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**An Argument for Allowing Judicial Review of Inter Partes Review Institution Decisions**

*By Christie L. Laroche\**

It would excite some surprise if, in a government of laws and of principle . . . a ministerial officer might, at his discretion, issue this powerful process . . . leaving . . . no remedy, no appeal to the laws of his country, if he should believe the claim to be unjust. But this anomaly does not exist; this imputation cannot be cast on the legislature of the United States.<sup>1</sup>

**I. Introduction**

Inter partes review (IPR) was introduced in 2012 as part of the America Invents Act (AIA).<sup>2</sup> This new post-issuance review procedure replaced the old inter partes reexamination and was intended to be quicker and less expensive than district court litigation.<sup>3</sup> IPR has become very popular, with more than 3,600 petitions filed in the first three years.<sup>4</sup> This popularity has, in turn, led to a number of challenges to IPR institution decisions made by the Patent Trial and Appeal Board (PTAB).<sup>5</sup> The Federal Circuit has, for the most part, resolved these challenges in favor of the PTAB, despite substantial evidence in some cases that the PTAB exceeded its statutory authority.<sup>6</sup>

Statutory language that, on its face, precludes review of decisions “whether to institute an inter partes review” has become controversial.<sup>7</sup> The Federal Circuit has held that this language precludes all review of institution decisions, even where a patent owner challenges not the substantive decision to institute, but rather whether the PTAB had statutory authority even to consider the petition.<sup>8</sup> Under the Federal Circuit’s reasoning, a decision made at the institution stage of the proceeding that does not relate to the PTAB’s authority to invalidate a patent, but only relates to timeliness or the sufficiency of the petitioner’s request for IPR, is not judicially reviewable.<sup>9</sup>

The disputes are further compounded by the fact that the PTAB uses a different, broader standard for claim construction in IPR than that used by federal courts during civil litigation.<sup>10</sup> In addition, a patent challenger in district court must prove invalidity by clear and convincing evidence, while in an IPR, the challenger need only prove unpatentability by a preponderance of the evidence.<sup>11</sup> These differences make the IPR proceedings a favorable forum for patent challengers.<sup>12</sup> Statutory provisions limit when IPR is available, including time bars for parties involved in litigation of the

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This is my first opportunity to write to the members of this most prestigious Association of the world's foremost intellectual property lawyers. Yes, I mean you! And if you are reading this, you are on the cutting edge because you are poring over *The Report*.

When I spoke at the Annual Meeting in May (hurriedly, because the cocktail hour was imminent), I said that the NYIPLA matters because we do important work—we put on great CLE programs, submit thought-leading amicus briefs, publish stimulating articles (not including this one), provide input to the USPTO's regulatory process, and make our collective voice heard in Congress.

How do we do so much? We have great committees. And, if you are not on a committee, you may have assumed that they are exclusive clubs whose members meet in dark wood-paneled rooms and sip Cognac. Not so! You can join just by signing up—no interview, no letters of recommendation, no disclosure of your tax returns, nothing. So please join a committee and meet colleagues and make some new friends.

Here's how our committees spent their summer vacations, and some of what lies ahead:

In June, continuing the Association's close cooperation with the USPTO, the Patent Litigation Committee hosted a presentation on PTAB trial tips by a panel that included two administrative patent judges, and the Programs Committee hosted a presentation at Benjamin N. Cardozo School of Law by Valencia Martin Wallace, USPTO Deputy Commissioner for Patent Quality, and several of her colleagues, on patent quality initiatives in the USPTO.

In July, the Programs Committee put on the Association's 3rd Annual Second Circuit Moot Court Argument CLE Program at the Second Circuit Court of Appeals. Judge Denny Chin of the Second Circuit and Judges Margo Brodie and William Kuntz of the Eastern District of New York heard arguments by summer associate advocates on the most controver-

sial topic in trademark law—the constitutionality of the Lanham Act's disparagement provision.

The Trademark Law & Practice Committee's annual half-day program has become a July staple. This year the Trademark Law & Practice Committee's program covered an array of subjects, including the state of fashion law, the nature of proof that a mark is disparaging, expense-shifting, criminal prosecution of counterfeiting, and other "hot topics."

The Legislative Action Committee, with the Association's legislative consultants, ACG, staged a Q & A session in July with Rep. Ha-keem Jeffries, a member of the House Judiciary Committee and its Subcommittee on Courts, Intellectual Property and the Internet. Rep. Jeffries responded to questions on a variety of topics, including, among others, the status of patent reform and venue reform legislative proposals and a proposal to create a streamlined process for resolving copyright "small claims."

The Amicus Brief Committee continued its fine work, submitting amicus briefs to the Supreme Court in *MCM Portfolio LLC v. Hewlett-Packard Co.* and *Star Athletica, L.L.C. v. Varsity Brands, Inc.* In *MCM*, the petitioner challenged the constitutionality of inter partes review, and the NYIPLA, without supporting either party, is urging the Court to grant certiorari and resolve this fundamental issue. In *Star Athletica*, the Supreme Court has granted certiorari to address the test of whether the design of a useful article merits copyright protection, an issue that has spawned multiple tests in the courts. The NYIPLA proposes that the analysis first identify the claimed design elements rather than start by defining the function of the underlying useful article, as some courts have done.

Finally, in August, the Young Lawyers Committee provided a welcome respite from all this work by hosting a collegiality-building session (also known as a happy hour) at Pier A in Downtown Manhattan. More are planned.

The fall schedule does not let up. The Law Firm Management Committee and the Young Law-



yers Committee hosted a seminar on September 13 on business development for young lawyers. On September 21, the Patent Litigation Committee hosted a presentation by a panel of former district judges and administrative patent judges on managing and trying cases in the post-issuance review world. The annual One-Day Patent CLE Seminar is scheduled for November 17, and a joint ethics program with the NJIPLA is in the planning for December. This is just a sample of what is currently on the schedule.

Three years ago, the Association adopted a strategic plan that included the goals of increasing the Association's influence with the courts, the USPTO, and Congress, and of promoting growth and diversity through geographic outreach and by appealing to the Association's smaller constituencies, including in-house professionals and law students. The Association has actively

and successfully pursued these goals. This year will see increased emphasis on young lawyers and law students, with a mentorship program currently under discussion and a seminar series being planned for law students to begin in 2017. Stay tuned for more about these initiatives.

One of the smartest things the Association does is to continue the service of the immediate past President as a Board member. We are fortunate to have Dorothy Auth continue to contribute her creativity, energy, and experience, and I thank her for her excellent service. I also thank each member of our fine Board, our Executive Office, and each Committee Chair, without whose efforts I would have little to write about. Finally, I want to thank you for participating in this most prestigious Association of the world's foremost intellectual property lawyers.

Walt Hanley

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patent claims at issue.<sup>13</sup> But, if the PTAB violates these limitations, under the Federal Circuit's reasoning the patent holder has no recourse because the institution decisions are unreviewable.<sup>14</sup>

At its core, the issue is not about appealing a decision to institute an IPR on the merits; rather, it is about whether the PTAB should be immune from review of whether it exceeded its statutorily granted authority to institute the IPR in the first place. This article argues that where an agency is granted the power to institute a proceeding under which a patent may be revoked using a different standard of review than that used by Article III courts in deciding patent validity, and that agency exceeds its authority to institute that proceeding, judicial review should be available to the patent holder. Section II reviews the statutory provisions governing IPR and the Federal Circuit's interpretations of the statute. Section III provides background on judicial review of administrative decisions. Section IV argues that judicial review should be available for PTAB decisions made in excess of its statutory authority.

## II. The Issue

The Federal Circuit has already heard a number of appeals of IPR institution decisions. In all but one of these decisions, the court found that the decision to institute an IPR is not reviewable, even after a final determination is issued by the PTAB.<sup>15</sup> Taken together, these decisions provide an understanding of the Federal Circuit's current approach to reviewing PTAB

decisions. The decisions also reveal a deep division among the Federal Circuit judges about the PTAB's conduct of inter partes review.

### A. The Statute and Regulations

Inter partes review is a relatively new post-grant review procedure added by the AIA to replace the old inter partes reexamination procedure.<sup>16</sup> Inter partes reexamination was intended to provide a mechanism by which parties could challenge the validity of issued patents that would be more efficient and less costly than a district court challenge.<sup>17</sup> Reexamination did not live up to its expectations, however. During the first five years of inter partes reexamination, only fifty-three petitions were filed, with a total of 1,919 requests during the entire tenure of inter partes reexamination.<sup>18</sup> In contrast, petitions for IPR have far outpaced inter partes reexamination requests, with a total of 3,667 petitions filed between September 16, 2012 and October 31, 2015.<sup>19</sup> A total of 1,737 IPR petitions were filed in Fiscal Year 2015 alone,<sup>20</sup> almost as many as the total number of inter partes reexamination petitions filed during the thirteen years during which inter partes reexamination was available. The reason for IPR's greater popularity is likely due to provisions that make IPR more challenger friendly than inter partes reexamination was.<sup>21</sup>

Any party (except the patent owner) may challenge a patent by petitioning the PTAB to have one or more of the claims of a patent invalidated.<sup>22</sup> The statute specifies that petitions must "identif[y], in writing and

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with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.”<sup>23</sup> Furthermore, the PTAB “may not authorize an inter partes review to be instituted unless . . . the information presented in the petition . . . shows that there is a reasonable likelihood” of success on at least one of the challenged claims.<sup>24</sup> Congress intended the reasonable likelihood standard to be a higher bar to institution of proceedings than the standard under inter partes reexamination, which only required a “substantial new question of patentability.”<sup>25</sup> IPR requests are also barred if the person requesting IPR (or a “real party in interest”) has brought a civil suit challenging the validity of the patent prior to requesting IPR.<sup>26</sup> Finally, IPR petitions may not be brought by a petitioner (or a “real party in interest”) who has been served with a complaint for infringement of the patent more than one year prior to the petition for IPR.<sup>27</sup>

Therefore, there are three important factors that limit the availability of IPR: the petitioner cannot have already filed a declaratory judgment action with respect to the patent at issue; the petitioner cannot request an IPR more than a year after being served with a complaint in a civil suit; and the petitioner must make clear the claims he is challenging and the evidentiary basis for those claims. However, patent owners have had very little success in challenging the PTAB’s institution decisions with respect to these factors because the statute also specifies that the decision “whether to institute an inter partes review under this section shall be final and nonappealable.”<sup>28</sup>

The Patent and Trademark Office (PTO) has implemented regulations specifying that the standard of claim construction to be used during IPR proceedings is the broadest reasonable interpretation (BRI).<sup>29</sup> BRI is the standard used during patent prosecution and requires that patents be “given their broadest reasonable interpretation consistent with the specification.”<sup>30</sup> This is a different standard than that used by courts in civil litigation, where patent claims are interpreted by looking to the ordinary and customary meaning of the words in the claims.<sup>31</sup> BRI is a broader standard and is believed to make it more likely that patent claims will be deemed invalid.<sup>32</sup>

Congress did not specify the standard to be used during IPR when it enacted the AIA, leaving it to the PTO to adopt regulations governing the conduct of IPR.<sup>33</sup> The PTO has defended its decision to use BRI on a number of grounds. When asked during a Congressional hearing why the PTO intended to adopt BRI for IPR proceedings, then PTO Director David Kappos stated that this was the standard the PTO understood Congress

intended because Congress “directed [the PTO] to evaluate for patentability not for validity.”<sup>34</sup> The PTO understands the words patentability and validity to have different meanings and believes that an evaluation for patentability requires application of BRI.<sup>35</sup> However, based on the legislative history, it is not at all clear that Congress shares the PTO’s understanding on this issue. Members of Congress used the word validity repeatedly when discussing the provisions for inter partes review, despite the fact that the word “patentability” is what appears in the statute.<sup>36</sup>

The PTO further defends the use of BRI by arguing that patent owners have the opportunity to amend claims during IPR.<sup>37</sup> However, amendment is not a right in IPR. A patent owner has only one opportunity to make a motion to amend, and there is no guarantee that the motion will be granted.<sup>38</sup> In fact, only four motions to amend were granted in the first three years of IPR proceedings.<sup>39</sup> Therefore, the “opportunity” to amend appears to be illusory.

