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The Trademark as a Novel Innovation Index

*By Brian J. Focarino**

I. Pudding, Parks, and Products of the Intellect

Products of the intellect are different from a bowl of pudding.¹ In economic terms, pudding is considered “rivalrous,” not in the way that the Hatfields and the McCoys are rivals, but by virtue of the fact that if I get to a bowl of pudding and eat it before someone else, it is “used up.” There is no more of it. Ideas, on the other hand, are economically “non-rival,” that is, one person’s consumption of an idea does not necessarily reduce the amount of the idea available to another person.² My use of English syntax in this sentence prevents no one from simultaneously using syntax to write another sentence somewhere else. Language, unlike pudding, planes, and puppies, trades for nothing in a market economy.³ But just like products of the intellect are different from pudding, they are also, generally speaking, different from public parks. In addition to being non-rival, public parks are “non-excludable”—a public park is freely available to all (taxes notwithstanding). The risk of treating ideas like we treat public parks is that many of the entrepreneurs amongst us would be unable to recoup the costs of inventing or creating. We would say that an entrepreneur does not innovate because she, he, or it, has no *incentive*

to innovate.⁴ We recognize that just because some ideas *can* be traded at a zero price does not mean that arriving at all ideas incurs *zero cost*. To discourage free riding, and to incentivize innovation by ensuring that certain species of ideas are entitled to excludability for a period of time, we treat some *ideas* like we treat *property*, but property of the intellect.⁵

The study of entrepreneurship “seeks to understand how opportunities are identified and exploited.”⁶ Valuable research in the field of entrepreneurship, therefore, involves “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered [and] evaluated.”⁷ When studying the relationship that exists between entrepreneurship and intellectual property, patents receive the most scholarly attention.⁸ The attention makes sense when we consider that patents are closely associated with technical progress, grant temporary monopolies that incentivize investment in research & development (R&D), and function as “vector[s] of technological dissemination” in and of themselves.⁹ In a number of industries, however, “conventional forms of invention (associated with patenting) are minimal, . . . so we must look elsewhere [to discern] innovative behaviour [sic].”¹⁰ This is particularly true

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Supreme Court 2014-2015 IP Case Review

By Charles R. Macedo, Richard S. Mandaro, David P. Goldberg, and Kyung J. Shin*

INTRODUCTION

In the past term, as in its 2013-2014 term, the Supreme Court once again showed a keen interest in intellectual property matters. The Amicus Brief Committee filed briefs in two of the five intellectual property cases reviewed by the Court.¹ Below, we summarize last term's decisions in the order they were issued by the Court.

***Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854, 135 S. Ct. 831 (Jan. 20, 2015)**

Issue: Patent Law – Standard of Appellate Review

Question Presented:

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.

Teva Pharmaceuticals owns a patent covering a method of manufacturing its popular drug Copaxone®, which is used to treat multiple sclerosis and has generated over \$10 billion in sales since its introduction in 1997. The claim at issue requires the claimed agent to have a “molecular weight” within a certain range. When Teva sued Sandoz, Inc. for patent infringement, defendant Sandoz argued that the term “molecular weight” was “indefinite” for failing to identify the method of calculation to be used to calculate the “molecular weight.”

The district court disagreed, explaining that the term “molecular weight” would be an “average molecular weight” in this context as the claimed agent is produced as a non-uniform mixture. *Teva Pharms. USA, Inc. v. Sandoz Inc.*, 810 F. Supp. 2d 578, 587 (S.D.N.Y. 2011). However, the Federal Circuit reversed, and found the term to be indefinite, noting that the plain language of the claims does not indicate which type of average molecular weight measure was to be used. In so ruling, the Federal Circuit concluded that the testimony of Teva's expert regarding the specification does not save the claims from indefiniteness. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 723 F. 3d 1363, 1369 (Fed. Cir. 2013).

On certiorari, the Supreme Court held that any “underlying factual disputes” resolved by the judge

in the course of claim construction must be reviewed for clear error. In addition to reviewing its holding in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), the Supreme Court explained that precedent, including its treatment of “obviousness” as a question of law with underlying questions of fact, as well as “practical considerations” such as the district court's familiarity with the “specific scientific problems and principles” at issue in the case, support clear error review. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. at 838.

