Circuit precedent accords finality to partial summary judgment orders only after certification under Rule 54(b) (which had not occurred in the first action).

3. Settlements

Courts generally agree that, absent extenuating circumstances, a claim construction ruling in a matter that has culminated in a final judgment is entitled to preclusive effect.[20] We therefore focus on the issue on which courts appear to be most split — the preclusive effect of a claim construction rendered in a case that has settled.

One line of cases holds that claim construction rulings in settled cases should have preclusive effect.[21] *Int’l Gamco Inc. v. Multimedia Games Inc.* explains the rationale for that view.[22] The Gamco court found that under Ninth Circuit law, “a court approved settlement is a final judgment on the merits[,]” and that “[a] party who cuts off his right to review by settling ... cannot complain that the question was never reviewed on appeal.” The court also pointed to the goal of national uniformity as a reason to avoid relitigation of claim construction issues.

Another line of cases holds that a settlement undermines the finality of interlocutory decisions, such as claim construction, because it cuts off the parties’ right to appeal.[23] *Kollmorgen Corp. v. Yaskawa Elec. Corp.* is often cited for that proposition.[24] The court concluded that TM Patents and its progeny incorrectly interpreted *Markman II* as “nullifying pre-existing Federal Circuit analysis regarding collateral estoppel,” and found the lack of opportunity for review due to the settlement similarly problematic.

“Identity,” When There Are Differences In Claim Construction Record

The identity prong of collateral estoppel requires that the issue to be decided in the second case be the same as the issue actually decided in the first case. Courts generally find that the identity prong is not satisfied when the second case requires a more precise claim construction than was necessary in the first case.[25] With respect to whether the identical issue is presented when two cases present different factual records underlying claim construction, there appear to be no post-Teva cases directly on point.

However, there are cases (albeit in different contexts) in which collateral estoppel has been found to apply notwithstanding various differences in the factual record. For example, in *Dana v. E.S. Originals Inc.*, the Federal Circuit rejected the argument that the identity prong was not satisfied and upheld the district court’s application of collateral estoppel to an infringement holding, finding that the existence of “different evidence, including a new expert witness declaration[,]” did not indicate “any difference in the issues presented in the two cases.”[26] That approach seems consistent with the more general rule that a party “may not avoid issue preclusion merely by offering evidence in the second proceeding that could have been presented and admitted in the first but was not.”[27]

Conclusion

While Teva itself acknowledges that prior claim construction rulings will only “sometimes” be binding, a review of the case law in this area indicates that there was some pre-Teva disagreement on the circumstances under which they were binding. Perhaps the only clarity from Teva in that regard was the suggestion that claim construction rulings will not always be binding, which at least one district court has used to cast doubt on any “special finality” rule for claim construction rulings. Teva’s focus on the factual basis for claim construction rulings, however, is not likely to affect the application of the issue preclusion doctrine.[28]

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[1] 135 S. Ct. 831 (2015).

[2] See, e.g., Steve Cherny & John O’Quinn, Claim Construction’s Journey in the 9 Months Since Teva, *Law360* (Oct. 30, 2015).

[3] *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995), *aff’d*, 517 U.S. 370 (1996) (“*Markman II*”).

[4] *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455 (Fed. Cir. 1998) (“[T]he Supreme Court endorsed this court’s role in providing national uniformity to the construction of a patent claim, a role that would be impeded if we were bound to give deference to a trial judge’s asserted factual determinations incident to claim construction.”).

[5] 135 S. Ct. at 839-40.

[6] *Id.*

[7] *Allen v. McCurry*, 449 U.S. 90, 94 (1980).

[8] *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702 (Fed. Cir. 1983).

[9] *RF Delaware, Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003).

[10] 72 F. Supp. 2d 370, 375-78 & n.2 (S.D.N.Y. 1999).

[11] *Curtiss-Wright Flow Control Corp. v. Z & J Techs. GmbH*, 563 F. Supp. 2d 1109, 1121-22 (C.D. Cal. 2007).

[12] In *TM Patents*, for example, the first action settled during trial. As discussed *infra*, several district courts have found that the settlement confers the necessarily finality on the claim construction ruling.

[13] *Altera Corp. v. PACT XPP Techs., AG*, 2015 WL 4999952, at *11 n.10 (N.D. Cal. Aug. 21, 2015).

[14] *Powervip, Inc. v. Static Control Components, Inc.*, 2011 WL 2669059, at *6 (W.D. Mich. July 6, 2011) (citing cases).

[15] 2007 WL 1231509 (E.D. Ky. Apr. 25, 2007).

[16] Although the court indicated that collateral estoppel would not apply to a *Markman* ruling issued in a co-pending action, it ultimately decided the issue on alternate grounds because the parties had failed to satisfy other elements necessary for preclusion.

[17] 2015 WL 5201356 (D. Md. Sept. 4, 2015).

[18] *RF Delaware*, 326 F.3d at 1262.

[19] 294 F.3d 1330 (Fed. Cir. 2002).

[20] *In re Freeman*, 30 F.3d 1459 (Fed. Cir. 1994).

[21] *Cisco Sys., Inc. v. Telcordia Techs., Inc.*, 590 F. Supp. 2d 828, 830-31 (E.D. Tex. 2008) (citing cases).

[22] 732 F. Supp. 2d 1082 (S.D. Cal. 2010).

[23] *Cisco*, 590 F. Supp. 2d at 831 (citing cases); see also *RF Delaware*, 326 F.3d at 1262.

[24] 147 F. Supp. 2d 464 (W.D. Va. 2001).

[25] *Guardian Media Techs., Ltd. v. Acer Am. Corp.*, 2013 WL 1866901, at *10 (E.D. Tex. May 2, 2013).

[26] 342 F.3d 1320 (Fed. Cir. 2003).

[27] 3-30 James Wm. Moore et al., *Federal Practice and Procedure* § 30.72 (2015); 6 Robert A. Matthews, Jr., *Annotated Patent Digest* § 38:64 (2016).

[28] *Abbott Labs. v. Dey, L.P.*, 2000 WL 1263462, at *4 (N.D. Ill. June 28, 2000).