Finally, the PTO argues that there is no concern over the possibility of having a double standard between patent litigation already underway in a district court and an IPR at the PTAB.<sup>40</sup> According to the PTO, the time bars will prevent conflicts between civil litigation and IPRs.<sup>41</sup> However, in practice, the PTAB has in a number of cases instituted IPRs for patents deep into the litigation process.<sup>42</sup> Compounding the frustrations felt by patent owners over this issue, the Federal Circuit’s interpretation of the statute to preclude all review of institution decisions has completely insulated the PTAB’s decisions with respect to the time bar.<sup>43</sup>

The Federal Circuit has deferred to the PTAB with respect to the agency’s decision to use BRI, finding under a *Chevron* analysis that “[t]he regulation here presents a reasonable interpretation of the statute.”<sup>44</sup> However, there are many indications that IPR proceedings were intended by Congress to be radically different from examination-type proceedings in which BRI has long been the standard.<sup>45</sup> In fact, Congress has not sat silently by through this debate. Bills have been introduced in both houses of Congress to override the PTAB and require the use of the district court standard during IPR proceedings.<sup>46</sup>

In addition to the different standard for claim construction, the petitioner in an IPR has a lower burden of proof than it would have in district court litigation. The petitioner in an IPR need only prove unpatentability by a preponderance of the evidence.<sup>47</sup> This is a lower standard than that required in district court litigation, where invalidity must be proven “by clear and convincing evidence.”<sup>48</sup> Furthermore, in district court litigation, patent claims enjoy a presumption

of validity.<sup>49</sup> No such presumption is afforded patent claims during an IPR. These differences between IPR and district court litigation indicate that IPR presents a favorable forum for the petitioner.<sup>50</sup>

## **B. The Federal Circuit's Interpretation of the Statute**

The Federal Circuit has interpreted the IPR statutory provisions as establishing two phases of IPR, the institution phase and the conduct phase.<sup>51</sup> While the statute imposes specific restrictions on the PTO's authority to institute an IPR, the statute also expressly bars review of the decision to institute.<sup>52</sup> The conduct phase of the IPR generally culminates in a final written decision, which is, according to the Federal Circuit's interpretation of the statute, "the only decision that the statute authorizes a dissatisfied party to appeal."<sup>53</sup>

The Federal Circuit has denied review of decisions to institute IPR and decisions not to institute.<sup>54</sup> In the first case challenging a decision to institute, *In re Procter & Gamble Co.*,<sup>55</sup> the court held that there was no right to *immediate* review of an institution decision and there was no potential for irreparable harm from denying review as any final written decision resulting from the IPR would be appealable.<sup>56</sup> The court declined to decide at that time, however, whether Section 314(d) precluded all judicial review of the decision to institute or whether that decision might be reviewable during an appeal of a final written decision.<sup>57</sup> In the first appeal of an IPR final decision, *In re Cuozzo Speed Technologies, LLC*,<sup>58</sup> the court determined that Section 314(d) presents a bar to *all* review of decisions to institute.<sup>59</sup>

In contrast, the Federal Circuit allowed review of a decision made at the institution phase of a Covered Business Method (CBM) patent review in *Versata Development Group v. SAP America, Inc.*<sup>60</sup> The court reasoned that this case was not about the decision to institute, but rather involved whether the patent at issue was a CBM patent subject to review.<sup>61</sup> The court held that the statute did not bar judicial review "of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent" when the issue is raised during review of a final written decision.<sup>62</sup>

The *Versata* decision, while emphasizing that it was not allowing review of the *decision* to institute a post-grant review, allowed review of whether the PTAB exceeded its statutory authority in making that decision. This appears to conflict with the decision in *Cuozzo*, where the court declined to consider any issue related to the PTAB's authority to institute a post-grant review. The *Versata* court was careful to distinguish *Cuozzo* and limit the holding to determinations of whether patents are CBM patents

subject to review. However, the two decisions reflect the deep division on the court with respect to this issue. The majority opinion in *Versata* was written by one of the dissenters in *Cuozzo* and the *Versata* dissent was written by a member of the majority in *Cuozzo*.<sup>63</sup>

The important lesson from these first appeals is that if the decision to institute is related to the PTAB's authority to invalidate the patent, the court might allow review of that decision. However, if the issue is procedural and an IPR could have been instituted for the same patent under different circumstances, the court will not review the decision.

## **C. Cases Where the PTO Allegedly Exceeded Its Statutory Authority to Institute IPR**

The PTAB is expressly prohibited from authorizing review unless "the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner will prevail with respect to at least 1 of the claims challenged in the petition."<sup>64</sup> However, the PTAB has interpreted these provisions to allow it the discretion to institute an IPR on grounds not actually asserted in the petition. For example, in *In re Cuozzo Speed Technologies* the PTAB authorized review of three claims asserted to be invalid by the challenger in its petition for IPR.<sup>65</sup> With respect to two of the claims, the PTAB rejected all of the grounds asserted by the challenger, but "exercise[d] discretion" to institute review anyway on grounds not asserted by the challenger.<sup>66</sup> On appeal, the Federal Circuit declined to review the decision to institute, reasoning that "[t]he fact that the petition was defective is irrelevant because a proper petition could have been drafted," and there was "no bar" to finding all of the claims unpatentable based on the prior art cited.<sup>67</sup>

The PTAB also lacks authority to institute an IPR if, more than one year prior to filing the petition, "the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."<sup>68</sup> In *Achates Reference Publishing, Inc. v. Apple Inc.*,<sup>69</sup> the patent owner challenged the PTAB's authority to institute the IPR on the basis that the petitioner was in privity with co-defendants in the litigation over the patent at issue.<sup>70</sup> Achates requested, but was denied, discovery to prove the alleged relationship between the petitioner and the defendants in the concurrent civil litigation.<sup>71</sup> On appeal, the *Achates* court declined to review the decision to institute, emphasizing that whether a petition is timely is not related to the PTAB's authority to invalidate claims and "the timeliness issue here could have been avoided if Apple's petition had been filed a year earlier or if a petition identical to Apple's

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were filed by another party.<sup>72</sup> The court further held that the bar on reviewing decisions to institute also prohibited review of the denial of discovery, thereby further insulating decisions made by the PTAB during the institution phase.<sup>73</sup>

The PTO has also instituted at least one IPR in a situation where the petitioner was the defendant in a civil case that was voluntarily dismissed without prejudice. In *Click-to-Call Technologies, LP v. Oracle Corp.*,<sup>74</sup> the petition for IPR was filed more than a year after “the petitioner [was] served with a complaint alleging infringement of the patent.”<sup>75</sup> The PTAB authorized institution of the IPR, reasoning that the voluntary dismissal without prejudice of the case meant that it was “as though the action had never been brought.”<sup>76</sup> The Federal Circuit declined to review the institution decision, reasoning again that a statutory time bar has no relationship to the PTAB’s authority to invalidate the patent, but only goes to whether this particular petitioner was barred from bringing a petition.<sup>77</sup>

Finally, the PTAB has also instituted IPR in a case where a declaratory judgment action had been filed by the petitioner and then dismissed without prejudice.<sup>78</sup> The statute prohibits institution of an IPR where a petitioner has “filed a civil action challenging the validity of a” patent prior to the date of the petition.<sup>79</sup> However, the PTAB instituted review, reasoning that if the action is dismissed without prejudice, “[i]n the context of § 315(a)(1), the action never existed.”<sup>80</sup> Again, the Federal Circuit declined to review the decision to institute.<sup>81</sup>

In sum, under current Federal Circuit precedent, judicial review is unavailable for decisions made at the institution phase of IPR unless the challenged decision goes to the PTAB’s authority to invalidate the patent. If the challenged decision is purely procedural and any alleged error “washes clean” during a properly conducted IPR, judicial review is unavailable.

### III. Administrative Law Primer: When Is Judicial Review Available?

Congress enacted the Administrative Procedure Act (APA) in 1946, expressing its intent that judicial review of agency action is presumed to be available unless there is clear and convincing evidence that Congress intended to withhold judicial review.<sup>82</sup> The Supreme Court has consistently followed this presumption by carefully reviewing the statutes, legislative histories, and potential consequences of denying all review whenever faced with a question of whether review is unavailable for specific agency actions.<sup>83</sup> The Court’s jurisprudence provides guidance for determining when

judicial review is available, even where review appears to be precluded on the face of a statute.

#### A. Presumption of Judicial Review

There is a “strong presumption that Congress intends judicial review of administrative action.”<sup>84</sup> In *Bowen v. Michigan Academy of Family Physicians*,<sup>85</sup> for example, a group of physicians challenged a Medicare regulation related to payment rates on the basis that it was inconsistent with the Medicare statute.<sup>86</sup> The Department of Health and Human Services argued, among others things, that the statute, which limited review of “the amount of benefits,” barred judicial review of the regulation at issue.<sup>87</sup> The Supreme Court disagreed, finding that while the statute limited review of agency determinations related to the amount of benefits, review of the *method* used to determine the amount of benefits was not foreclosed.<sup>88</sup>

The Court closely examined the legislative history of the original statute and amendments to the statute, finding support in language reflecting Congress’ intent to limit review of the “amount of benefits.”<sup>89</sup> The Court found no indication that Congress intended to limit review of “substantial statutory and constitutional challenges to the Secretary’s administration of Part B of the Medicare program.”<sup>90</sup> Rather, in limiting judicial review of amount of benefits determinations, Congress intended to prevent “overloading the courts’ with ‘trivial matters.’”<sup>91</sup> The Court emphasized the “presum[ption] that Congress intends the executive to obey its statutory commands and, accordingly, that it expects the courts to grant relief when an executive agency violates such a command.”<sup>92</sup>

The Supreme Court has since limited its holding in *Bowen* to situations where withholding judicial review under the statute at issue would result in no judicial review at all, as opposed to merely channeling review through an administrative agency process.<sup>93</sup> Delayed judicial review, in other words, is not sufficient to overcome an apparent statutory bar on judicial review—the statute must preclude all meaningful review for *Bowen* to apply.<sup>94</sup>

Judicial review also may not be immediately available where the decision represents a matter within the agency’s discretion. In *Heckler v. Ringer*,<sup>95</sup> for example, Medicare beneficiaries challenged the Department of Health and Human Services’ decision to deny payment for a specific surgical procedure.<sup>96</sup> The Supreme Court denied review because the claimants were challenging reimbursement for a specific procedure and meaningful judicial review was available after a final decision was issued.<sup>97</sup> In addition, the statute specified that beneficiaries were

entitled to reimbursement for procedures that were “reasonable and necessary” and determining which procedures qualify as reasonable and necessary were “clearly discretionary decisions.”<sup>98</sup> In other words, because the statute allowed for discretionary decision-making by the agency, the claim was not “collateral” to the statutory provisions governing judicial review and there would be no irreparable injury to the claimant by postponing review until after the administrative review process was completed.<sup>99</sup>

