

## ALERT

## Federal Circuit Patent Bulletin: *Teva Pharms. USA, Inc. v. Sandoz, Inc.*

---

January 20, 2015

*"[T]he question we have answered here concerns review of the district court's resolution of a subsidiary factual dispute that helps that court determine the proper interpretation of the written patent claim. . . . The appellate court can still review the district court's ultimate construction of the claim de novo. But, to overturn the judge's resolution of an underlying factual dispute, the Court of Appeals must find that the judge, in respect to those factual findings, has made a clear error."*

On January 20, 2015, in *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, the Supreme Court of the United States (Breyer for the Court; Thomas and Alito dissenting) vacated and remanded the Federal Circuit's judgment, which affirmed-in-part, reversed-in-part, and remanded the district court's judgment inter alia that Sandoz and other defendants infringed U.S. Patents No. 5,800,808, No. 5,981,589, No. 6,048,898, No. 6,054,430, No. 6,342,476, No. 6,362,161, No. 6,620,847, No. 6,939,539, and No. 7,199,098, which related to glatiramer acetate injection for treating multiple sclerosis, marketed by Teva as Copaxone®. The Court stated:

Federal Rule of Civil Procedure 52(a)(6) states that a court of appeals "must not . . . set aside" a district court's "[f]indings of fact" unless they are "clearly erroneous." In our view, this rule and the standard it sets forth must apply when a court of appeals reviews a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim. We have made clear that the Rule sets forth a "clear command." "It does not make exceptions or purport to exclude certain categories of factual findings from the obligation of a court of appeals to accept a district court's findings unless clearly erroneous." Accordingly, the Rule applies to both subsidiary and ultimate facts. And we have said that, when reviewing the findings of a "district court sitting without a jury, appellate courts must constantly have in mind that their function is not to decide factual issues de novo." Even if exceptions to the Rule were permissible, we cannot find any convincing ground for creating an exception to that Rule here. . . .

Our opinion in *Markman* neither created, nor argued for, an exception to Rule 52(a). . . . When describing claim construction we concluded that it was proper to treat the ultimate question of the proper construction of the patent as a question of law in the way that we treat document construction as a question of law. But this does not imply an exception to Rule 52(a) for underlying factual disputes. We used the term “question of law” while pointing out that a judge, in construing a patent claim, is engaged in much the same task as the judge would be in construing other written instruments, such as deeds, contracts, or tariffs. Construction of written instruments often presents a “question solely of law,” at least when the words in those instruments are “used in their ordinary meaning.” But sometimes, say when a written instrument uses “technical words or phrases not commonly understood,” those words may give rise to a factual dispute. If so, extrinsic evidence may help to “establish a usage of trade or locality.” And in that circumstance, the “determination of the matter of fact” will “preced[e]” the “function of construction.” This factual determination, like all other factual determinations, must be reviewed for clear error.

Accordingly, when we held in *Markman* that the ultimate question of claim construction is for the judge and not the jury, we did not create an exception from the ordinary rule governing appellate review of factual matters. *Markman* no more creates an exception to Rule 52(a) than would a holding that judges, not juries, determine equitable claims, such as requests for injunctions. A conclusion that an issue is for the judge does not indicate that Rule 52(a) is inapplicable. While we held in *Markman* that the ultimate issue of the proper construction of a claim should be treated as a question of law, we also recognized that in patent construction, subsidiary factfinding is sometimes necessary.

Indeed, we referred to claim construction as a practice with “evidentiary underpinnings,” a practice that “falls somewhere between a pristine legal standard and a simple historical fact.” We added that sometimes courts may have to make “credibility judgments” about witnesses. In other words, we recognized that courts may have to resolve subsidiary factual disputes. And, as explained above, the Rule requires appellate courts to review all such subsidiary factual findings under the “clearly erroneous” standard. . . .

[T]he Circuit feared that “clear error” review would bring about less uniformity. Neither the Circuit nor *Sandoz*, however, has shown that (or explained why) divergent claim construction stemming from divergent findings of fact (on subsidiary matters) should occur more than occasionally. After all, the Federal Circuit will continue to review *de novo* the district court’s ultimate interpretation of the patent claims. And the attorneys will no doubt bring cases construing the same claim to the attention of the trial judge; those prior cases will sometimes be binding because of issue preclusion, and sometimes will serve as persuasive authority. Moreover, it is always possible to consolidate for discovery different cases that involve construction of the same claims. And, as we said in *Markman*, subsidiary factfinding is unlikely to loom large in the universe of litigated claim

construction. . . .

Now that we have set forth why the Federal Circuit must apply clear error review when reviewing subsidiary factfinding in patent claim construction, it is necessary to explain how the rule must be applied in that context. We recognize that a district court's construction of a patent claim, like a district court's interpretation of a written instrument, often requires the judge only to examine and to construe the document's words without requiring the judge to resolve any underlying factual disputes. As all parties agree, when the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, 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*. In some cases, however, the district court will need to look beyond the patent's intrinsic evidence and to consult extrinsic evidence in order to understand, for example, the background science or the meaning of a term in the relevant art during the relevant time period. In cases where those subsidiary facts are in dispute, courts will need to make subsidiary factual findings about that extrinsic evidence. These are the "evidentiary underpinnings" of claim construction that we discussed in *Markman*, and this subsidiary factfinding must be reviewed for clear error on appeal.

For example, 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. That is because "[e]xperts may be examined to explain terms of art, and the state of the art, at any given time," but they cannot be used to prove "the proper or legal construction of any instrument of writing."

Accordingly, the question we have answered here concerns review of the district court's resolution of a subsidiary factual dispute that helps that court determine the proper interpretation of the written patent claim. The district judge, after deciding the factual dispute, will then interpret the patent claim in light of the facts as he has found them. This ultimate interpretation is a legal conclusion. The appellate court can still review the district court's ultimate construction of the claim *de novo*. But, to overturn the judge's resolution of an underlying factual dispute, the Court of Appeals must find that the judge, in respect to those factual findings, has made a clear error.

In some instances, a factual finding will play only a small role in a judge's ultimate legal conclusion about the meaning of the patent term. But in some instances, a factual finding may be close to dispositive of the ultimate legal question of the proper meaning of the term in the context of the patent. Nonetheless, the

ultimate question of construction will remain a legal question. Simply because a factual finding may be nearly dispositive does not render the subsidiary question a legal one. “[A]n issue does not lose its factual character merely because its resolution is dispositive of the ultimate” legal question.