Accordingly, in a 7-2 panel, the Court held that the Federal Circuit erred by not accepting Teva's expert's explanation as to how a skilled artisan would interpret Figure 1 of the patent-at-issue, without finding that explanation “clearly erroneous.” Although it established in *Markman* that claim construction “is not for a jury but ‘exclusively’ for ‘the court’ to determine,” the “evidentiary underpinnings” of claim construction are still underlying factual questions subject to clear error review under Rule 52(a). *Id.* The majority also rejected the argument that it is difficult to separate the “factual” questions from the “legal” ones by explaining how to identify the “factual” questions that are entitled to deference. For example, the majority explained that claim construction involves only subsidiary factual findings when the district court reviews extrinsic evidence, beyond the patent's claims, specification, and prosecution history such as witness credibility, and the meaning of a term of art to a person of ordinary skill in the art at the time of the invention. *Id.* at 841.

In a dissenting opinion, Justice Thomas, joined by Justice Alito, argued that the Federal Circuit properly applied a *de novo* standard of review. While the majority opinion likened a patent to a deed or a contract rather than a statute, the dissent took the opposite position and argued that because patents “provide rules that bind the public at large, patent claims resemble statutes,” which do not involve subsidiary findings of fact. *Id.* at 847. Indeed, Justice Thomas described the understanding of a “skilled artisan” as a “legal fiction” more analogous to a “conclusion of law” than a “finding of fact.” *Id.* at 849.

Since this decision in January 2015, the Supreme Court has granted certiorari, vacated, and remanded five cases regarding the issue of the standard of review for claim construction in light of *Teva*, namely, *Gevo, Inc. v. Butamax Advanced Biofuels*, No. 13-1286;

Lighting Ballast Control LLC v. Universal Lighting Techs, Inc., No. 13-1536; *Shire Development, LLC v. Watson Pharms., Inc.*, No. 14-206; *CSR PLC v. Azure Networks, LLC*, No. 14-976; and *CardSoft, LLC v. VeriFone, Inc.*, No. 14-1160. The Federal Circuit's resolution of these cases on remand may provide additional guidance as to the significance of *Teva's* holding in the future.

As of submission of this article, the Federal Circuit ruled on two of the aforementioned five cases. See *Shire Dev., LLC v. Watson Pharms., Inc.*, No. 2013-1409, 2015 U.S. App. LEXIS 9250 (Fed. Cir. June 3, 2015); *Lighting Ballast Control LLC v. Philips Elecs. North Am. Corp.*, No. 2012-1014, 2015 U.S. App. LEXIS 10535 (Fed. Cir. June 23, 2015). On remand from the Supreme Court, *Shire* argued that because the district court heard testimony from various expert witnesses during the trial, the Federal Circuit must defer to the district court's constructions of claim terms. *Shire*, 2015 U.S. App. LEXIS 9250, at *20. However, the Federal Circuit did not see any factual findings that warranted a deferential standard of review under *Teva* and again reversed the district court's constructions, noting that a deferential standard of review is not triggered any time a district court hears or receives extrinsic evidence. *Id.* at *21. On the other hand, in *Lighting Ballast*, the Federal Circuit found "underlying 'subsidiary' factual findings by the district court related to the extrinsic record." 2015 U.S. App. LEXIS 10535, at *10. Accordingly, the Federal Circuit reviewed the district court's construction of the term "direct current blocking means" for clear error. *Id.* at *22-23. For other terms such as "control means," for which the district court had denied a motion for "Judgment as a Matter of Law," however, the Federal Circuit reviewed the lower court's decision *de novo*, applying the law of the applicable regional circuit (the Fifth Circuit). *Id.* at *27-28.

Holding:

When reviewing a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit must apply a "clear error," not a *de novo*, standard of review.

***Hana Financial, Inc. v. Hana Bank*, No. 13-1211, 135 S. Ct. 907 (Jan. 21, 2015)**

Issue: Trademark Law - Trademark Tacking

Question Presented:

Whether the jury or the court determines whether use of an older mark may be tacked to a newer one?