In sum, judicial review of administrative agency action is unavailable where the statutory language and legislative history provide a “fairly discernible” intent to preclude review.<sup>100</sup> However, “where substantial doubt about congressional intent exists, the general presumption favoring judicial review of administrative action is controlling.”<sup>101</sup> Furthermore, where a statute precludes judicial review of agency decisions that are within the agency’s discretion, but some form of meaningful judicial review is available eventually, immediate review is unavailable. However, where the challenge is to a decision that is collateral to the type of review precluded by the statute, judicial review may be available. Finally, courts will also inquire “whether the claims can be afforded any meaningful review” if the relief requested is denied.<sup>102</sup>

## B. The *Leedom* Exception

Judicial review may also be available in extreme cases of an agency’s acting outside of its statutory authority.<sup>103</sup> In *Leedom v. Kyne*,<sup>104</sup> for example, the Supreme Court held that judicial review was available for agency action “made in excess of its delegated powers and contrary to a specific prohibition in the [statute].”<sup>105</sup> In *Leedom*, the National Labor Relations Board (NLRB) certified a collective bargaining unit containing both professional and nonprofessional employees, despite a statutory mandate not to include nonprofessional employees in such units absent a majority vote by the professional employees.<sup>106</sup> The National Labor Relations Act only provided for review of final orders.<sup>107</sup> In finding that judicial review of this action was appropriate, the Court reasoned that the agency had deprived these employees of a statutory right granted by Congress and denying judicial review would leave the employees with “no other means . . . to protect and enforce that right.”<sup>108</sup> This was not a request to review “a decision of the Board made within its jurisdiction,” the Court held, but rather a request to correct an agency action made in violation of a statutory mandate.<sup>109</sup>

The Court has limited the *Leedom* exception to cases where denying review “would wholly deprive

the [claimant] of a meaningful and adequate means of vindicating its statutory rights.”<sup>110</sup> In *Board of Governors of the Federal Reserve System v. MCorp Financial, Inc.*,<sup>111</sup> the Court held that the district court did not have jurisdiction to review the agency’s decision to institute an enforcement action. The statute specified that “no court shall have jurisdiction to affect . . . the issuance or enforcement of any notice or order.”<sup>112</sup> The Supreme Court declined to allow review of the institution decision, finding that the litigants had an adequate opportunity for judicial review of any final agency action.<sup>113</sup> The lesson of *Leedom* and *MCorp*, it seems, is that judicial review of agency action may be available, even if review is generally prohibited, where an agency exceeds its statutory authority, thereby depriving the claimant of a statutory right granted by Congress, and where there is no meaningful opportunity for judicial review of that action.<sup>114</sup>

The Federal Circuit briefly addressed the *Leedom* exception in *Achates*, despite the fact that it was not raised by the parties.<sup>115</sup> According to the *Achates* court, the *Leedom* exception is not available where the challenge involves issues of statutory interpretation absent “egregious error.”<sup>116</sup> The statutory interpretation at issue in *Achates* was whether Apple was a real party in interest of the party *Achates* had sued for patent infringement.<sup>117</sup> Since there is room for interpretation as to who is a real party in interest, “the Board’s institution decision [did] not violate a clear statutory mandate.”<sup>118</sup> The court did not address, however, whether the *Leedom* exception might be available if the statutory violation were clear and the statute were not subject to interpretation.

## IV. Discussion

The Federal Circuit’s interpretation of the statute to preclude all review of institution decisions is difficult to reconcile with Supreme Court precedents related to judicial review of agency actions. First, the statute does not unambiguously preclude review of the PTAB’s compliance with the statute. Furthermore, the argument that the patent holder is not harmed because appeals of substantive decisions on the merits are allowed is specious in this context because the Federal Circuit has also upheld the PTAB’s decision to review patents under a different standard than that used in district court litigation—a standard that is challenger-friendly. The result is a flood of IPR petitions from litigants attempting to game the system by forcing patent holders into a different forum after civil proceedings are already substantially underway—a situation that Congress clearly intended to avoid.

### A. The Statute Does Not Unambiguously Preclude Review of Compliance with the Statute

The statutory language at issue specifies that the decision “whether to institute an inter partes review under this section shall be final and nonappealable.”<sup>119</sup> However, the legislative history of the AIA and the statutory provisions related to the requirements petitioners must meet prior to institution indicate that Congress did not intend to completely insulate the PTAB from all review of compliance with its statutory mandates. Furthermore, a challenge to the PTAB’s compliance with the statute is not a challenge to a decision to institute.

The Supreme Court has directed courts to examine the language, structure, and purpose of the statute to determine whether Congress intended to completely preclude judicial review of agency actions.<sup>120</sup> Therefore, the statutory preclusion of review of a decision to institute an IPR must be considered in the context of the statutory scheme as a whole. Other sections of the IPR statute provide limitations on the availability of IPR for certain petitioners. For example, an IPR “may not be instituted” if the petitioner has previously filed a declaratory judgment action seeking to have a claim of the patent invalidated.<sup>121</sup> An IPR “may not be instituted” if the patent owner served a civil infringement complaint on the petitioner or a real party in interest more than one year prior to the petition.<sup>122</sup> And, the PTAB “may not authorize” an IPR unless the petition specifically identifies evidence supporting a “reasonable likelihood” of success.<sup>123</sup>

Where a patent owner alleges that the PTAB exceeded its statutory authority by instituting an IPR where institution of that IPR is expressly barred by the statute, the challenge is not to the merits of the substantive decision to institute. Rather, what is at issue is whether the PTAB had the *authority* to even consider the merits of instituting the proceeding. There is no express bar in the statute on reviews of the PTAB’s authority under the statute. This is similar to the distinction made by the Federal Circuit in determining that judicial review is available for a determination that a patent is a CBM patent—there, review is available because the determination impacts whether the PTAB has authority to invalidate the patent.<sup>124</sup> The court distinguished these situations by reasoning that the statutory provisions prohibiting review did not relate to the PTAB’s ultimate authority to invalidate a patent; as the court noted, compliant petitions *could have been* brought. However, this interpretation is contrary to the reason for having these restrictions in the first place.

The purpose of the restrictions was to prevent harassment of patent owners. Congress was acutely aware that making it easier to obtain review of an issued patent could present a burden to patent owners:

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current ministrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and ministrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.<sup>125</sup>

The marked increase in IPR petitions as compared to inter partes reexamination petitions suggests that IPR is being used as “a tactical vehicle for delay, harassment, and expenditure.”<sup>126</sup>

Evidence from the text of the statute and the legislative history strongly suggest that Congress’ intent in precluding review of decisions to institute was to ensure an expeditious review process, not to insulate the PTAB from challenges that it exceeded its statutory authority. IPR was intended as “an inexpensive and speedy alternative to litigation.”<sup>127</sup> To this end, the statutory scheme requires that an IPR be completed within one year of the institution decision.<sup>128</sup> The prohibition on review of decisions to institute is intended to help ensure that speedy resolution by prohibiting interlocutory appeals.<sup>129</sup> If an appeal of institution decisions were immediately available, virtually every IPR institution decision would be reviewed and this would undermine the ability of the PTAB to complete IPRs within one year of institution and defeat the purpose of IPRs as a speedy alternative to litigation. A reasonable interpretation of the nonappealability of institution decisions is that the decision is not *immediately* appealable, not that information considered at the decision to institute phase may not be reviewed upon review of a final determination.<sup>130</sup>

As the Supreme Court has held, “where substantial doubt about the congressional intent exists, the general presumption favoring judicial review of administrative action is controlling.”<sup>131</sup> The statutory language, purpose of the statute, and legislative history provide strong support for the conclusion that Congress did not intend to preclude all review of institution decisions. Despite the apparent bar on review of the decision itself, Congress purposefully crafted the statute to include a number of safeguards to protect patent holders from tactical use of IPRs by challengers. Prohibiting judicial review of decisions made at the institution phase where the allegation is that the PTAB exceeded its authority to institute the IPR is contrary to Congress’ intent.

## B. “Washing Clean” Does Not Justify Abuse of Authority

Despite the fact that the Federal Circuit has rejected the *Leedom* exception, at least for cases where there is room for interpretation and the PTAB has not clearly violated the statute, as long as the PTAB continues to use BRI, an argument could be made that there is no meaningful opportunity for judicial review of institution decisions. The Federal Circuit’s reasoning is that procedural errors made at the institution phase are “washed clean” by a properly conducted IPR. However, this reasoning misses the mark because the PTAB is using a different standard of claim construction during IPR than that used by federal courts.

This is also not a situation where the agency has discretionary decision-making powers, as in *Heckler*. There, the agency was tasked with reimbursing beneficiaries for services that were reasonable and necessary, leaving significant room for interpretation by the agency as to what services were reasonable and necessary.<sup>132</sup> Here, there are clear statutory prohibitions on instituting IPR proceedings and these prohibitions are based on Congress’ intent to limit the availability of IPR to prevent harassment of patent owners. Furthermore, in *Heckler*, the beneficiaries had an opportunity to appeal their denials, first in an administrative forum and then in federal court.<sup>133</sup> Here, if the PTAB exceeds its statutory authority in instituting an IPR, the patent holder has no right to a review of that decision. In contrast, the third party requesting review does have an adequate remedy if the IPR petition is denied—it can defend in federal court if it is sued for infringement or it can bring a declaratory judgment action seeking to have the patent invalidated.

This is also not a situation where review is eventually available after the patent holder exhausts administrative remedies. Here, the institution decision is *never* reviewable, according to the Federal Circuit.<sup>134</sup> While the final decision of the PTAB as to patentability is reviewable, this offers little solace to the patent owner given the significant differences between IPR and civil litigation. These differences provide significant incentive for parties to seek IPR even where it is statutorily unavailable because of time bars—and if the PTAB exceeds its authority in instituting the IPR under those circumstances, the patent holder has no remedy.

The differences in claim construction, burden of proof, and presumption of validity are compounded by the fact that the PTAB is not bound by judicial decisions. In other words, a patent could be litigated and deemed valid in district court, but then challenged through an IPR petition and ultimately be deemed unpatentable.<sup>135</sup> This presents a significant burden for patent holders and is a result

contrary to what Congress intended—IPR was supposed to be an alternative to district court litigation and the time bars and other statutory prohibitions on instituting IPRs were intended to protect patent holders. Allowing the PTAB to violate those statutory mandates will result in exactly the opposite of what Congress intended.

## V. Conclusion

Although the IPR statute, on its face, appears to preclude judicial review of institution decisions, there are strong indications that Congress did not intend for this to be a “blank check” to the PTAB to exceed its statutory authority in determining whether a given IPR petition meets the statutory requirements. Because the PTO is using a broader standard for claim construction during IPR, the argument that any procedural errors made during the institution phase are “washed clean” is unsupported. The combination of a lower bar for patent challengers with no review of institution decisions has incentivized challengers to game the system and abuse IPR proceedings in a way that Congress surely never intended.

After this paper was written, the Supreme Court issued its decision in *Cuozzo Speed Technologies LLC v. Lee*,<sup>136</sup> upholding the Federal Circuit’s determination that decisions to institute IPR are unreviewable under normal circumstances. The Court concluded that the statute precluding appeals of decisions to institute IPR represents a clear mandate from Congress sufficient to overcome the strong presumption in favor of judicial review of agency actions.<sup>137</sup> The Court did, however, leave open the possibility of review of “shenanigans” (instances where the PTO acts outside of its statutory limits) or where there are Constitutional issues raised by the PTO’s actions.<sup>138</sup> *Cuozzo Speed Technologies’* case, in the Court’s view, did not rise to the level of “shenanigans” that would warrant judicial review.<sup>139</sup> Only time will tell how egregious the “shenanigans” or Constitutional issue must be to warrant judicial review of a decision not to institute an IPR by the PTAB.

### (Endnotes)

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<sup>1</sup> *United States v. Nourse*, 34 U.S. 8, 28-29 (1835).



