

Welcome to Hauptman Ham, LLP's Case Law Review, a summary of recent important intellectual property decisions.

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SUPREME COURT ON DISGORGEMENT OF PROFITS IN TRADEMARK CASES

Dewberry Group, Inc. v. Dewberry Eng'rs Inc.

Case No. 23-900 (U.S. Supreme Court, February 26, 2025, unanimous opinion authored by Justice Kagan, Justice Sotomayor concurring)

Author: Reina Kakimoto

Key Points:

- In a trademark infringement suit, disgorgement of profits can only be assigned to a defendant named in the case.
- 상표권 침해 소송에서, 이익 반환(disgorgement of profits)은 사건에 명시적으로 이름이 올라 있는 피고에게만 적용될 수 있다.
- 在商标侵权诉讼中，只有被列为案件被告的主体才可能被追索获利返还（disgorgement of profits）。
- 商標權侵害訴訟において、不当利益の吐き出し（返還：disgorgement）は当該訴訟において記名された被告に対してのみ割り振られ得る。
- Despite common ownership, where affiliates are separately incorporated, the principle of corporate separateness protects affiliates' profits unless veil-piercing applies.
- 공동 소유(common ownership)가 있더라도, 계열사가 별도로 법인화되어 있는 경우에는 법인 분리 원칙(corporate separateness)이 적용되어, 법인격 부인 (veil-piercing) 이 적용되지 않는 한 계열사의 이익은 보호된다.

- 尽管存在共同所有权，但如果关联公司是单独注册成立的，除非适用公司面纱刺破（veil-piercing）原则，否则公司分离原则（principle of corporate separateness）保护关联公司的利润。
- 共同所有権にかかわらず、関連会社が別途組み入れられている場合、企業分離性の原則は、法人格否認の法理（veil-piercing）が適用されない限り、関連会社の利益を保護する。

Background:

Dewberry Group, Inc. (“the Group”), is a company that provides services to separately incorporated affiliates in the commercial real estate industry for fees set at below-market rates. The Group, and the affiliates are all owned by a single person, who operates the conglomerate such that the Group makes only losses while the affiliates turn profits. Dewberry Engineers Inc. (“the Engineers”), the plaintiff, owns the “Dewberry” trademark for its real estate development business. The Group continues using the name “Dewberry” despite a prior settlement with the Engineers in which the Group agreed to limit its use of the name. The Engineers sued the Group for trademark infringement, unfair competition, and breach of contract. None of the affiliates, nor the owner of the conglomerate, were named in the suit. The District Court ruled in favor of the Engineers, awarding disgorgement by the Group of \$43 million in profits. The Fourth Circuit Court of Appeals affirmed, recognizing the “economic reality” of the organization of the conglomerate.

Holding:

The Supreme Court held that separately incorporated affiliates have distinct legal entities in American corporate law. Thus, under the Lanham Act, plaintiffs are only “entitled” to profits of the defendant named in a trademark suit, not those of separately incorporated affiliates. The Court vacated the Fourth Circuit’s decision and remanded the case for recalculation of the profit award.

Discussion:

The Lanham Act (15 U.S.C. § 1117(a)) provides that “the plaintiff shall be entitled to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. ... If the court shall find that the amount of the recovery based on profits is either inadequate or excessive, the court may, in its discretion, enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.” This case examined what is meant by “defendant’s profits” under the Lanham Act.

It is bedrock American corporate law that a corporation is an independent legal entity, and each separately incorporated unit is a separate legal entity with its own distinct identity. Thus, in general, profits from affiliates cannot be attached unless the corporate veil is pierced. Veil piercing requires a separate showing under a specific legal framework that was not invoked at any stage, so no veil piercing can be applied here. In this case, only one corporate entity was named as a defendant, and under the language of the statute above, the plaintiff is “entitled to recover” only that defendant’s profits, not that of any other separate legal entity.

The Lanham Act provides a backstop provision to allow courts the discretion to award a “just” amount, if defendant’s profits alone are insufficient to provide a just result. In this case, neither the District Court nor the Court of Appeals for the Fourth Circuit relied on the “just-sum” provision in the Lanham Act to arrive at the award amount. Each court merely treated all the corporate entities as a single economic unit, which the Supreme Court found to be in conflict with the doctrine of corporate separateness. In doing so, the Court emphasized the scope of the statutory phrase “defendant’s profits” as applying only to named defendants, and not to unnamed, and legally separate, parties.

