

SUPREME COURT 2014-2015 IP CASE PREVIEW

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INTRODUCTION

As the Supreme Court has already accepted the following three intellectual property cases for review this term (as of submission of this article), the Court appears to be continuing the heightened interest it has shown in the past few years in intellectual property matters. The Amicus Brief Committee has already filed a brief in one of these matters, and it will continue to monitor and propose amicus curiae submissions, where appropriate, to be made to the Court(s).

***Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*,
 No. 13-854 (cert. granted Mar. 31, 2014, argued
 Oct. 15, 2014)**

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.

Under Fed. R. Civ. P. 52(a)(6), findings of fact made by a district court after a bench trial “must not be set aside unless clearly erroneous.” On March 31, 2014, the Supreme Court granted certiorari in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854, to decide whether a district court’s factual finding in support of its construction of a patent claim term may be reviewed *de novo* or only for clear error under Rule 52(a).

Informing this question, the Supreme Court, in *Markman v. Westview Instruments, Inc.*, held that “the construction of a patent, including terms of art within its claim[s], is exclusively within the province of the court” rather than the jury. 517 U.S. 370, 372 (1996). The Federal Circuit subsequently concluded that the Supreme Court’s holding in *Markman* fully supported its later holding in *Cybor Corp. v. FAS Techs., Inc.* “that claim construction, as a purely legal issue, is subject to *de novo* review on appeal.” 138 F.3d 1448, 1451 (Fed. Cir. 1998). Recently, an en banc panel of the Federal Circuit considered whether it should overrule *Cybor*, but ultimately “appl[ie]d the principles of *stare decisis*” to “confirm the *Cybor* standard of *de novo* review of claim construction, whereby the scope of the patent grant is reviewed as a matter of law.” *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1276-77 (Fed. Cir. 2014).¹

This patent infringement suit involves several patents covering Petitioner Teva’s widely-sold drug Copaxone®, which is used to treat multiple sclerosis and has generated over \$10 billion in sales since its introduction in 1997. Currently, there is only one asserted patent (U.S. Patent No. 5,800,808, “the ’808 Patent”) at issue, as the other asserted patents in the case expired earlier this year. The ’808 Patent is set to expire in September 2015. Asserted Claim 1 of the ’808 Patent requires the claimed agent to have a “molecular weight” between certain ranges. Defendants asserted that this use of the term “molecular weight” in the patent is “indefinite.” The district court disagreed, first 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. The parties agreed that there are several different types of average molecular weights depending on the calculation used. However, after looking to the specification, the prosecution history, and extrinsic evidence, the district court construed “average molecular weight” to mean “peak molecular weight detected using an appropriately calibrated suitable gel filtration column,” and ultimately concluded that the asserted claims were not indefinite.

On appeal, the Federal Circuit reversed the district court’s indefiniteness determination for the asserted claims, requiring the claimed agent to have an “average molecular weight” between certain ranges. The Federal Circuit explained that the plain language of these claims does not indicate which type of average molecular weight measure was to be used. Furthermore, the Court cited the prosecution histories of two patents related to the ’808 Patent in which Teva had used two conflicting definitions to overcome corresponding rejections in the related applications. The Federal Circuit concluded that the testimony of Teva’s expert regarding the specification does not save the claims from indefiniteness. Although Teva’s expert testified that a skilled artisan would interpret the term “average molecular weight” to mean “peak molecular weight” by looking to Figure 1 and Example 1 of the specification, the Court determined that Figure 1 of the specification points away from “average molecular weight” meaning “peak molecular weight” rather than another type of average molecular weight measure.

After the Federal Circuit invalidated Teva’s ’808 Patent, Teva twice applied to the Supreme Court to recall and stay the Federal Circuit’s mandate pending resolution of the case in the Supreme Court. Chief Justice Roberts denied both requests because Teva had not shown a likelihood of irreparable harm from denial of a stay.