A party claiming trademark ownership must establish that it was the first to use the mark in the sale of goods or services, or has "priority." *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999). The trademark tacking doctrine allows a party to "tack" the date of the user's first use of a mark onto a subsequent mark to establish priority, and thus ownership, where the "two marks are so similar that consumers generally would regard them as essentially the same." *Id.* at 1048. In other words, the two marks must be "legal equivalents." *Id.* This doctrine allows a trademark owner to make slight modifications to a mark over time without losing priority and ownership.

The Korean word "hana" means "number one," "first," "top," or "unity." The parties in this dispute both use the English word "Hana" in their names and offer financial services in the United States. In 2007, petitioner Hana Financial sued respondent Hana Bank, alleging infringement of its "HANA FINANCIAL" mark. Respondent Hana Bank denied infringement by invoking the tacking doctrine and claiming that it was the senior user, because it had used the mark "Hana Overseas Korean Club" in the United States as early as 1994, before it changed its name to "Hana World Center" in 2000, and finally settled on "Hana Bank" in 2002. *Hana Fin., Inc. v. Hana Bank*, 500 F. Supp. 2d 1228, 1232 (C.D. Cal. 2007); *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158, 1160-62 (9th Cir. 2013). The district court granted summary judgment to the defendant Hana Bank, but the Ninth Circuit determined there were genuine issues of material facts as to priority, and remanded for a new trial. *Hana Fin., Inc. v. Hana Bank*, 398 F. App'x 257 (9th Cir. 2010). On remand, the jury found that Hana Bank had used its mark in commerce in the U.S. beginning prior to April 1, 1995, and continuously since that date, despite Hana Financial's argument that the use was inapplicable because "Hana Bank" and "Hana Overseas Korean Club" were completely different names. *Hana Fin., Inc. v. Hana Bank*, CV 07-1534 PA(JWJx), 2011 U.S. Dist. LEXIS 70096 (C.D. Cal. 2011).

Although the Ninth Circuit Court of Appeals expressly stated that "reasonable minds could disagree on whether the [marks "Hana Overseas Korean Club," "Hana World Center," and "Hana Bank"] were materially different," it upheld the jury's verdict,

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holding that tacking is a question of fact that must be upheld if it is supported by substantial evidence. The Court of Appeals explained that the jury reasonably concluded that “the ordinary purchasers of the financial services at issue likely had a consistent, continuous commercial impression of the services” that the defendant offered and of the origin of those services, due in part to advertisements that grouped the name “Hana Overseas Korean Club” in English next to its “Hana Bank” mark in Korean, and an unchanged distinctive “dancing man” logo. *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158, 1166-67 (9th Cir. 2013). Citing a circuit split between the Ninth Circuit—which views tacking as a question of fact for the jury—and the Sixth Circuit, Federal Circuit, and TTAB—which view tacking as a question of law for the judge, Hana Financial petitioned the United States Supreme Court for certiorari. *Hana Fin., Inc. v. Hana Bank*, No. 13-1211, Petition for Certiorari, 1, 9 (U.S. Apr. 7, 2014).

In a unanimous decision penned by Justice Sotomayor, the Supreme Court affirmed the Ninth Circuit’s decision and held that trademark tacking is a question for the jury rather than the judge. The Court reasoned that “when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer.” *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. at 911. However, the Court admitted that there are circumstances where a judge should make that determination; such as where there are no material facts at issue. *Id.*

In a footnote, the Court explained that its holding is not inconsistent with its decision in the patent case of *Markman v. Westview Instruments, Inc.*, 517 US 370 (1996), in which it held that “construing patent terms falls to judges and not to juries.” The Court reasoned that, while claim construction is the responsibility of judges, since they are likely to do textual interpretation better than jurors, tacking is an appropriate question for the jury, since tacking is a factual judgment about consumer impression and not a task that “judges often do better than jurors.” *Hana*, 135 S. Ct. at 912 n.2.

Holding:

The jury, rather than a court, determines whether the use of an older trademark may be tacked to a newer one.

***B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352, 135 S. Ct. 1293 (Mar. 24, 2015)**

Issue: Trademark Law - Lanham Act - Preclusive Effect Of Finding Of Likelihood Of Confusion By Trademark Trial And Appeal Board (“TTAB”)

Questions Presented:

1. Whether the TTAB’s finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.
2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB’s finding of a likelihood of confusion absent strong evidence to rebut it.