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<sup>2</sup> See 35 U.S.C. §§ 311-319 (2016).

<sup>3</sup> See H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

<sup>4</sup> See U.S. Patent & Trademark Office, *Patent Trial and Appeal Board Statistics* (Oct. 31, 2015), available at <http://www.uspto.gov/sites/default/files/documents/2015-10-31%20PTAB.pdf>.

<sup>5</sup> See, e.g., *Click-to-Call Technologies, LP v. Oracle Corp.*, No. 2015-1242, 2015 WL 6994583 (Fed. Cir. Nov. 12, 2015); *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015); *Versata Dev. Group., Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015).

<sup>6</sup> For a discussion of these cases, see *infra* notes 51-81 and accompanying text.

<sup>7</sup> 35 U.S.C. § 314(d) (2016).

<sup>8</sup> For further discussion of the decisions, see *infra* notes 51-81 and accompanying text.

<sup>9</sup> For further discussion of current precedent, see *infra* notes 65-81 and accompanying text.

<sup>10</sup> See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005); 37 C.F.R. § 42.100(b) (2015). For further discussion, see *infra* notes 29-50 and accompanying text.

<sup>11</sup> See *Finnigan Corp. v. Int'l Trade Comm'n*, 180 F.3d 1354, 1365 (Fed. Cir. 1999); 35 U.S.C. § 316(e) (2016).

<sup>12</sup> See Stacy Lewis & Tom Irving, *Very Few Appreciated Just How Bad AIA Inter Partes Reviews (IPRs) Would Be for Patent Owners, Although IPR Denials Have Been, for Patent Owners, a Glimmer of Hope*, 11 BUFF. INTELL. PROP. L.J. 28, 56 (2015).

<sup>13</sup> See 35 U.S.C. § 315 (2016).

<sup>14</sup> See *id.* § 314(d). For further discussion, see *infra* notes 51-63 and accompanying text.

<sup>15</sup> For discussion, see *infra* notes 51-81 and accompanying text.

<sup>16</sup> See 35 U.S.C. §§ 311-319 (2016).

<sup>17</sup> See H.R. Rep. No. 96-1307(I), at 4 (“[R]eexamination . . . could be conducted with a fraction of the time and cost of formal legal proceedings.”).

<sup>18</sup> See U.S. Patent & Trademark Office, *Inter Parte Reexamination Filing Data* (Sept. 30, 2013), available at [http://www.uspto.gov/patents/stats/inter\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2013.pdf](http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf); see also United States Patent and Trademark Office, *Report to Congress on Inter Partes Reexamination* (2004), at 5.

<sup>19</sup> See *Patent Trial and Appeal Board Statistics*, *supra* note 4.

<sup>20</sup> *Id.*

<sup>21</sup> See Amanda Murphy et al., *Adjusting for the New Normal: Thoughts on Enhancing the Possibilities of Success for the Patent Owner in an AIA Post-Grant Proceeding*, 11 BUFF. INTELL. PROP. L.J. 258, 260-63 (2015).

<sup>22</sup> See 35 U.S.C. § 311(a) (2016).

<sup>23</sup> *Id.* § 312(a)(3).

<sup>24</sup> *Id.* § 314(a).

<sup>25</sup> See, e.g., H.R. Rep. 112-98, pt. 1, at 47 (2011).

<sup>26</sup> See 35 U.S.C. § 315(a)(1) (2016).

<sup>27</sup> See *id.* § 315(b).

<sup>28</sup> *Id.* § 314(d).

<sup>29</sup> See 37 C.F.R. § 42.100(b) (2015).

<sup>30</sup> *In re Sneed*, 710 F.2d 1544, 1548 (Fed. Cir. 1983).

<sup>31</sup> *Phillips*, 415 F.3d at 1313.

<sup>32</sup> See Michael Risch, *Failure of Public Notice in Patent Prosecution*, 21 HARVARD J.L. & TECH. 179, 190 (2007) (“Theoretically . . . the broader construction will make it more likely that prior art will render the claim unpatentable.”).

<sup>33</sup> See 35 U.S.C. § 316(a)(4) (2016).

<sup>34</sup> S. Hrg. 112-558, *Oversight of the U.S. Patent and Trademark Office: Implementation of the Leahy-Smith America Invents Act and International Harmonization Efforts*, at 21-22 (June 20, 2012).

<sup>35</sup> See *id.* (“[E]valuation for patentability . . . applies the broadest reasonable interpretation standard.”).

<sup>36</sup> See, e.g., H.R. Rep. 112-98, pt. 1, at 47 (2011) (“Petitioners bear the burden of proving that a patent is invalid.”); *id.* at 45 (discussing limits on “third party alleging a patent is invalid” in reexamination).

<sup>37</sup> David Kappos, *Ensuring Quality Inter Partes and Post Grant Reviews*, Director’s Forum: A Blog from USPTO’s Leadership (June 19, 2012), [http://www.uspto.gov/blog/director/entry/ensuring\\_quality\\_inter\\_partes\\_and](http://www.uspto.gov/blog/director/entry/ensuring_quality_inter_partes_and).

<sup>38</sup> See 37 C.F.R. § 42.121(a) (2015).

<sup>39</sup> See Brad Scheller, *PTAB Grants Fourth Motion to Amend in an IPR Proceeding*, Global IP Matters, (June 16, 2015), <https://www.globalipmatters.com/2015/06/16/ptab-grants-fourth-motion-to-amend-in-an-ipr-proceeding>.

<sup>40</sup> See Kappos, *supra* note 37 (asserting that AIA “addresses this concern”).

<sup>41</sup> See *id.*

<sup>42</sup> For further discussion of this issue, see *infra* notes 68-73 and accompanying text.

<sup>43</sup> For further discussion, see *infra* notes 68-73 and accompanying text.

<sup>44</sup> *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1279 (Fed. Cir. 2015).

<sup>45</sup> See *id.* at 1285-86 (Newman, J., dissenting) (concluding use of BRI “distorts, indeed defeats, the legislative purpose of providing an administrative surrogate for district court determination of patent validity”).

<sup>46</sup> See Innovation Act of 2015, H.R. 9, 114th Cong. § 9(b)(1)(C) (2015) (proposed legislation to require that “each claim of a patent shall be construed as such claim would be in a civil action to invalidate a patent”); PATENT Act, S. 1137, 114th Cong. § 11 (2015) (same).

<sup>47</sup> See 35 U.S.C. § 316(e) (2016).

<sup>48</sup> *Finnigan Corp.*, 180 F.3d at 1365 (quoting *SSIH Equip., S.A. v. United States Int'l Trade Comm'n*, 718 F.2d 365, 375 (Fed. Cir. 1983)).

<sup>49</sup> See 35 U.S.C. § 282(a) (2016).

<sup>50</sup> See Lewis, *supra* note 12, at 56-64 (discussing factors favoring challengers in IPR proceedings).

<sup>51</sup> See *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374 (Fed. Cir. 2014).

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> For examples of denials of review of decisions not to institute, see *In re Dominion Dealer Solutions, LLC.*, 749 F.3d 1379 (Fed. Cir. 2014) and *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014).

<sup>55</sup> 749 F.3d 1376 (Fed. Cir. 2014).

<sup>56</sup> *Id.* at 1379.

<sup>57</sup> *Id.*

<sup>58</sup> 793 F.3d 1268 (Fed. Cir. 2015).

<sup>59</sup> See *id.* at 1273 (holding Section 314(d) “bar[s] review of all institution decisions, even after the Board issues a final decision”).

<sup>60</sup> 793 F.3d 1306 (Fed. Cir. 2015).

<sup>61</sup> *Id.* at 1314-15.

<sup>62</sup> *Id.* at 1319.

<sup>63</sup> See *id.* at 1337 (Hughes, J., dissenting) (“I cannot agree with the majority’s evasion of the statutory bar by its mere reframing of the issue for review as a question of the Board’s ‘ultimate authority to invalidate,’ rather than the Board’s authority to institute.”). Judge Hughes concurred in the denial of the petition for rehearing en banc in *Cuozzo*. Judge Newman, who wrote for the dissent in *Cuozzo*, was in the majority in *Versata*.

<sup>64</sup> 35 U.S.C. § 314(a) (2016).

<sup>65</sup> *Cuozzo*, 793 F.3d at 1272.

<sup>66</sup> *Garmin Int'l, Inc. v. Cuozzo Speed Technologies, LLC*, IPR2012-00001 (PTAB, Jan. 9, 2013), Paper 15, at 18-19, 22.

<sup>67</sup> *Cuozzo*, 793 F.3d at 1274.

<sup>68</sup> 35 U.S.C. § 315(b) (2016). The PTAB handles such determinations by applying “the flexible and equitable considerations established under federal caselaw.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012), to be codified at 37 C.F.R. pt. 42.

<sup>69</sup> 803 F.3d 652 (Fed. Cir. 2015).

<sup>70</sup> *Id.* at 653.

<sup>71</sup> *Id.* at 654.

<sup>72</sup> *Id.* at 657.

<sup>73</sup> *Id.* at 659.

<sup>74</sup> No. 2015-1242, 2015 WL 6994583 (Fed. Cir. Nov. 12, 2015).

<sup>75</sup> *Id.* at \*1 (quoting 35 U.S.C. § 315(b)).

<sup>76</sup> *Oracle Corp. v. Click-to-Call Technologies LP*, 2013 WL 11311788, at \*7 (P.T.A.B. Oct. 30, 2013).

<sup>77</sup> *Click-to-Call*, No. 2015-1242, 2015 WL 6994583, at \*1.

<sup>78</sup> See, e.g., *In re Procter & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014).

<sup>79</sup> 35 U.S.C. § 315(a)(1) (2016).

<sup>80</sup> *Procter & Gamble*, 749 F.3d at 1378. The court denied mandamus but left open whether an institution decision could be challenged after final written decision. *Id.* at 1379.

<sup>81</sup> *Id.* at 1378-79.

<sup>82</sup> *Bowen v. Michigan Acad. of Family Physicians*, 476 U.S. 667, 670-73 (1986).

<sup>83</sup> *Id.* at 673.

<sup>84</sup> *Id.* at 670. If no judicial review were available, this “would in effect be blank checks drawn to the credit of some administrative officer or board.” S. Rep. No. 752, 79<sup>th</sup> Cong., 1<sup>st</sup> Sess., 212 (1945).

<sup>85</sup> 476 U.S. 667 (1986).

<sup>86</sup> *Id.* at 668-69.

<sup>87</sup> *Id.* at 673.

<sup>88</sup> *Id.* at 675-76.

<sup>89</sup> *Id.* at 678.

<sup>90</sup> *Id.* at 680.

<sup>91</sup> *Id.* at 675 (quoting 118 Cong. Rec. 33992 (1972)).

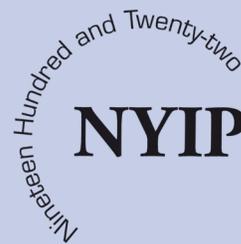
<sup>92</sup> *Id.* at 681.

<sup>93</sup> *Shalala v. Illinois Council on Long Term Care, Inc.*, 529 U.S. 1, 19 (2000).

