

The US Supreme Court's 2014 IP term

Lauren Goldman and Rory Schneider review how the court's Justices ruled this term in IP-related cases

2014 was not a blockbuster year for IP cases at the Supreme Court of the US. The court heard only five IP cases in total, and several of them were fairly narrow. By contrast, in the 2013 term, the court heard 10 IP cases, nearly 15% of its docket.

Patent decisions

Each of this term's three patent cases required the Supreme Court Justices to take a hard look at a single foundational precedent from a past term. In *Teva Pharmaceuticals USA, Inc v Sandoz, Inc*, the court addressed the standard for appellate review of claim-construction rulings. Relying on the Supreme Court's 1996 decision in *Markman v Westview Instruments, Inc*, which treated patent construction as a question of law for the court, the Federal Circuit held that *de novo* review applies to entire construction rulings, including any subsidiary factual findings. The Supreme Court reversed by a 7-2 vote, holding that the usual rules of appellate procedure apply in claim-construction cases. A claim-construction ruling

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based on intrinsic evidence – ie, the patent claims and specifications, along with the patent's prosecution history – is a legal ruling that is appropriately reviewed *de novo* on appeal. But when a claim-construction ruling entails consideration of extrinsic evidence, the district court's factual findings are properly reviewed for clear error. Whether this ruling will have a broad impact is unclear; the Federal Circuit has thus far reaffirmed its decisions in nearly all the cases that were remanded to it in the wake of this decision. But *Teva Pharmaceuticals* may give parties an incentive to produce more robust factual records in the district court, in the hope of obtaining favourable findings of fact that are then insulated from searching appellate review.

The court's decision in *Commil USA, LLC v Cisco Systems, Inc*, addressed a precedent of more recent vintage. In 2011, the court adopted a fairly stringent scienter standard for inducement cases: it held in *Global-Tech Appliances, Inc v SEB SA*, that the plaintiff must “show that the alleged inducer knew of the patent in question and knew the induced



acts were infringing". This term, the court considered whether to expand that rule by holding that a defendant's good-faith belief that a patent is invalid is a defence to a claim of induced infringement. The court decided not to go that far, holding that such a defence would undermine the presumption of patent validity. Pointing out that "infringement and validity are separate matters under patent law", the court held that to avoid liability based on a patent's invalidity, the defendant must prove that fact by clear and convincing evidence. A good-faith belief is not enough.

Finally, *Kimble v Marvel Entertainment, LLC*, was solely about an earlier decision: the court considered whether to overrule its 1964 holding in *Brulotte v Thys Co* that "a patent holder cannot charge royalties for the use of his invention after its patent term has expired". In a 6-3 opinion, the court declined the invitation. Though it recognised the considerable criticism that *Brulotte* had come under, it concluded that a "superpowered form of *stare decisis*" applied and could only be overcome by "a superspecial justification".

The court found no such justification. *Brulotte* had interpreted a federal statute, and it was up to Congress to legislate the rule away if it wanted to permit post-expiration royalties. The court noted, however, that there are various "ways around *Brulotte*" that can enable parties "to achieve those same ends", by structuring their contracts in a manner that lawfully permits post-expiration payments: deferred payments for pre-expiration use of a patent or post-expiration royalties for a non-patent right like a trade secret, for example.

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involve consideration of whether a mark is likely to cause confusion with a pre-existing mark. In a 7-2 opinion, the court held that TTAB decisions about the likelihood of confusion are binding in later trademark infringement litigation involving the same marks, so long as each element of issue preclusion is satisfied. The court noted, however, that this will not be the case "for a great many registration decisions" because the usages considered in registration proceedings and infringement litigation are generally not materially the same. And unless they are, the same-issue element of issue preclusion is absent.

The court's other trademark decision this term, *Hana Financial, Inc v Hana Bank*, upset the law of two circuits, but it is unlikely to shift the litigation landscape because it addresses a doctrine that arises infrequently. The concern in the case was whether the issue of trademark tacking – whether a later mark inherits the priority of an earlier mark because it is so similar as to be legally equivalent – should be decided by a judge or a jury. In a unanimous opinion, the court resolved a circuit split on the issue and held that tacking is a question of fact for a jury "because the . . . inquiry operates from the perspective of an ordinary purchaser or consumer". But, the court made clear, this is the case only "when a jury is to be empaneled and when the facts warrant neither summary judgment nor judgment as a matter of law".

Trademark decisions

The court was relatively explicit about the narrow nature of its decision in *B&B Hardware, Inc v Hargis Industries, Inc*. There, the court considered the preclusive effect afforded a determination in trademark registration proceedings before the Trademark Trial and Appeal Board (TTAB) in subsequent trademark infringement litigation. Both proceedings

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