Under the Lanham Act, a person may not use or register a mark that is “likely to cause confusion” with an existing mark. 15 U.S.C. § 1114(1); 15 U.S.C. § 1052(d).

Two manufacturers of metal fasteners that seal things tightly have been in a legal feud for nearly two decades involving multiple TTAB and district court actions and attendant appeals. Petitioner B&B Hardware, Inc. (“B&B”) sells a specialty fastener under the registered mark SEALTIGHT for use in aerospace and high-tech industries. Respondent Hargis Industries, Inc. (“Hargis”) sells specialty fasteners under the name SEALTITE for use in the construction industry. In 2007, the TTAB held that Hargis’ mark created a likelihood of confusion with B&B’s mark and sustained B&B’s opposition proceeding, canceling Hargis’ SEALTITE mark from the Register. In 2010, in a trademark infringement action brought by B&B against Hargis, a jury returned a verdict in favor of Hargis, finding that there was no likelihood of confusion between the two marks. In that trial, B&B asserted that the TTAB’s 2007 likelihood of confusion determination should be given preclusive effect, but the district court denied this collateral estoppel argument because the TTAB is not an Article III court, citing *Flavor Corp. of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974). The district court further rejected B&B’s attempt to admit the TTAB decision into evidence, concluding that to do so would be confusing and misleading to the jury. *B&B Hardware, Inc. v. Hargis Indus.*, 736 F. Supp. 2d 1212, 1217-18 (E.D. Ark. 2010).

On appeal, the majority of the Court of Appeals for the Eighth Circuit affirmed, reasoning that the TTAB and the trial courts use different likelihood of confusion analyses, with different factors weighted differently, and with different burdens of persuasion.

B&B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020, 1024-26 (8th Cir. 2013) (explaining, *inter alia*, that the TTAB uses the 13-factor test from *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (CCPA 1973), while the Eighth Circuit applies the six-factor test from *Squirt Co v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)). The Court of Appeals also rejected B&B’s argument that the TTAB’s factual findings from a trademark registration case are entitled to deference by the district court and held that the district court did not abuse its discretion in refusing to admit the TTAB’s decision into evidence in this case. *Id.* at 1026-27. One judge dissented from the majority opinion on collateral estoppel.

At the Supreme Court, Justice Alito, writing for the majority, reasoned that the standards used by the TTAB and the trial courts in determining likelihood of confusion are “not fundamentally different” and “minor variations ... do not defeat preclusion.” *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1307 (2015). Accordingly, the majority disagreed with the Eighth Circuit’s narrow understanding of issue preclusion and held that a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met. However, the majority explained that “for a great many [TTAB] decisions issue preclusion obviously will not apply because the ordinary elements will not be met.” *Id.* at 1306. In other words, “[i]f the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should ‘have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.’” *Id.* at 1308. Nonetheless, the Court stated that the fact that many TTAB decisions cannot satisfy the ordinary elements of issue preclusion does not mean that none will. *Id.* at 1306.

Justice Ginsburg concurred with the majority’s reasoning but stressed that “for a great many registration decisions issue preclusion obviously will not apply.” *Id.* at 1310. Justice Thomas dissented, joined by Justice Scalia, arguing that there is no justification to apply administrative preclusion—a presumption born from a 1991 decision of the Supreme Court (*Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104 (1991))—to the Lanham Act, which was passed much earlier in 1946. *Id.*

The NYIPLA submitted an amicus brief in this case in support of respondents. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/BBHardwareV.HargisIndustries13-352.PDF>.

Holding:

So long as the ordinary elements of issue preclusion are met in a likelihood of confusion analysis, when the usages adjudicated by the Trademark Trial and Appeal Board are materially the same as those before a district court, issue preclusion should apply.

***Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896, 135 S. Ct. 1920 (May 26, 2015)**

Issue: Patent Law - Belief in Invalidity as a Defense to Induced Infringement

Questions Presented:

1. Whether the Federal Circuit erred in holding that a defendant’s belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

2. Whether the Federal Circuit erred in holding that *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) required retrial on the issue of intent under 35 U.S.C. § 271(b) where the jury (1) found the defendant had actual knowledge of the patent and (2) was instructed that “[i]nducing third-party infringement cannot occur unintentionally.”