<sup>94</sup> *Id.* at 19-20.  
<sup>95</sup> 466 U.S. 602 (1984).  
<sup>96</sup> *Id.* at 606.  
<sup>97</sup> *Id.* at 617.  
<sup>98</sup> *Id.*  
<sup>99</sup> *Id.* at 618.  
<sup>100</sup> *Assn. of Data Processing Serv. Orgs., Inc. v. Camp*, 397 U.S. 150, 157 (1970).  
<sup>101</sup> *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 351 (1984).  
<sup>102</sup> *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 207 (1994) (internal citations omitted).  
<sup>103</sup> *See Leecom v. Kyne*, 358 U.S. 184, 188 (1958) (allowing action “to strike down an order of the Board made in excess of its delegated powers and contrary to a specific prohibition in the Act”).  
<sup>104</sup> 358 U.S. 184 (1958).  
<sup>105</sup> *Id.* at 188.  
<sup>106</sup> *Id.* at 185-86.  
<sup>107</sup> *Id.* at 187.  
<sup>108</sup> *Id.* at 189-90.  
<sup>109</sup> *Id.* at 188.  
<sup>110</sup> *Bd. of Governors of Fed. Reserve Sys. v. MCorp Fin., Inc.*, 502 U.S. 32, 43 (1991).  
<sup>111</sup> 502 U.S. 32 (1991).  
<sup>112</sup> *Id.* at 39 (quoting 12 U.S.C. § 1818).  
<sup>113</sup> *Id.* at 43-44.  
<sup>114</sup> The Supreme Court has repeatedly reaffirmed this is a narrow exception, limited to questions of legal construction, not errors of fact. *See Boire v. Greyhound Corp.*, 376 U.S. 473, 481 (1964).  
<sup>115</sup> *Achates*, 803 F.3d at 658-59.  
<sup>116</sup> *Id.* at 658.  
<sup>117</sup> *Id.* at 657.  
<sup>118</sup> *Id.* at 659.  
<sup>119</sup> 35 U.S.C. § 314(d) (2016).  
<sup>120</sup> *Thunder Basin*, 510 U.S. at 207.  
<sup>121</sup> 35 U.S.C. § 315(a)(1) (2016).  
<sup>122</sup> *Id.* § 315(b).

<sup>123</sup> *Id.* § 314(a).  
<sup>124</sup> For discussion of the Federal Circuit’s reasoning *see supra* notes 60-63 and accompanying text.  
<sup>125</sup> H.R. Rep. No. 112-98, pt. 1, at 48 (2011).  
<sup>126</sup> *Cuozzo*, 793 F.3d at 1289 (Newman, J., dissenting). *See also* Greg Dolin, *The Costs of Patent Reform: Early Data and Abuses in the Uneven Playing Field of Post-Issuance Review*, 16 ENGAGE 51-2 (July 2015) (“[P]ost-issuance review mechanisms have significantly amplified opportunities for patent challengers to abuse the system to the detriment of legitimate patent holders.”).  
<sup>127</sup> 157 Cong. Rec. S7413 (Nov. 14, 2011) (statement of Rep. Smith).  
<sup>128</sup> 35 U.S.C. § 316(a)(11) (2016). The statute provides for an extension of up to six months for good cause. *Id.*  
<sup>129</sup> *Cuozzo*, 793 F.3d at 1291 (Newman, J., dissenting).  
<sup>130</sup> *Id.*  
<sup>131</sup> *Block*, 467 U.S. at 351.  
<sup>132</sup> *Heckler*, 466 U.S. at 617.  
<sup>133</sup> *Id.* at 606.  
<sup>134</sup> *See Cuozzo*, 793 F.3d at 1273.  
<sup>135</sup> In *Interthinx, Inc. v. CoreLogic Solutions, LLC*, for example, the PTAB declined to defer to the district court’s determination of validity. No. CBM2012-00007, Paper 58, at 7 (P.T.A.B. Jan. 30, 2014). The pending legislation discussed *supra* note 46 would require “if a court has previously construed the claim or a claim term in a civil action in which the patent owner was a party, the Office shall consider such claim construction.” Innovation Act of 2015, H.R. 9, 114th Cong. § 9(b)(1)(C) (2015). The Committee on the Judiciary remarked “[a]doption of the *Phillips* standard will, at the least, protect patentees from attempts to institute review on the basis of claim constructions that already have been rejected by the Federal Circuit.” H.R. Rep. 114-235, at 47 (2015).  
<sup>136</sup> 579 U.S. \_\_\_, No. 15-446, slip op. (June 20, 2016).  
<sup>137</sup> *Id.* at 9-10.  
<sup>138</sup> *Id.* at 11-12.  
<sup>139</sup> *Id.* at 12.

## RECENTLY FILED



## AMICUS BRIEFS

**WHAT:** *Star Athletica, LLC v. Varsity Brands, Inc.*, No. 15-886.

**WHEN:** July 22, 2016

**WHY:** Brief in support of neither party urging the Supreme Court to reexamine the Sixth Circuit’s new copyrightability test, as well as the various other separability tests, in light of the statutory framework, considerations of judicial economy, and the need for certainty among copyright law stakeholders.

**LINK:** [http://www.nyipla.org/images/nyipla/Documents/Amicus %20Briefs/Star%20Athletica%20v% 20Varsity%20Brands %2015-866.pdf](http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/Star%20Athletica%20v%20Varsity%20Brands%2015-866.pdf).

# Infringement of Adult Images Ex(xx)ed Out of Coverage

By Michael C. Cannata and Frank M. Misiti\*

The U.S. District Court for the Western District of Texas (“the Texas court”) recently rejected an attempt by two online content providers to secure insurance coverage in connection with a copyright infringement action commenced against them by an adult entertainment company.<sup>1</sup>

Perfect 10, Inc. (“Perfect 10”) filed an underlying action against Giganews, Inc. (“Giganews”), and Livewire Services, Inc. (“Livewire”) for copyright infringement, trademark infringement, trademark dilution, unfair competition, and violation of publicity rights in the U.S. District Court for the Southern District of California in March 2011. Some time after the case was transferred to the United States District Court for the Central District of California, Perfect 10 amended its complaint to assert only claims for copyright infringement.<sup>2</sup>

Both Giganews and Livewire are USENET service providers. USENET is a global network of online discussion groups that allows users to post media for group discussion purposes. Giganews actually owns and operates certain USENET servers that store media uploaded by USENET users. For a monthly subscription charge, Giganews allows users to access that stored media through websites owned by Giganews. Livewire operates much like Giganews, but does not own or operate its own servers. Livewire purchases content from Giganews and, thereafter, allows its users to access that content for a monthly subscription fee.<sup>3</sup>

Perfect 10 is a service provider of a different type. Perfect 10 produces, markets, and sells adult products which include, among other things, thousands of copyrighted images. According to Perfect 10, it derives substantial revenue from charging its subscribers to access Perfect 10’s copyrighted content through its website, which is otherwise not available through USENET servers.<sup>4</sup>

Perfect 10 claimed that Giganews alone has at least 10 million users, all of whom are given access to trillions of bytes of stolen content, including popular movies, music, software programs, and images, due to the placement of that stolen content on USENET servers. Perfect 10 further claimed that Giganews and Livewire users are provided with log-in credentials to access the USENET servers and, through the use of a search function, can download and view troves of Perfect 10’s copyrighted content. More specifically,

Perfect 10 alleged that users can access not only all of the content published on Perfect 10’s website, but also the entirety of Perfect 10’s magazines.<sup>5,6</sup>

Giganews and Livewire provided timely notice of the Perfect 10 action to their insurer, St. Paul Fire and Marine Insurance Company (“St. Paul”).<sup>7</sup> The policy issued by St. Paul to its named insureds, Giganews and Livewire, was a commercial general liability policy containing a \$2 million aggregate policy limit, and an umbrella component that provided a \$5 million limit.<sup>8</sup> St. Paul, however, denied any duty to defend Giganews and Livewire. Looking to the advertising injury provisions of its policy, St. Paul denied coverage on the basis that the Perfect 10 action did not allege that either Giganews or Livewire used Perfect 10’s copyrighted materials in their advertisements. It is worth noting that approximately \$8,000,000 has been spent in defending Giganews and Livewire in the Perfect 10 action.<sup>9</sup>

In February 2015, St. Paul commenced a declaratory judgment action in the Texas court seeking a declaration that St. Paul had no obligation to defend or indemnify Giganews and Livewire in the underlying Perfect 10 action. In turn, Giganews and Livewire filed a counterclaim against St. Paul for: (i) breach of contract in failing to defend them in the underlying action; (ii) breach of the duty of good faith and fair dealing; (iii) violations of the Texas Insurance Code; and (iv) attorney fees.<sup>10</sup>

In response to the parties’ motions for summary judgment, the Texas court held that Perfect 10’s amended complaint did not contain any allegations that Giganews or Livewire used Perfect 10’s copyrighted advertising materials, slogans, or titles in their own advertising. Specifically, the Texas court concluded that the underlying pleadings did not contain any accusations relating to Giganews’ and Livewire’s advertising, let alone allege that their advertisements contained Perfect 10’s copyrighted material.<sup>11</sup>

The Texas court noted that the St. Paul policy contained an “intellectual property” exclusion barring coverage for damages arising from copyright infringement claims. However, the “intellectual property” exclusion contained an exception for “advertising injury that results from the unauthorized use of any: copyrighted advertising material; trademarked slogan; or trademarked title; of [Perfect 10’s] in [Giganews’ and Livewire’s] advertising.”<sup>12</sup>

The Texas court stated that there were no allegations that Giganews or Livewire promoted, marketed, or publicized its business through unauthorized reproductions of Perfect 10's copyrighted materials. Rather, the allegations in the Perfect 10 action are that Giganews and Livewire reproduced Perfect 10's copyrighted images on its users' computers after the user already purchased a subscription, entered a username and password, downloaded a reader application, and performed a search for Perfect 10 content. There were no allegations that Giganews or Livewire promoted, marketed, or publicized their businesses through unauthorized reproductions of Perfect 10's copyrighted materials. The Texas court concluded that such allegations do not fall within the exception to the "intellectual property" exclusion, that is, they do not state a claim for advertising injury as defined in the St. Paul policy.<sup>13</sup>

Giganews and Livewire also argued that the allegations in the Perfect 10 action constituted "advertising" under the St. Paul policy because Perfect 10's copyrighted content was used to attract prospective customers to purchase new monthly subscriptions and to induce current customers to upgrade their subscriptions. "Advertising," under the policy, was defined as "attracting the attention of others by any means for the purpose of: seeking customers or supporters; or increasing sales or business." The Texas court rejected this argument as the images were only offered to customers *after* the customers had paid for the subscription and *after* the customer affirmatively chose to search for the offending images.<sup>14</sup> Thus, by the time the images were displayed or offered to the customer, the customer had already been attracted to Giganews' and Livewire's services, and such images were not a tool to induce prospective customers.

In that connection, the Texas court held that there were also no allegations that the images caused current customers to purchase enhanced subscription services. The Texas court refused to find that an alleged display of Perfect 10's content could be considered advertising, as such a finding would "transform goods and services a customer purchases into 'advertising' for future purchases." As a result, an excluded copyright infringement claim would be converted into a covered advertising injury, which is beyond the intent of the parties to the insurance contracts.<sup>15</sup>

Accordingly, the Texas court concluded that the Perfect 10 action "does not even *potentially* state a covered 'advertising injury' claim,"<sup>16</sup> granted summary judgment to St. Paul, and dismissed the counterclaims asserted by Giganews and Livewire.

There are two key takeaways based on the Texas court's holding. First, counsel representing clients in connection with copyright infringement actions should note that there may not be insurance coverage to pay any judgment or settlement obtained in such action. And second, counsel representing clients in claims for insurance coverage related to copyright infringement actions should be focused on the context of the alleged infringement to determine whether the infringement arises out of an enumerated offense under the applicable insurance policy.

## (Endnotes)



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<sup>1</sup> See *St. Paul Fire & Marine Ins. Co. v. Giganews, Inc.*, 2016 U.S. Dist. LEXIS 79535 (W.D. Tex. June 17, 2016).

<sup>2</sup> *Id.* at \*2-\*3.

