

Latest Intellectual Property News



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Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

CONTENTS

TTAB decisions HAVE preclusive effect in federal courts.....	1
Infringer's total profits in the design patent lawsuit.....	2
<i>Pro se</i> applicant has difficulty swearing behind prior art.....	3
Prosecution history estoppel still may prevent the application of the doctrine of equivalents	3
PTAB's determinations to institute IPRs are final and nonappealable under 35 U.S.C. §314 (d)	4
Additional information.....	5

TTAB DECISIONS HAVE PRECLUSIVE EFFECT IN FEDERAL COURT

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In a 7-2 decision, the United States Supreme Court ruled that a decision of the Trademark Trial and Appeals Board (TTAB) on the issue of likelihood of confusion has a preclusive effect in subsequent litigations in the district courts (*B&B v Hargis*, 135 S. Ct. 1293 (2015)).

In 1993, B&B Hardware (B&B) registered the mark "SEALTIGHT" in connection with metal fasteners for use in the aerospace industry. Three years later, Hargis Industrial (Hargis) filed an application with the USPTO to register "SEALTITE" in connection with metal screws for use in the construction industry. In 2002, the USPTO published the mark "SEALTITE" for opposition and B&B filed an opposition proceeding before the TTAB arguing that SEALTITE is confusingly similar to SEALTIGHT. Before the TTAB ruled on the opposition action, however, B&B also filed a parallel trademark infringement lawsuit against Hargis in the District Court (DC). Shortly thereafter, the TTAB ruled in favor of B&B, holding that SEALTITE should not be registered because of the likelihood of confusion. Immediately B&B moved for a summary judgement arguing that the TTAB's decision on Likelihood of confusion has a preclusive effect on the district court, and therefore, the district court is estopped from deciding the issue.

The district court disagreed stating that the principle of issue preclusion does not apply because the TTAB is an Administrative Agency, and not an 'Article III' court. The jury returned a verdict for Hargis, finding no likelihood of confusion.

B&B appealed to the Eighth Circuit Court of Appeals (8th circuit). The 8th circuit affirmed

holding that the likelihood of confusion **standards** (TTAB's focus on 'appearance and sound' without considering any evidence of confusion based on the actual marketplace usage of the marks) and **factors** (TTAB's *Dupont* factors and DC's *SquirtCo* factors) are different, that the **procedures** (absence of jury and live testimony at the TTAB) are different, and that the **burden of proof** is different at the TTAB and federal court levels.

The Supreme Court opined that Administrative Agency decisions can indeed be a basis for issue preclusion in a subsequent action before any tribunal as long as the ordinary elements of issue preclusion are satisfied. The Supreme Court stated "subject to certain exceptions, when an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim."

The Supreme Court stated that federal law provides a single standard and that the likelihood of confusion for purposes of registration is the same **standard** as likelihood of confusion for purposes of infringement. To the extent that the TTAB is not considering the "marketplace usage," the decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue. The Supreme Court also stated that the **factors** used by the TTAB and the district court are not fundamentally different, and that minor variations in the application of what is in essence the same legal standard do not defeat preclusion.

The Supreme Court further noted that there is no reason to doubt the quality, extensiveness, or fairness of the TTAB's procedures. The TTAB is largely governed by the Federal Rules of Civil Procedure and Evidence and allows full discovery. Although there is no live testimony, the parties are still allowed to submit transcribed testimony taken under oath and subject to cross-examination, and can request oral argument.

The Supreme Court noted that the burden of persuasion both at the TTAB and the district court is borne by the party opposing registration and concluded by stating that "so long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.

INFRINGEMENT'S TOTAL PROFITS IN DESIGN PATENT LAWSUIT

By Chih-Kuei (Alex) Hu, Esq. (chu@ipfirm.com)

In *Nordock, Inc. v. Systems Inc.*, slip ops. 2014-1762, -1795 (Fed. Cir. Sep. 29, 2015), the United States Court of Appeals for the Federal Circuit vacated and remanded the district court's decision regarding calculation of damages for infringement. The Federal Circuit held that the calculation of 35 U.S.C. §289 damages for infringement of a design patent should be based on the infringer's total profits, and the total profits are based on the article of manufacture to which the design is applied, not just a portion of that article of manufacture.

In the case of design patent infringement, a design patentee can recover either (i) total profit from the infringer's sale under §289; (ii) \$250 in statutory damages under §289; or (iii) the patentee's lost profit or a reasonable royalty under 35 U.S.C. §284, whichever is greater. In the district court proceeding, *Systems* provided a "cost savings methodology" to limit the calculation of its total profits to the "lip and hinge plate" portion of the dock leveler, not the entire product. The district court adopted this methodology and denied

Nordock's motion for a new trial on §289 damages. However, the Federal Circuit reversed the district court's calculation of the infringer's total profit, and held that there was no evidence that Systems sold a "lip and hinge plate" separate from the leveler and that §289 explicitly authorizes the award of total profits from the article of manufacture bearing the patented design. Therefore, the total profits are based on the article of manufacture to which the design patent is applied, not just a portion of that article of manufacture.

PRO SE APPLICANT HAS DIFFICULTY SWEARING BEHIND PRIOR ART

By Kien T. Le, Patent Agent (kien@ipfirm.com)

In *In Re: Thomas Steed, Sourav Bhattacharya, Sandeep Seshadrijois*, Case No. 2014-1458 (Fed. Cir. Oct. 1, 2015), on appeal from the Patent Trial and Appeal Board (hereinafter "Board"), in Application No. 10/819,600, the Federal Circuit affirmed the Board's finding that Applicant did not establish that the claimed invention was made before the critical date of a prior art reference, and that the claims were properly rejected over the reference.