In 2007, Commil USA, LLC sued Cisco Systems, Inc. in the U.S. District Court for the Eastern District of Texas, alleging that Cisco’s wireless networking equipment directly infringed Commil’s patent, and that by selling the devices Cisco induced others to infringe its patent as well. In this first trial, the jury concluded that Commil’s patent was valid and that Cisco had directly infringed, awarding Commil \$3.7 million in damages. As to induced infringement, the jury found Cisco not liable.

Commil then filed a motion for a new trial on induced infringement and damages, which the district court granted because of certain inappropriate comments Cisco’s counsel had made during the first trial. *Commil USA, LLC v. Cisco Sys.*, No. 2:07-CV-341, 2010 U.S. Dist. LEXIS 144014, at *7-8 (E.D. Tex. Dec. 29, 2010). As a defense to the claim of inducement, Cisco argued that it had a good-faith belief that Commil’s patent was invalid and sought to introduce relevant evidence. However, the district court found the evidence to be inadmissible, and the jury again returned a verdict for Commil on induced infringement awarding \$63.7 million in damages.

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On appeal, the Federal Circuit concluded that it was error for the district court to have instructed the jury that Cisco could be liable for induced infringement if it “knew or should have known” that its customers infringed. *Commil USA, LLC v. Cisco Sys. Inc.*, 720 F.3d 1361, 1366 (Fed. Cir. 2013). The panel held that “induced infringement ‘requires knowledge that the induced acts constitute patent infringement.’” *Id.* (quoting *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011)). Beginning with the observation that it is “axiomatic that one cannot infringe an invalid patent,” the Federal Circuit reasoned that “evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.” *Commil*, 720 F.3d at 1368. The Federal Circuit thus remanded, but the Supreme Court intervened by granting certiorari.

Justice Kennedy, writing for the majority, held that a defendant’s belief (good faith or otherwise) as to the invalidity of a patent is not a defense to induced infringement. *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. at 1928. While the Court reaffirmed that induced infringement under Section 271(b) and contributory infringement under Section 271(c) require both knowledge of the patent and knowledge of patent infringement, the Court made clear that mental state is irrelevant for both causes of action, as well as for direct infringement under Section 271(a). In other words, “invalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for induced infringement.” *Id.* at 1929. Thus, the Court confirmed that a defendant’s good faith belief that a patent is invalid is not a defense to either induced infringement or contributory infringement.

To hold otherwise, the majority explained, would permit a defendant to escape liability by showing a reasonable belief in invalidity thus circumventing the clear and convincing standard to rebut the presumption of validity. *Id.* at 1929. In addition, a defense of belief in invalidity would be redundant in light of “various proper ways to obtain a ruling to that effect,” such as inter partes review and ex parte reexamination. *Id.* In an apparent effort to caution against imposing an intent requirement on indirect infringement claims is not the way to address issues of “patent trolls,” the Court also noted that district courts have the authority and responsibility to sanction attorneys for bringing such frivolous lawsuits. *Id.* at 1930.

Justice Scalia dissented, joined by Chief Justice Roberts, arguing that while the distinction between invalidity and noninfringement was real, it was also

irrelevant. *Id.* at 1931 (Scalia, J., dissenting). Because only valid patents can be infringed, anyone with a good-faith belief in a patent’s invalidity necessarily believes the patent cannot be infringed. According to Justice Scalia, it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he knows will infringe it. *Id.*

Holding:

A defendant’s belief regarding patent validity is not a defense to an induced infringement claim under 35 U.S.C. § 271(b).

***Kimble v. Marvel Entertainment, LLC*, No. 13-720, 2015 U.S. LEXIS 4067 (June 22, 2015)**

Issue: Patent Law - Post-Expiration Royalties

Question Presented:

Whether this Court should overrule *Brulotte v. Thys Co.*, 379 U.S. 29 (1964).

Petitioner Kimble is the owner of U.S. Patent No. 5,072,856 for a toy that allows children to shoot foam strings or “spider webs” out of the palm of their hand. Marvel Entertainment, LLC sells the “Web Blaster” which similarly allows Spider-Man fans to shoot foam through a polyester glove, thus mimicking Spider-Man. In an effort to settle a patent infringement litigation brought by Kimble against Marvel, the parties entered into an agreement whereby Marvel would purchase Kimble’s patent for a lump sum and a continuing three percent royalty payment on Marvel’s future sales of the Web Blaster (or similar product). The agreement did not set an end date for the royalty payments.