<sup>3</sup> *Id.* at \*3-\*4.

<sup>4</sup> *Id.* at \*4-\*5.

<sup>5</sup> *Id.* at \*5-\*7.

<sup>6</sup> In the underlying lawsuit, summary judgment was entered in favor of Giganews and Livewire on Perfect 10's copyright infringement claims. The underlying lawsuit is presently on appeal to the Court of Appeals for the Ninth Circuit.

<sup>7</sup> *Giganews*, 2016 U.S. Dist. LEXIS at \*10.

<sup>8</sup> *Id.* at \*8.

<sup>9</sup> *Id.* at \*10-\*11.

<sup>10</sup> *Id.* at \*11-\*12.

<sup>11</sup> *Id.* at \*17-\*18.

<sup>12</sup> *Id.* at \*17. The exception to the "intellectual property" exclusion tracks the definition of advertising injury contained in the St. Paul policy.

<sup>13</sup> *Id.* at \*17-\*18.

<sup>14</sup> *Id.* at \*20-\*21, \*23.

<sup>15</sup> *Id.* at \*21.

<sup>16</sup> *Id.* at \*25.

# Ethical Considerations for Judges' Legal Activities After Termination of Federal Judicial Service

By Matthew B. McFarlane\*

This article considers some of the ethical considerations concerning the transition of retiring and resigning federal judges from the bench to practicing attorney.

## I. Many Article III Judges Remain Engaged in Legal Activities After Leaving the Bench

Article III of the Constitution sets out the “judicial power of the United States,” and provides that judges presiding over Article III courts:

shall hold their offices during good behaviour, and shall, at stated times, receive for their services, a compensation, which shall not be diminished during their continuance in office.<sup>1</sup>

For all practical purposes, once appointed, a federal judge will hold his or her office until resignation, retirement, death, or removal, an act generally thought to require impeachment.<sup>2</sup> Life tenure under the Constitution has been widely considered to provide for an independent federal judiciary that the Founders believed might be more insulated from the unpredictable residual powers of the states.

While some looking in from the outside might assume a federal judge would never abandon a guaranteed position and salary for life, the reality of the situation is that federal judges have left and will likely continue to leave the bench to pursue other professional opportunities. In fact, the rate of federal judges' termination of their judicial service has remained relatively constant in the past few decades, and, based on data collected, it seems reasonable to assume that this rate of departure will continue apace into the future.<sup>3</sup>

To be clear, judicial termination includes both resignation and retirement. A federal judge may resign from the office and, on doing so, will forfeit his or her entitlement to lifetime compensation. A federal judge may retire after attaining a certain age and service requirement defined by statute, and “receive an annuity equal to the salary he was receiving at the time he retired.”<sup>4</sup> Both resignation and retirement enable the now-former judge to pursue other activities that he or she could not while on the bench.<sup>5</sup>

There appear to be many reasons underlying federal judges' decisions to leave the bench: from an

increasing workload, to a desire for more income or new professional challenges. But, regardless of the underlying reason, more than 47% of recently surveyed federal judges who retired or resigned between 1993 and 2010 reported returning to the practice of law after bench service.<sup>6</sup> Those departure numbers underscore the importance of understanding and complying with the various ethical requirements impacting federal judges seeking to return to practicing law.

## II. Ethical Considerations Governing Post-Judicial Legal Practice

Article III judges are guided by the Code of Conduct for United States Judges (“Code of Conduct”) adopted by the Judicial Conference of the United States.<sup>7</sup> The Code of Conduct contains five canons dealing with:

- (1) upholding the integrity and independence of the judiciary;
- (2) avoiding impropriety and the appearance of impropriety in all activities;
- (3) performing the duties of the office fairly, impartially and diligently;
- (4) permitting a judge to engage in extrajudicial activities that are consistent with the obligations of judicial office; and
- (5) stating that a judge should refrain from political activity.

The Code of Conduct is non-binding on judges, and only provides guidance to judges in carrying out the duties of their appointed office.<sup>8</sup>

In light of advisory opinions issued by the Committee on Codes of Conduct of the Judicial Conference (the “Committee”) relating to post-judicial activities, discussed further below, the Code of Conduct impliedly permits a former federal judge to return to practice after the bench. This next section will first discuss three advisory opinions from the Committee that specifically consider situations germane to post-judicial legal practice:

- (1) disqualification considerations when a former judge appears as counsel (No. 70);
- (2) the use of the title “Judge” by former judges (No. 72); and
- (3) the pursuit of post-judicial employment (No. 84).

Otherwise, federal judges' activities in the practice of law after leaving the bench are governed by each state's bar and its particular rules governing attorney conduct. This section will continue with a discussion of Rule 1.12(a) of the American Bar Association Model Rules of Professional Conduct (the "Model Rules"), which provides a useful framework for a general discussion of ethical considerations relating to third-party neutrals, a common function that former judges assume after leaving the bench.

### A. Committee on Codes of Conduct Advisory Opinions

Committee on Codes of Conduct Advisory Opinion No. 70 covers recusal obligations of a sitting judge when a former judge appears as counsel before the court in which the former judge once held office.<sup>9</sup> The opinion confirms that the former judge's ethical obligations are governed by the rules of professional responsibility applicable to attorneys in the jurisdiction.<sup>10</sup> The opinion clearly sees a problem with impartiality when a judge's former colleague appears before the judge as counsel for a party.

One important observation is that the former judge may be an attractive candidate to an interested party or law firm *precisely because* he or she will have the credibility of being a former colleague of the presiding judge. The advisory opinion suggests that courts adopt a fixed recusal period of one to two years "depending on the size of the bench and . . . nature of interactions among the judges."<sup>11</sup> Even after that period has passed, recusal may be appropriate under the answers to a two-part inquiry: first, whether the judge feels capable of disregarding the relationship, and second, whether others can be reasonably expected to believe the relationship is disregarded.<sup>12</sup> To that end, the opinion suggests that the sitting judge exercise care "to avoid using or permitting indications of familiarity."<sup>13</sup>

The key for the Committee is that certain information about a presiding judge's viewpoint or practices will be accessible to the former judge and colleague but not to others. The opinion is clear that information that could be obtained by "thorough study of the sitting judge's opinions" or by frequent litigation before a particular judge is not grounds for disqualification. To avoid a conflict that could affect client representation, former judges are expected to be mindful of these directives when agreeing to represent a party in a matter that could be venued in the court in which that judge previously held an office.

Committee on Codes of Conduct Advisory Opinion No. 72 deals with the use of the title "judge" by former judges.<sup>14</sup> The opinion notes that former judges have

been addressed as "judge" as a matter of courtesy and observes that the increasing number of former federal judges returning to the practice of law raises possible concerns about whether a presiding judge should consider referring to an attorney as "judge" in proceedings. The opinion concludes that the "integrity and impartiality of the judiciary" might be impacted if during a proceeding one litigant's lawyer is called "Ms. Smith" while her adversary is called "Judge Jones." In addition, having a lawyer and the presiding judge sharing the title "judge" tends to demean the court as an institution. Therefore, "unless the designation is necessary to accurately describe a person's status at a time pertinent to the lawsuit," former judges should not be referred to as "judge."<sup>15</sup>

An interesting corollary situation exists with a former judge's use of his or her prior judicial status in attorney advertising. Although the rules governing advertising vary widely by state, the Model Rules provide some foundational guidance to former judges. Model Rule 7.1 prohibits a lawyer from making "a false or misleading communication about the lawyer or the lawyer's services."<sup>16</sup> Despite the use of the courtesy title "judge," a former judge is not a judge, and therefore cannot reasonably use the word "judge" to describe the services that he or she may provide for a client. For that reason, former judges are expected to use caution with advertising and firm letterhead unless they offer adjudicative services like mediation and dispute resolution, for which a former judge might be especially qualified.<sup>17</sup> Moreover, overly laudatory references to prior judicial service and reputation might violate ethical rules that prohibit lending the prestige of judicial office to advance private interests.<sup>18</sup>

Again, however, this prohibition varies by state, as some ethics opinions have suggested that any reference to "former judge" or "retired judge" might imply a practicing attorney has special influence he or she does not have. The state of Ohio provides an instructive situation. In 1993, the Supreme Court of Ohio Board of Commissioners on Grievances and Discipline issued an opinion prohibiting a former judge's use of a judicial title in the practice of law in any legal setting, based on the notion that "judicial titles are not portable" and "stay with the position, not the individual."<sup>19</sup> Twenty years later, the Board reaffirmed and broadened its 1993 conclusion, issuing an opinion confirming that a former judge may not use "judicial titles in law-related or other businesses that are distinct from the practice of law, government or other public sector work, and in charity or community service activities."<sup>20</sup> Several months afterward, however, the Supreme Court of Ohio

reversed course and adopted amendments to Rule 8.2 of the Ohio Rules of Professional Conduct permitting a lawyer to use “retired” or “former” in connection with past judicial service.<sup>21</sup> But the amendments also state:

A lawyer who is a retired or former judge shall not state or imply that the lawyer’s former service as a judge enables the lawyer to improperly influence any person or entity, including a government agency or official, or to achieve results by means that violate the Ohio Rules of Professional Conduct or other law.<sup>22</sup>

Ohio’s experience underscores the need for awareness of the particular requirements of each jurisdiction in which a former judge may practice.

Committee on Codes of Conduct Advisory Opinion No. 84 considers measures judges contemplating resignation or retirement should take as they explore post-judicial employment. Judges are permitted to explore employment opportunities with law firms or other potential employers, “provided that the judge proceeds in a dignified manner and complies with” the Code of Conduct for United States Judges.<sup>23</sup> The opinion sets out a number of steps that a current judge and a future employer should take to comply, including:

- Recusal on any matter in which a law firm appears once discussions with that firm begin, no matter how preliminary or tentative;<sup>24</sup>
- Compliance with the STOCK Act,<sup>25</sup> which requires a statement within three days of the commencement of any negotiation or agreement for post-judicial employment;
- Consideration regarding attendance by a judge at meetings with a future employer and social functions sponsored by the future employer until resignation is effective; and
- The timing for a future employer’s announcement and advertisement that a judge will be employed there after retirement or resignation to avoid any pre-termination announcement that might impact the prestige of the judicial office or advance the private interests of the future employer.<sup>26</sup>

In addition, public perception of impropriety is a consideration, as a judge should refrain from negotiating with a firm having cases before the court of a character or frequency such that the judge’s recusal would adversely affect litigants or have an impact on the court’s ability to handle its docket.<sup>27</sup> Careful planning is therefore required

to successfully implement a search for post-judicial employment in a manner that preserves compliance with ethical obligations of a sitting federal judge.

### **B. Ethical Considerations for Former Judges Concerning Third-Party Neutral Activities**

Model Rule 1.12 governs conduct of attorneys formerly engaged in any adjudicative activity as a third-party neutral.<sup>28</sup> Model Rule 1.12(a), the only Model Rule explicitly addressing former judges, disqualifies a lawyer from representing a client in connection with a matter that the lawyer participated in “personally and substantially” as a judge, arbitrator, mediator, or other third-party neutral unless all parties to the proceeding give informed consent. This disqualification may be imputed to other members of the firm employing a former judge unless an ethical screen is set up and “written notice is promptly given to the parties and any appropriate tribunal to enable them to ascertain compliance with the provisions of this rule.”<sup>29</sup> The comments to Rule 1.12 make it clear that the “personally and substantially” term requires that a former judge actually have participated in (e.g., presided over) a matter involving a party to be disqualified from later representation of that party—meaning, the judge was in a position to directly affect the merits of the case.<sup>30</sup>

Rule 1.12(a) relates to conflicts of interest, based perhaps on the presumption that a person in an adjudicative position who is personally and substantially involved in a matter obtains confidential information about the parties as a result of his or her position. In one older New Jersey advisory opinion, an attorney had heard and decided an earlier workers’ compensation claim involving an insurance carrier three years before representing the carrier as counsel.<sup>31</sup> Even though the merits of the earlier claim were no longer pertinent, the Advisory Committee recommended the attorney not continue representing the carrier because “the slightest possibility of having to use information gained in his service as judge forbids the attorney from acting as counsel in the present case.”<sup>32</sup>

Rule 1.12(a) also relates to the appearance of impropriety, as an observer may be uneasy with the idea of a former judge transitioning from a neutral participant in the legal system to an advocate on behalf of a single party. Unless handled transparently, such a switch could lead an observer to question the former judge’s neutrality with respect to his or her past judicial responsibilities.<sup>33</sup> Whether or not warranted, this perception of others is something that former judges must be aware of and sensitive to when deciding what matters to accept after leaving the bench.