In its brief on the merits and in oral argument, Teva cited three facts found by the district court, based on expert testimony, for which it argued that the Federal Circuit should have applied the clearly erroneous standard of review: (i) a skilled artisan would presume from the specification that “average molecular weight” means “peak molecular weight”; (ii) Figure 1 shows that “average molecular weight” means “peak molecular weight”; and (iii) a skilled artisan would have recognized that the conflicting non-“peak molecular weight” definition used for “average molecular weight” in the prosecution history of one of the patents was made in error and therefore would not have relied on it. Teva argued that “[p]atents are not written primarily to be read by judges and lawyers. . . . Rather, they are scientific texts designed to be read and used by specialists in the relevant field. . . . Judges often need to take factual evidence, such as expert testimony, to enable them to understand patent claims.” Brief for Petitioners at 25 (filed June 13, 2014) (internal citation omitted). It explained that although “[t]he ultimate scope of a patent’s claims may be a legal question, . . . the answer to that legal question will often depend directly on resolving questions whose answers lie outside the four corners of the patent” and the prosecution history. *Id.* at 27.

Respondents argued in their brief that *Markman* supports complete *de novo* review of claim construction, which is consistent with the treatment of legal texts such as statutes as a pure legal question governed by public record. Still, Respondents cautioned that if the “Court concludes that claim construction includes both legal and factual components, it should both define and apply its standard for distinguishing the two to provide guidance to lower courts.” Brief for Respondents at 15 (filed Aug. 11, 2014). In oral argument, Respondents reiterated these points, likening a patent to a statute that is interpreted as a question of law, more than to a deed. Respondents argued that there is no value added by treating claim construction as a mixed question of fact and law because there will rarely be a true disagreement over a scientific fact, which are the subsidiary facts in a claim construction determination, but there will be increased cost and uncertainty in patent litigation if claim construction is not subject to plenary appellate review.

The United States Solicitor General, Donald B. Verrilli, Jr., submitted an amicus curiae brief on behalf of the United States to argue that although claim construction is ultimately a question of law, it often involves subsidiary factual issues subject to deference under Rule 52(a)(6). Those factual findings would be evidence outside of the patent and its prosecution history, such as the type of data produced by a particular scientific technique, and would concern a matter that is distinct from the meaning or validity of a patent claim.

The United States’ brief interestingly argued that applying clear-error review would likely not alter the Federal Circuit’s holding that the patent is indefinite because its decision rested primarily on its rejection of the district court’s legal inferences. The brief identified the Federal Circuit’s analysis of Figure 1 as impermissible *de novo* fact-finding, but argued that the two remaining “factual findings” identified by Teva as impermissibly overturned were not in fact overturned by the Federal Circuit; instead, “the Federal Circuit’s analysis

[took] issue with the legal inferences drawn by the district court rather than with that court’s factual findings.”

Nine other amicus curiae briefs were submitted on the merits in this case. Two of the briefs were submitted by technology companies—headed by Google and Intel—in support of respondents and arguing that the Supreme Court correctly concluded in *Markman* that claim construction is a “purely legal” issue subject to *de novo* review due to concerns over forum shopping and increased costs of litigation and because the “public notice function” of patents would be thwarted by indefinite claims if a claim-construction dispute ultimately did boil down to a battle of experts on a genuinely factual dispute. An amicus curiae brief filed by Fresenius Kabi USA, LLC matched these arguments in support of plenary appellate review of claim construction, including any factual findings.

However, the other amicus curiae briefs, filed on behalf of intellectual property practitioners, academics, and the Intellectual Property Owners Association supported *de novo* review for the ultimate legal determination of claim construction, but advocated applying a clear error standard of review for underlying factual issues based on extrinsic evidence, such as expert witness testimony.

***Hana Financial, Inc. v. Hana Bank, et al.*,
No. 13-1211 (cert. granted Jun. 23, 2014, argument
scheduled for Dec. 3, 2014)**

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 tacking doctrine allows a trademark owner to make slight modifications to a mark over time without losing priority.

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. Hana Bank began to extend its services to the United States in May 1994 under the name Hana Overseas Korean Club to provide financial services to Korean expatriates. In July 1994, Hana Bank published advertisements and distributed applications, which included the name “Hana Overseas Korean Club” in English, the names “Hana Overseas Korean Club” and “Hana Bank” in Korean, and the company’s logo, called the “dancing man,” which has not changed since that time. Hana Bank

changed its operational name from “Hana Overseas Korean Club” to “Hana World Center” in 2000, and then to “Hana Bank” in 2002.