After a dispute arose regarding Marvel’s royalty obligations under the agreement, Kimble sued Marvel for breach of contract. After becoming aware of the Supreme Court’s decision in *Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964), which holds that “a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*,” Marvel sought a declaratory judgment that it did not owe royalty payments after the Kimble patent expired in 2010. The district court agreed with Marvel, holding that under *Brulotte*, “the royalty provision is unenforceable after the expiration of the Kimble patent.” *Kimble v. Marvel Enters.*, 692 F. Supp. 2d 1156, 1161 (D. Ariz. 2010). The United States Court of Appeals for the Ninth Circuit affirmed “reluctantly,” acknowledging that the application of *Brulotte*, “arguably deprives Kimble of

part of the benefit of his bargain based upon a technical detail that both parties regarded as insignificant at the time of the agreement.” *Kimble v. Marvel Enters.*, 727 F.3d 856, 866 (9th Cir. 2013). The Supreme Court affirmed.

Justice Kagan, writing for the 6-3 majority, held that *stare decisis* required the Court to uphold *Brulotte* which bars license agreements that require royalty payments after a patent expires. The Court held that “[f]inding many reasons for staying the *stare decisis* course and no ‘special justification’ for departing from it, we decline Kimble’s invitation to overrule *Brulotte*.” *Kimble v. Marvel Entm’t, LLC*, No. 13-720, 2015 U.S. LEXIS 4067, *31 (June 22, 2015). Specifically, the Court found that the typical reasons for overturning precedent of the Court did not help Kimble. *Id.* at *19. The Court found that there was no “superspecial justification to warrant reversing *Brulotte*.” *Id.* *Brulotte*’s “statutory and doctrinal underpinnings have not eroded over time,” since the patent law on which *Brulotte* relies has remained the same. *Id.* Similarly, the precedent on which *Brulotte* relies remains good law. *Id.* at *20. Secondly, *Brulotte* has not proven unworkable. To the contrary, *Brulotte* is simply applied, merely requiring a court to ask “whether a licensing agreement provides royalties for post-expiration use of a patent.” *Id.* at *22. Finally, the Court found that Kimble’s justifications for overturning *Brulotte* were not persuasive. *Id.* at *23. Rather, the proper audience for Kimble’s concerns is Congress not the Court. *Id.* at *28.

Interestingly, the Court noted that parties to an agreement can find ways around *Brulotte*. In particular, *Brulotte* allows for royalty payments incurred during the life of the patent to be deferred “into the post-expiration period.” *Id.* at *12. According to the Court, parties to an agreement have even more options “when a licensing agreement covers either multiple patents or additional non-patent rights.” *Id.* at *13. For instance, royalties may run until the last-to-expire patent expires. Or, where a license is tied to both patent rights and non-patent rights, such as a trade secret, other mechanisms can be used. *Id.*

Significantly, three justices dissented. Justice Alito wrote that *Brulotte* “interferes with the ability of parties to negotiate licensing agreements that reflect the true value of a patent, and it disrupts contractual expectations.” *Id.* at *32 (Alito, J., dissenting). The dissent called *Brulotte* a “baseless and damaging precedent” that lacked any “statutory interpretation” resulting in a “bald act of policymaking.” *Id.* at *32-33.

The NYIPLA submitted an amicus brief in this case in support of petitioners. See <http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/imbleGrabbVMarvel13-720.PDF>.

Holding:

The Court declined to overrule its 1964 decision in *Brulotte v. Thys Co.*, holding that a patent holder cannot charge royalties for the use of his or her invention after its patent term has expired.

(Endnotes)



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¹ The cases in which the NYIPLA submitted amicus briefs are *B&B Hardware, Inc. v. Hargis Indus., Inc.* and *Kimble v. Marvel Entm’t, LLC*. The Amicus Brief Committee will continue to monitor and propose amicus curiae submissions, where appropriate, to be made to the Court(s). If you would like to join the Amicus Brief Committee, please contact Co-Chairs, Charles Macedo (cmacedo@arelaw.com), Irena Royzman (iroyzman@pbwt.com) and David Ryan (dfhrhawley@optionline.net).