Trudell Med. Int'l Inc. v. D R Burton Healthcare, LLC

Appeal No. 2023-1777 (Fed. Cir., February 7, 2025, Moore, Chen and Stoll)

Author: Chang Yang

Key Points:

- Under FRCP Rules 26 and 37, an expert report not timely submitted must be excluded unless the delay is substantially justified or harmless.
- 연방민사소송규칙 제 26 조와 제 37 조에 따라, 전문가 보고서를 적시에 제출하지 않은 경우, 지연이 상당한 이유(substantially justified) 또는 무해(harmless)하지 않다면 보고서는 배제되어야 한다.
- 根据《联邦民事诉讼规则》第 26 条和第 37 条，未按时提交的专家报告必须被排除，除非延误有充分理由或无害。
- 米国連邦民事訴訟規則 (FRCP) の規則第 26 条及び 27 条下で、期日までに提出されなかった専門家報告書は、その遅延が実質的に正当化されるか悪影響とならない場合でなければ、除外されなければならない。
- Delay in submitting an expert report was not substantially justified where other reports by the same expert were timely submitted and no justification for the delay was provided.
- 동일한 전문가가 제출한 다른 보고서가 기한 내에 제출되었고, 지연에 대한 정당한 사유가 제시되지 않은 경우, 전문가 보고서 제출 지연은 실질적으로 정당화되지 않는다.
- 如果同一专家的其他报告按时提交，且未提供延误的理由，则提交专家报告的延误不具备充分理由。
- 同じ専門家による他の報告書が期日までに提出され遅延の正当化が提示されていない場合、専門家報告書の提出の遅延が実質的に正当化されない。

Background:

Trudell Medical International Inc. (“Trudell”) sued D R Burton Healthcare LLC (“D R Burton”) for infringement of its U.S. Patent No. 9,808,588. In opposition to Trudell’s motion for summary judgment on infringement, D R Burton filed a declaration from Dr. Collins, purporting to be an expert report under FRCP 26. The district court denied Trudell’s summary judgment motion. Prior to the trial, Trudell moved to exclude Dr. Collins’ testimony on invalidity and noninfringement and to bar testimony from any D R Burton witnesses on claim construction. The district court initially denied, then granted, and ultimately denied Trudell’s motions, allowing Dr. Collins to testify at trial. Following the trial, the jury returned a verdict finding the patent claims valid but not infringed. Trudell filed a renewed motion for judgment as a matter of law (JMOL) on infringement or, alternatively, a new trial, which the district court denied. Trudell appealed to the Court of Appeal for the Federal Circuit (CAFC), challenging the district court’s decision to allow Dr. Collins to testify on infringement

at trial and the denial of the motion for JMOL or a new trial, and requesting reassignment to a different district court judge.

Holding:

The CAFC reversed the district court's admission of Dr. Collins' noninfringement testimony and its denial of Trudell's motion for a new trial on infringement as an abuse of discretion.

The CAFC affirmed the district court's denial of Trudell's motion for JMOL on infringement.

The CAFC remanded the case for a new trial on infringement before a different district court judge.

Discussion:

With respect to the expert testimony, the CAFC held that Dr. Collins failed to timely serve an expert report on noninfringement under Rule 26 because the declaration from Dr. Collins was submitted almost a month after the close of discovery. Further, the CAFC ruled that the failure to comply with Rule 26 was neither substantially justified nor harmless under Federal Rule of Civil Procedure 37, because the district court offered no explanations as to why allowing Dr. Collins' untimely noninfringement testimony was substantially justified or harmless. The reviewing court noted that the district court had accelerated the discovery schedule, but observed that D R Burton merely indicated, in response, that it did not intend to submit an expert report on noninfringement. The reviewing court also noted that D R Burton had timely submitted other declarations by Dr. Collins. The CAFC thus found the record showed that the accelerated discovery schedule did not provide substantial justification for D R. Burton's failure to submit a timely expert report.

The CAFC also found defendant's declaration prejudicial, as Trudell had no opportunity to depose Dr. Collins regarding the declaration. The CAFC also determined Dr. Collins' noninfringement declaration was unreliable under Federal Rule of Evidence 702, as the declaration did not align with the district court's claim constructions. Finally, the CAFC determined that the testimony offered by Dr. Collins at trial departed from the scope of the declaration, compounding the harm to Trudell. The reviewing court thus found the district court's forbearance regarding Dr. Collins' noninfringement testimony an abuse of discretion.

Regarding Trudell's motion for JMOL, the CAFC explained that JMOL is granted if, "viewing the evidence in a light most favorable to the non-moving party and drawing every legitimate inference in that party's favor, the court determines that the only conclusion a reasonable jury could have reached is one in favor of the moving party," *Saunders v. Branch Banking & Trust Co. of Va.*, 526 F.3d 142, 147 (4th Cir. 2008), and that a party seeking JMOL who also bore the burden of proof faces a particularly formidable burden. The CAFC acknowledged that, absent Dr. Collins' testimony, D R Burton is left with minimal evidence of noninfringement, but observed that the jury was free to discredit the testimony of Trudell's expert. Consequently, the CAFC concluded that Trudell failed to meet its affirmative burden to prove infringement is the *only* conclusion a reasonable jury could have reached. The CAFC thus affirmed the district court's denial of Trudell's JMOL motion.