### III. Conclusion

Federal judges contemplating retirement or resignation, as well as their potential employers, are expected to be aware of the various ethical rules governing former judges' return to practice after leaving the bench. As they engage in the process of transitioning from judicial office, former judges are expected to take the necessary steps to mitigate the risk of an ethical violation.

#### (Endnotes)

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<sup>1</sup> U.S. Const., art. III, § 1.

<sup>2</sup> See *History of the Federal Judiciary, Judges of the United States Courts, Impeachments of Federal Judges*, FEDERAL JUDICIAL CENTER, [http://www.fjc.gov/history/home.nsf/page/judges\\_impeachments.html](http://www.fjc.gov/history/home.nsf/page/judges_impeachments.html) (last accessed May 13, 2016) (listing the fifteen federal judges impeached); but see S. Prakash, & S.D. Smith, *How to Remove a Federal Judge*, 116 YALE L.J. 72 (2006) (suggesting that impeachment is not necessary for removal under a possible interpretation of the Good Behaviour clause).

<sup>3</sup> See S.B. Burbank & S.J. Plager, *Leaving the Bench, 1970-2009: The Choices Federal Judges Make, What Influences Those Choices, and Their Consequences*, 161 U. PA. L. REV. 1 (2012) (discussing rates of resignation and retirement of federal judges over a four-decade period).

<sup>4</sup> 28 U.S.C. § 371(a), (c).

<sup>5</sup> Under 28 U.S.C. § 371(b), a judge who has met the age and service requirements for retirement under subsection (c) may “retire” yet remain on the bench as a senior judge as long as the workload requirements of subsection (e) are maintained. Senior status allows a federal judge to continue receiving his or her normal salary and he or she is entitled to any raises. On the other hand, senior judges are still bound by the general restrictions on extrajudicial activities that are inconsistent with the obligations of judicial office or “detract from the dignity of the judge’s office, interfere with the performance of the judge’s official duties, [or] reflect adversely on the judge’s impartiality.” Code of Conduct for United States Judges (2011) (“Code of Conduct”), Canon 4, *available at* <http://www.uscourts.gov/judges-judgeships/code-conduct-united-states-judges> (last accessed May 15, 2016).

<sup>6</sup> M.L. Clark, *Judicial Retirement and Return to Practice*, 60 CATH. U.L. REV. 841, 867 (Fall 2011).

<sup>7</sup> Code of Conduct, *supra* note 5.

<sup>8</sup> Code of Conduct, *supra* note 5 (stating that “[a]ll judges should comply with this Code”).

<sup>9</sup> Comm. on Codes of Conduct Advisory Op. No. 70: Disqualification When Former Judge Appears as Counsel, 2B GUIDE TO JUDICIARY POLICY 99 (June 2009).

<sup>10</sup> *Id.*; see also discussion of Model Rule 1.12, *infra*.

<sup>11</sup> Advisory Op. No. 70, *supra* note 9, at 99.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at 100.

<sup>14</sup> Comm. on Codes of Conduct Advisory Op. No. 72: Use of Title “Judge” by Former Judges, 2B GUIDE TO JUDICIARY POLICY 104 (June 2009).

<sup>15</sup> *Id.*

<sup>16</sup> Am. Bar Ass’n Model Rule of Professional Conduct No. 7.1, Communication Concerning a Lawyer’s Services, *available at* [http://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct/rule\\_7\\_1\\_communication\\_concerning\\_a\\_lawyer\\_s\\_services.html](http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_7_1_communication_concerning_a_lawyer_s_services.html) (last accessed May 15, 2016).

<sup>17</sup> See American Bar Ass’n Model Rule of Professional Conduct 7.5, Firm Names & Letterhead, *available at* [http://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct/rule\\_7\\_5\\_firm\\_names\\_letterhead.html](http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_7_5_firm_names_letterhead.html) (last accessed May 15, 2016).

<sup>18</sup> See *In re Edward D. Burke, Sr.*, State of New York Comm. on Judicial Conduct (Apr. 21, 2014).

<sup>19</sup> Ohio Sup. Ct., Bd. of Comm’rs on Grievances and Discipline, Op. 2013-3, at 4-5 (Jun. 6, 2013) discussing and reaffirming Ohio Sup. Ct., Bd. of Comm’rs on Grievances and Discipline, Op. 93-8 (Oct. 15, 1993).

<sup>20</sup> Ohio Sup. Ct., Bd. of Comm’rs on Grievances and Discipline, Op. 2013-3, at 7 (Jun. 6, 2013).

<sup>21</sup> Ohio Rules of Professional Conduct, Prof. Cond. R. 8.2(c) (Jun. 1, 2014).

<sup>22</sup> *Id.* 8.2(d).

<sup>23</sup> See Comm. On Codes of Conduct Advisory Op. No. 84: Pursuit of Post-Judicial Employment, 2B GUIDE TO JUDICIARY POLICY 124 (April 2016); see also Am. Bar Ass’n Model Rule of Professional Conduct No. 1.12(b) (stating that a “lawyer shall not negotiate for employment with any person who is involved as a party or as lawyer for a party in which the lawyer is participating personally and substantially as a judge or other adjudicative officer or as an arbitrator, mediator or other third party neutral”).

<sup>24</sup> Advisory Op. No. 84, *supra* note 23, at 124. See, e.g., *PepsiCo, Inc. v. McMillen*, 764 F.2d 458, 461 (7th Cir. 1985) (emphasizing that a judge’s failure to recuse himself when his agent contacted firms appearing before him about potential post-bench employment was a violation of a judge’s obligation to act impartially).

<sup>25</sup> Pub. L. No. 112-105, 126 Stat. 291 (2012).

<sup>26</sup> Advisory Op. No. 84, *supra* note 23, at 125-26.

<sup>27</sup> *Id.* at 125.

<sup>28</sup> Am. Bar Ass’n Model Rule of Professional Conduct No. 1.12, Former Judge, Arbitrator, Mediator or Other Third-Party Neutral, *available at* [http://www.americanbar.org/groups/professional\\_responsibility/publications/model\\_rules\\_of\\_professional\\_conduct/rule\\_1\\_12\\_former\\_judge\\_arbitrator\\_mediator\\_or\\_other\\_third\\_party\\_neutral.html](http://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_1_12_former_judge_arbitrator_mediator_or_other_third_party_neutral.html) (last accessed May 15, 2016).

<sup>29</sup> *Id.* 1.12(c).

<sup>30</sup> See also ABA Standing Comm. on Ethics and Professional Responsibility, Formal Ethics Op. No. 342, at 8 (1975).

<sup>31</sup> Advisory Committee on Professional Ethics, Opinion 150, 92 N.J.L.J.209 (N.J., Apr. 3, 1969).

<sup>32</sup> *Id.*

<sup>33</sup> E.g., North Carolina State Bar, 2010 Formal Ethics Op. No. 8, *Consultation with Lawyer as Prospective Mediator*, (July 23, 2010), *available at* <https://www.ncbar.gov/for-lawyers/ethics/adopted-opinions/2010-formal-ethics-opinion-8> (last accessed May 15, 2016) (concluding that under Rule 1.12(a), an attorney who consulted with both parties as a “neutral” had participated substantially in the mediation process and was disqualified from later representing one of the parties “to protect the integrity of the neutral role of mediators”).

# Renewed Interest in Opinions of Counsel to Avoid Willful Patent Infringement: Supreme Court Relaxes Standard for Awarding Enhanced Damages Under 35 U.S.C. § 284

By Brian Rothery and Gunjan Agarwal\*

On June 13, 2016, the Supreme Court issued its decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513, and *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520, rejecting the Federal Circuit’s rigid, two-part test for willful infringement and awarding enhanced damages in patent cases under 35 U.S.C. § 284. In a unanimous opinion, the Supreme Court eliminated the “objective recklessness” prong of the willfulness standard established by the Federal Circuit in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). The Supreme Court held that the willfulness analysis should focus on the subjective intent of the alleged infringer at the time of infringement and that enhanced damages under Section 284 for willful patent infringement are potentially available if the patentee establishes, by a preponderance of the evidence, that the infringer engaged in “egregious” activity “beyond typical infringement.”

The Supreme Court criticized the applicability to a willfulness charge of non-infringement and invalidity defenses later developed by the accused infringer for litigation, but not relied upon by the accused infringer at the time of the infringing activity. The Court’s opinion makes clear that the accused infringer’s conduct at the time it made the decision to engage in infringing acts is now of primary importance to a willfulness determination. The Supreme Court also lowered the standard of proof from clear and convincing evidence to a preponderance of the evidence, and further held that enhanced damages awards should be reviewed on appeal for abuse of discretion.

The *Halo* decision will likely lead to an increase in the number of enhanced damages awards by the district courts while reducing the number of reversals by the Federal Circuit. While there is still no affirmative obligation on the part of an accused infringer to obtain an opinion of counsel, given the renewed focus on the accused infringer’s state of mind at the time of the infringing activity and the lower standard of proof to warrant a finding of willfulness, obtaining such an opinion at an early stage should be given increased consideration after *Halo*.

## I. 35 U.S.C. § 284 and the *Seagate* Test

Section 284 of the Patent Act provides that, in a case of patent infringement, district courts “may increase the damages [awarded to a patentee] up to three times the amount found or assessed.” 35 U.S.C. § 284. In *Seagate*, the Federal Circuit adopted a two-part test (the “*Seagate* test”) for deciding willfulness and potentially recovering enhanced damages, which test included an objective recklessness prong and a subjective prong. The objective recklessness prong required a patentee to first “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *In re Seagate*, 497 F.3d at 1371. Under the subjective prong, the patentee had to demonstrate by clear and convincing evidence that the risk of infringement “was either known or so obvious that it should have been known to the accused infringer.” *Id.*

Moreover, under Federal Circuit precedent an award of enhanced damages was subject to trifurcated appellate review: *de novo* for reviewing objective recklessness, substantial evidence for reviewing the subjective prong, and abuse of discretion for the ultimate decision of whether to enhance damages. *See Bard Peripheral Vascular, Inc. v. W. L. Gore & Assoc., Inc.*, 682 F.3d 1003, 1005, 1008 (Fed. Cir. 2012).