Hana Financial was formed August 1994 and began using its trademark the following spring. In 1996, it obtained a federal trademark registration for its pyramid logo with the words “Hana Financial” for use in financial services.

On March 8, 2007, Hana Financial filed a complaint alleging trademark infringement, arguing that Hana Bank’s use of the word “Hana” in connection with financial services was likely to cause confusion. However, 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.

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, 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 received an instruction that correctly conveyed the narrowness of the tacking doctrine, and it reasonably could have concluded that the ordinary purchasers of the financial services at issue likely had a consistent, continuous commercial impression of the services the defendant offered and their origin, due in part to the advertisements that grouped the name “Hana Overseas Korean Club” in English next to its “Hana Bank” mark in Korean and its unchanged distinctive dancing man logo.

In its petition for certiorari, Hana Financial cited the 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—as a reason for the Supreme Court to take up the question presented. It also argued that the importance of the question was demonstrated by its high frequency of litigation. In its opposition, Hana Bank argued that the circuit split in tacking results from a circuit split in the likelihood of confusion question, which it argued cannot be remedied by the Supreme Court’s certiorari review of this case.

In its brief on the merits, Hana Financial argues that trademark tacking should be treated as a question of law to be resolved by the courts, in part because of its “legal equivalents” standard. Hana Financial also argues that there are pragmatic reasons to decide tacking as a matter of law: predictability and judicial efficiency.

The AIPLA filed an amicus curiae brief in support of neither party, which argues that tacking should be treated as a question of fact because the test for tacking is grounded in consumer perception.

***B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-552 (cert. granted Jul. 1, 2014, argument scheduled for Dec. 2, 2014)**

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).

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. sells specialty fasteners under the name SEALTITE for use in the construction industry. Since 1998, these two companies have been involved in extensive litigation involving multiple TTAB and district court actions and attendant appeals. 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 fully 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.

On appeal the Eighth Circuit explained that even if “TTAB decisions may be entitled to preclusive effect, such application is not appropriate here” because the TTAB and Eighth Circuit 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 *SquirtCo 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.

In its opening brief, after certiorari was granted, B&B again argued that the likelihood of confusion issue is the same, whether it is heard before the TTAB or a district court, and thus the TTAB's previous decision should have been afforded preclusive effect in the subsequent infringement litigation. It also argued that preclusion should not be limited to the factors actually considered by the TTAB decision, but should be applied to the entirety of the likelihood of confusion determination. The United States submitted an amicus curiae brief on the merits, arguing that the doctrine of issue preclusion applies to TTAB determinations in opposition proceedings, and that issue preclusion likely barred relitigation of the TTAB's likelihood of confusion determination in this case.

Three other amicus curiae filed briefs in this case that argue TTAB decisions are eligible to be given preclusive effect, but that preclusion should be applied only in limited circumstances, or not at all, for likelihood of confusion issues. This is because of the difference in the way the TTAB typically considers marks—by comparing the marks as they appear in the trademark applications and registrations at issue—versus the analysis typically used in trademark infringement lawsuits—by comparing the manner in which the marks appear as used in the marketplace.

The NYIPLA filed an amicus curiae brief in support of Respondents, in which it argues that a TTAB decision should not be entitled to preclusive effect as a matter of course. The NYIPLA argues that minimal evidentiary weight should be given to the TTAB decision on the rare occasion when the TTAB considered the marketplace context in a meaningful way, but only for the narrow issue of entitlement to registration and not for the issue of likelihood of confusion. The NYIPLA brief was a collaboration of the Trademark Law & Practice Committee and the Amicus Brief Committee. Dyan Finguerra-DuCharme (Pryor Cashman LLP) was counsel of record, and Kathleen M. Prystowsky (Pryor Cashman LLP), NYIPLA President Anthony F. Lo Cicero, Charles R. Macedo, Chester Rothstein, and David P. Goldberg (Amster, Rothstein & Ebenstein LLP) also participated in preparing the brief.

(Endnotes)

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¹ A petition for certiorari was filed by Lighting Ballast LLC on June 20, 2014, which was distributed for Conference by the Supreme Court on Sept. 29, 2014, but had not yet been disposed of as of the submission date of this publication.