Given the untimely and unreliable nature of Dr. Collins' noninfringement testimony, the CAFC remanded for a new trial. Finally, the CAFC found that the statements by the trial judge suggested an intent not to conduct a fair trial with respect to the issues in this case, justifying reassignment to a different district court judge.

PRECLUSIVE EFFECT OF PTAB DECISIONS

Kroy IP Holdings, LLC v. Groupon, Inc.

Appeal No. 2023-1359 (Fed. Cir., February 10, 2025, Prost, Reyna, and Taranto)

Author: David Cain

Key Points:

- A prior final written decision of the Board of unpatentability on separate patent claims reached under a preponderance of the evidence standard cannot collaterally estop a patentee from asserting other, unadjudicated patent claims in district court litigation.
- Preponderance of the evidence 기준에서 특허심판원(Board)이 이전 최종 서면 결정에서 내린 불특허성 판단은, 지방법원소송에서 아직 특허심판원에서 심리되지 않은 특허 청구항에 대한 부수적 금지 또는 쟁점 효력(collateral estoppel)으로 특허권자를 제한할 수 없다.
- 在先审判与上诉委员会（PTAB）基于优势证据标准（preponderance of the evidence）所作出的关于某些专利权利要求不具可专利性的最终书面决定，不能阻止专利权人在地区法院诉讼中主张其他未经裁定的权利要求（即不得构成抵触禁止/既判力）。
- 証拠の優越基準下でなされた当局（審判部）による先の最終的書面による非特許性の決定が、地裁訴訟で裁定されていない特許クレームを特許権利者が行使する際の副次的禁反言（争点効）とはなり得ない。

Background:

Kroy sued Groupon for infringing U.S. Patent No. 6,061,660, which relates to online incentive programs. Groupon responded by filing two inter partes review (IPR) petitions with the PTAB, successfully invalidating 21 claims. After the IPRs concluded, Kroy amended its district court complaint to assert 14 *different* claims that had not been part of the IPR proceedings. Groupon moved to dismiss the new claims, arguing that collateral estoppel barred Kroy from asserting them because they were “immaterially different” from claims found unpatentable in an IPR. The district court agreed and dismissed the case with prejudice. Kroy appealed.

Holding:

The Court of Appeals for the Federal Circuit reversed and remanded, holding that collateral estoppel does *not* apply in this context due to the differing burdens of proof in IPR and district court invalidity determinations. Because IPR invalidity decisions are made under a lower evidentiary standard (preponderance of evidence) than that of a district court invalidity determination (evidence must be clear and convincing), collateral estoppel is not available in the district court invalidity proceeding.

Discussion:

The Federal Circuit pointed to its recent decision in *ParkerVision v. Qualcomm*, 116 F.4th 1345 (Fed. Cir. 2024), and the Supreme Court’s holdings in *B & B Hardware, Inc. v Hargis Indus., Inc.*, 575 U.S. 138 (2015), and *Grogan v. Garner*, 498 U.S. 279 (1991), explaining that the evidentiary standard in district court is

required by the Patent Act. The Federal Circuit rejected Groupon’s argument that the decision in *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282 (Fed. Cir. 2018), allows IPR decisions to have preclusive effect in district court, explaining that the decision in *XY* allows an IPR invalidity decision to have preclusive effect *only after* that decision is affirmed by the Federal Circuit. The operative act that gives rise to preclusion in such cases is the retroactive cancellation of patent claims as a matter of law, not a finding of invalidity under a lower burden of proof.

The Federal Circuit also explained that, while it is correct that, under *Ohio Willow Wood v. Alps S., LLC*, 735 F.3d 1333 (Fed. Cir. 2013), estoppel may apply to claims not previously adjudicated if the differences between the adjudicated and unadjudicated claims do not materially alter the question of invalidity, in *Ohio Willow Wood*, the prior decision was a *district court* decision, so the burden in the two cases was the same. The Federal Circuit thus held that a prior final written decision of unpatentability by the Patent Trial and Appeals Board of the United States Patent and Trademark Office on separate claims reached by preponderance of evidence cannot collaterally estop a patentee from asserting other, unadjudicated patent claims in district court, and the district court’s dismissal in this case was inappropriate.