This case involved *pro se* Applicants, i.e., the inventors prosecuted the application themselves. Applicants tried to swear behind (an option available in this pre-AIA case) the reference, by submitting a Rule 132 Declaration allegedly showing conception plus diligence to constructive reduction to practice. The Examiner found the Declaration insufficient. Applicants appealed and submitted an Appeal Brief with a table listing various activities or documents. At a Board hearing, Applicants submitted affidavits by two third-parties allegedly showing actual reduction to practice before the reference's critical date. The affidavits were listed in the table filed with the Brief, but were not actually submitted until the Board hearing. The Board denied consideration of this new evidence because Applicants can "only rely on evidence that has been previously entered and considered by the primary examiner and present argument that has been relied upon in the brief or reply brief." 37 CFR 41.47(e)(1). The Board only considered the evidence of record, which included "hundred pages" of documents being "replete with shorthand notations, incomplete records of phone conversations, and technical terminology spread out over many years..." and found "many of these documents almost completely incomprehensible." The Board concluded that Applicants did not establish sufficient evidence to swear behind the reference, and affirmed the Examiner's rejection. The Board advised Applicants to file a continuation application to present sufficient evidence to the Examiner for timely entry and consideration. The Federal Circuit agreed with the Board on these findings.

PROSECUTION HISTORY ESTOPPEL STILL MAY PREVENT THE APPLICATION OF THE DOCTRINE OF EQUIVALENTS

By Ronald H. Pawlikowski, Esq. (rpawlikowski@ipfirm.com)

Spectrum Pharmaceuticals, Inc., University of Strathclyde ("Spectrum") sued Sandoz, Inc., ("Sandoz") alleging infringement of U.S. Patent No. 6,500,829 ('829 patent) in 2012.

The district court granted Sandoz's motion of summary judgment of non-infringement of claims 5-9. Spectrum appealed the district court's ruling.

In *Spectrum Pharmaceuticals, Inc. v. Sandoz, Inc.*, slip op. 2015-1407 (Fed. Cir. Oct. 2, 2015), the Federal Circuit affirmed the district court's decision. Spectrum argued that the claims did "not require that the end product be distributed or administered in the packaged dosage" in order to establish literal infringement. Spectrum also argued that the district court erred in finding that the doctrine of prosecution history estoppel applied.

The Federal Circuit affirmed the district court in holding that Sandoz's product did not literally infringe the '829 patent. The Court stated "single-use vials with 175 mg or 250 mg of substantially pure levoleucovorin, indicated only for methotrexate rescue at doses between 7.5 mg and 75 mg per dose, which would be far less than at least two doses of 2000 mg each." The Court reasoned that Sandoz's product was "far less" than the "at least two doses of 2000 mg each" recited in claims 5-9 of the '829 patent, and therefore Spectrum had not established literal infringement.

The Federal Circuit also affirmed the district court's ruling that Spectrum was not entitled to the Doctrine of Equivalents. The Court reasoned that the "claim amendments and distinguishing statements on the prior art during prosecution" estopped Spectrum from asserting infringement under the doctrine of equivalents. Specifically, upon review of the prosecution history of the '829 patent, the Court noted that the dosage of claim 5 was added in an amendment to overcome the prior art, and further arguments were made in an appeal to the Board regarding the relevance of the claimed dosage. The Federal Circuit affirmed the district court's decision.

PTAB'S DETERMINATIONS TO INSTITUTE IPRS ARE FINAL AND NONAPPEALABLE UNDER 35 U.S.C. §314 (D)

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Because the PTAB's determinations to institute IPRs are final and nonappealable under 35 U.S.C. §314 (d), the Federal Circuit lacked jurisdiction and dismissed the appeal in *Achates Reference Publishing, Inc. v. Apple Inc.*, slip op. 2014-1767 (Fed. Cir. 2015).

Achates Reference Publishing, Inc. ("Achates") appealed from the decision of the Patent Trial and Appeal Board (the "Board") in *inter partes* review ("IPR") proceedings instituted on petitions filed by Apple Inc. ("Apple") against Achates' U.S. Patent Nos. 5,982,889 (the "889 patent") and No. 6,173,403 (the "403 patent") (collectively, the "patents-at-issue") and determining that claims 1-4 of the '889 patent and claims 1-12 and 17-19 of the '403 patent were invalid. Achates contended that the Board's decisions were outside of the Board's statutory authority because the underlying petitions for IPR were time-barred under 35 U.S.C. §315(b).

On appeal, Achates challenged the Board's final written decision which concluded that Apple's petitions were not time-barred under §315(b). Section 35 U.S.C. §315(b) states: An inter partes review (IPR) may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.

The Federal Circuit stated that the §315(b) time bar does not impact the Board's authority to invalidate a patent claim—it only bars particular petitioners from challenging the claim. The Board may still invalidate a claim challenged in a time-barred petition via a properly-filed petition from another petitioner. The Federal Circuit also stated that, like other "[f]iling deadlines," the IPR time bar here is merely a "rule[] that seek[s] to promote the orderly progress of litigation by requiring that the parties take certain procedural steps at certain specified times."

The Federal Circuit agreed with Apple and the USPTO that the Board's determination to initiate the IPRs in this case is not subject to review by this court under 35 U.S.C. §314(d).

The Federal Circuit held that 35 U.S.C. §314(d) prohibits this court from reviewing the

Board's determination to initiate IPR proceedings based on its assessment of the time-bar of §315(b), even if such assessment is reconsidered during the merits phase of proceedings and restated as part of the Board's final written decision.

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