SECTION 101 ELIGIBILITY FOR COMPOSITION OF MATTER CLAIMS

US Synthetic Corp. v. Int’l Trade Comm’n

Appeal No. 2023-1217 (Fed. Cir., February 13, 2025, Dyk, Chen, and Stoll)

Author: Nick Fan

Key Points:

- Claims to a composition of matter having certain physical properties were not directed to patent-ineligible abstract ideas under 35 U.S.C. § 101 where the claims recite physical properties of the composition of matter that inform a skilled artisan about the structure and physical characteristics of the composition.
- 특정 물리적 특성을 가진 물질 조성(composition of matter)에 대한 청구항은, 해당 조성의 구조와 물리적 특성을 당업자에게 알려주므로, 35 U.S.C. § 101에 따른 특허 대상 제외 추상적 아이디어(patent-ineligible abstract ideas)에 해당하지 않는다.
- 关于具有某些物理特性的物质组成物的权利要求，并未属于35 U.S.C. § 101 所禁止的抽象概念，因为该权利要求具体记载了能够使本领域技术人员理解其结构及物理特性的物质组成物的物理属性。
- 特定の物性を有する物質の組成についての（特許）クレームは、そのクレームが当業者に対してその構造および当該組成の物理的特性についての情報を与えるところの物質の組成の物性を要件としている場合、米国特許法第 101 条下で特許適格性を欠く抽象的概念とならない。
- Patentees are not required to prove their claims are patent-eligible under 35 U.S.C. § 101. The party challenging patent-eligibility of the claims bears the burden of proof.
- 특허권자는 청구항이 35 U.S.C. § 101에 따라 특허 가능함(patent-eligibility)을 증명할 필요가 없다. 청구항의 특허 가능성을 다투는 측이 증명 책임(burden of proof)을 부담한다.

- 専利権人无需证明其权利要求在35 U.S.C. § 101下具备专利资格。挑战权利要求专利资格的一方承担举证责任。
- 特許権利者には、彼らの特許クレームが米国特許法第101条下での特許適格性を有していることを証明する義務が課せられていない。その特許クレームに特許適格性がないと主張する当事者が、その挙証責任を負うのである。

Background:

US Synthetic Corp. (USS) filed a complaint with the United States International Trade Commission (Commission) alleging certain products infringe five patents owned by USS. The patent at issue in this appeal is U.S. Patent No. 10,508,502 ('502 patent). The '502 patent claims a polycrystalline diamond compact (PDC), which is a composition made of a diamond table bonded to a substrate, having certain physical properties alleged, in the patent specification, to be indicative of the atomic structure of the composition. The Commission ruled the asserted claims patent-ineligible abstract ideas under § 101, finding the description of the relationship between measured physical properties and atomic structure of the composition “so loose and generalized that the claimed limitations appear to be little more than side effects.” USS appealed.

Holding:

The Court of Appeals for the Federal Circuit (CAFC) reversed the Commission’s conclusion that the asserted composition of matter claims are ineligible abstract ideas under §101.

Discussion:

CAFC applies the two-step framework enumerated in *Alice* to determine whether claimed subject matter is patent eligible under § 101. At *Alice* step one, the claims are reviewed to determine whether the claims are directed to a patent-ineligible concept. If the claims are not directed to an abstract idea at *Alice* step one, the inquiry ends.

Applying *Alice* step one, the CAFC concluded that the asserted claims are not directed to an abstract idea. Rather, the claims are directed to a specific, non-abstract composition of matter—a PDC—that is defined by its constituent elements (i.e., diamond, cobalt catalyst, substrate), particular dimensional information (i.e., grain size, lateral dimension of the diamond table), and quantified material properties (i.e., coercivity, specific permeability, and specific magnetic saturation), whereby the material properties correlate to the diamond table’s structure and thereby further inform a skilled artisan about what the claimed PDC is.

The reviewing court disagreed with the Commission’s characterization of the claims and specification as showing that magnetic properties of the claimed compositions are merely side effects of the manufacturing process, faulting the Commission for requiring correlation between recited properties and atomic structure that is “too exacting for § 101 purposes.” The reviewing court rejected the Commission’s argument that use of the word “may” in the specification renders any disclosure of relationship between measured physical properties and structure speculative, noting that elsewhere the specification is more direct in asserting the relationship and that the specification includes several working examples illustrating the relationship.

The CAFC also found error where the Commission faulted USS for having “not proven that the...magnetic properties are indicative of any specific microstructure.” The reviewing court noted that patentees do not carry the burden to prove their patents valid. Patents are presumed valid under 35 U.S.C. § 282, and a party seeking to prove a patent invalid carries the burden to prove that claim by clear and convincing

evidence. The reviewing court noted that the presumption of validity includes a presumption of eligibility under § 101.

ADDITIONAL INFORMATION

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