## II. Factual Background of *Halo Electronics, Inc., v. Pulse Electronics, Inc., and Stryker Corp. v. Zimmer, Inc.*

Both *Halo* and *Stryker* challenged the Federal Circuit’s *Seagate* test after a jury found subjective willful infringement. In *Halo*, the district court denied *Halo*’s request for enhanced damages under 35 U.S.C. § 284 because a defense presented at trial ““was not objectively baseless, or a “sham,”” and held that *Halo* failed to establish the objective recklessness prong of the *Seagate* test. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 579 U.S. \_\_\_\_, No. 14-1513, slip op. at 6 (June 13, 2016). The Federal Circuit affirmed

the district court's decision in *Halo*. *Id.* In *Stryker*, the district court awarded enhanced damages and trebled the amount of damages. *Id.* at 7. The Federal Circuit vacated the award of treble damages. *Id.* Applying *de novo* review, the Federal Circuit concluded that enhanced damages were unavailable because Zimmer had asserted "reasonable defenses" at trial, belying in its view the patentee's claim of objective recklessness. *Id.*

### III. The New Standard for Willfulness and Enhanced Damages Under *Halo*

The Supreme Court found the *Seagate* test to be "unduly rigid," that it "encumbers the statutory grant of discretion to district courts," and is not consistent with Section 284. *Id.* at 9. The Court noted that the objective recklessness prong of the *Seagate* test puts an unreasonable burden on the patentee and may insulate some of the most culpable infringers who intentionally infringe a patent from liability for enhanced damages. *Id.* The Court questioned why an independent showing of objective recklessness should be a prerequisite to enhanced damages. *Id.* In its opinion, the Court further explained that under the objective recklessness prong of the *Seagate* test, a defense developed solely during litigation could insulate an infringer from enhanced damages "even if he did not act on the basis of the defense or was even aware of it." *Id.* at 10-11. The Court held that the proper test should instead focus on what the accused infringer knew at the time of infringement, rather than on facts that the defendant neither knew, nor had reason to know, at the time of its infringing acts. *Id.* "[C]ulpability is generally measured against knowledge of the actor at the time of the challenged conduct." *Id.* at 10. Eschewing the "inelastic restraints" of the Federal Circuit's *Seagate* test, the Supreme Court also held that "[a]s with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount." *Id.* at 11.

Additionally, and of importance, the Supreme Court further held that a patentee only needs to prove willfulness under a preponderance of the evidence standard, rejecting the previous clear and convincing evidence standard of *Seagate* as being inconsistent with Section 284. *Id.* at 10. The Supreme Court also rejected the Federal Circuit's three-prong framework for appellate review and held that enhanced damages awards should be reviewed on appeal for abuse of discretion. *Id.* at 12-14. As a result, district courts should more easily and frequently enhance damages in infringement actions going forward, and those decisions should be more immune from being tampered with or overruled by the Federal Circuit.

While the decision did not provide any express test for the district courts to apply, the decision does provide some insight into the factors that district courts may consider in assessing the willfulness of an infringer. For example, the Court discussed that the accused infringer in the *Halo* case had merely relied on the opinion of one of its engineers regarding the validity of Halo's patents, not on an opinion of counsel at the time of infringement. *Id.* at 6, 14. Justice Breyer's concurring opinion (in which both Justices Kennedy and Alito joined) further discussed opinions of counsel and provided that relying on a lawyer's informed opinion may be helpful in proving that infringement was not subjectively willful—"consulting counsel may help draw the line between infringing and noninfringing uses." *Id.* at 2-3 (Breyer, J., concurring). While an opinion of counsel is not required under Section 298 of the Patent Act, given the tenor of the Court's decision and its emphasis on the knowledge and state of mind of the accused infringer at the time of infringement, whether or not an accused infringer sought and received an opinion of counsel is likely to receive increased emphasis in the willfulness (and enhanced damages) analysis going forward.

*cont. on page 20*



## Not Receiving NYIPLA E-mails?

Contact your IT/ISP and request them to place  
[admin@nyipla.org](mailto:admin@nyipla.org) and [dinner@nyipla.org](mailto:dinner@nyipla.org)  
on your Safe List!

#### IV. Practice Tips

Given the Court’s rejection of the objective recklessness prong of *Seagate* and its emphasis on the state of mind of the accused infringer at the time of infringement, and the change in the standard of proof from clear and convincing evidence to a preponderance of the evidence (thereby making it easier to prove willfulness), in-house counsel and managers should now consider (or reconsider) obtaining advice of counsel opinions (freedom to operate/patent clearance) during product development and before commercializing products or processes.

**(Endnote)**

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practice, he also provides comprehensive counseling on intellectual property matters. Gunjan Agarwal is an associate in Fox Rothschild’s Pittsburgh office. She works closely with domestic and international clients in diverse technology areas to assist in patent drafting, patent prosecution, opposition and appeal proceedings, strategic patent counseling, preparation of patent-related opinions, due diligence, and negotiating and preparing licensing agreements. She is also experienced in trademark prosecution and litigation-related matters.



## As Time Goes By — SCOTUS Wrings Golden Goose’s Neck



# HISTORIAN’S CORNER



<http://s.hswstatic.com/gif/the-golden-goose-story-6.jpg>

Many readers among us who are new to the patent profession may never know what it is like to live in a golden age for the American patent system. That would be a shame. The recently ended golden age was nurtured by judges of the U.S. Court of Appeals for the Federal Circuit, a court created in 1982 to foster uniformity and predictability in the development of American patent law.

The Federal Circuit’s creation marked the culmination of high hopes that many of us had for a strong patent system that would catalyze

innovation in America.<sup>1</sup> Those high hopes were largely realized for a quarter-century, but were later dashed.

Illustrative of the Federal Circuit’s impact during the golden era for patent law, that court created and fostered the so-called Teaching-Suggestion-Motivation (“TSM”) test for nonobviousness under Section 103 of the 1952 Patent Act. TSM served as a guidepost for patentees and patent infringers alike. The test specified that if there is no teaching, suggestion, or motivation in favor of the claimed invention in the prior art, then the claimed invention will pass muster under Section 103 of the Patent Act.

During the decade from 2006 to 2016, everything changed. The Supreme Court of the United States (“SCOTUS”) became suddenly, and perhaps unexpectedly, active in patent matters. During that period, SCOTUS reversed nearly every patent case it took from the Federal Circuit. In almost every case, SCOTUS chastised the Federal Circuit for developing “rigid rules” lacking SCOTUS’ desired “flexibility.” Unfortunately, these SCOTUS decisions have had the effect of unraveling the predictability and uniformity that had been the hallmark of the American patent system from the time of the Federal Circuit’s creation.

It goes without saying that SCOTUS’ patent decisions proved disheartening to many of us with high hopes for the future of the American patent system. For example, in *eBay*,<sup>2</sup> SCOTUS appeared to try to “pound a square peg into a round hole” by concluding that patentees must satisfy a so-called four-factor test, including the irreparable harm required under general law, for an award of injunctive relief for patent infringement.

In *eBay*, SCOTUS failed to recognize that patent law is different from other areas of the general law. Specifically, Article 1 Section 8, Clause 8 of the Constitution gives an “exclusive right” to inventors for a term of years. This right

had been consistently construed, prior to *eBay*, as a right to exclude competitors from practicing a claimed invention. To the detriment of the American patent system, SCOTUS' four-factor test converted the patentees' constitutional right to exclude competitors from practicing a claimed invention into the mere possibility of a right, a right that will be extinguished for most inventors whose patents have been violated.

In short, the *eBay* decision radically diminished the value of patents for patentees unable to demonstrate irreparable harm in the face of a patent's violation by an infringer. Shortly after *eBay*, along came SCOTUS' decision in *KSR*.<sup>3</sup> The *KSR* decision upended the Federal Circuit's TSM test, concluding that TSM was overly rigid, and supplemented that test with a "common sense" test, namely, the common sense of the finder of fact. The common sense test makes a mockery of the TSM test by inviting, nay encouraging, hindsight reasoning many years after a patent's issuance as a basis for invalidating a patent that would otherwise pass muster under TSM.

The *KSR* decision had a negative impact on the validity and enforceability of many, if not most, U.S. patents in force at the time the decision was rendered. In the *KSR* decision, Justice Kennedy alluded to an obviousness standard that most inventions could not pass by stating: "... as progress beginning from higher levels is expected in the normal course, the results of ordinary innovation are NOT the subject of exclusive rights under the patent laws" (emphasis inserted).<sup>4</sup>

Needless to say, Justice Kennedy's recitation of an obviousness standard in *KSR* stands in stark contrast to that expressed by NYIPLA Past President Giles S. Rich. Significantly, Judge Rich drafted the obviousness portion of the 1952 Patent Act, namely, Section 103. Moreover, he participated in the development of TSM during his time on the bench of the Federal Circuit and its predecessor court (the C.C.P.A.).

Later, in his Kettering Award Address in 1963, Judge Rich stated: "The patent and copyright laws create . . . incentive systems. The copyright laws provide an incentive which brings out the greatest works of literature and art as well as a lot of trash. The patent system works in a similar way. But you can't get cream without producing milk and, anyway, it is the milk that society lives on."<sup>5</sup>

Comparing Judge Rich's "milk" (i.e., "ordinary innovation") approach to satisfy nonobviousness with that expressed by Justice Kennedy in *KSR* to the effect that "ordinary innovation" would not be nonobvious, we have a glimpse of how large the chasm is that has developed between SCOTUS and the Federal Circuit.

Recently the state of American patent law development has gotten worse, perhaps much worse. More specifically, in a series of cases in the medical,

computer software, and business method fields in the context of Section 101 of the Patent Act, SCOTUS has consistently reversed the Federal Circuit, ruling against patentees time after time. Illustratively, in *Alice*,<sup>6</sup> SCOTUS addressed claims directed to a computer-implemented electronic escrow service, observing that if the claimed invention is directed to an "abstract idea," then "something extra" is needed, namely, something that embodies an inventive concept.

Prior to *Alice*, inventive concept would be considered in the context of Sections 102 (novelty) and 103 (nonobviousness) of the Patent Act, not in the context of Section 101. Moreover, traditionally Section 101 has been considered as a threshold or "gatekeeper" for patent eligibility, not as a final test for patentability, which instead would have fallen within the realm of Sections 102, 103 and 112.

Back in 1949, patent law development was in a similar state of disarray. Justice Robert Jackson stated that "it would not be difficult to cite many instances of patents that have been granted improperly, I think, and without adequate tests of invention by the Patent Office. But I doubt that the remedy for such Patent Office passion for granting patents is an equally strong passion in this court for striking them down so that the only valid patent is one that this court has not been able to get its hands on."<sup>7</sup>

You may wonder, as do I, where we now stand as far as patent law development is concerned when comparing the state of affairs in 2016 vis-à-vis 1949. Unfortunately, for patentees and members of the patent bar alike, the situation appears to be worse now.

Specifically, the problems faced in 1949 were squarely rectified by the Patent Act of 1952 that Judge Rich co-authored. In contrast, the problems attributable to SCOTUS in the decade of 2006-2016 have not been rectified but, rather, have been exacerbated by the inaptly titled, ineptly-drafted, ill-fated America Invents Act of 2011, as well as the Defend Trade Secrets Act of 2016.

If you are thinking what I am thinking, namely, that we desperately need another Judge Giles Rich, then we agree! Hopefully he or she will come along soon—ideally as another one of our NYIPLA members. Stay tuned—we shall see!

With kind regards,

Dale Carlson

**(Endnotes)**

<sup>1</sup> Dale L Carlson, *New Patent Court: It's A Good Idea*, THE NAT'L L. J., Dec, 10, 1979, at 15, available at <http://www.wiggin.com/12204>.

<sup>2</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

<sup>3</sup> *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007).

<sup>4</sup> *Id.*

<sup>5</sup> James F. Davis, *Judge Giles S. Rich - His Life and Legacy Revisited*, 2 LANDSLIDE 8 (Sept./Oct. 2009), available at [http://www.americanbar.org/content/dam/aba/migrated/intelprop/magazine/Landslide\\_Sept09\\_Davis\\_authcheckdam.pdf](http://www.americanbar.org/content/dam/aba/migrated/intelprop/magazine/Landslide_Sept09_Davis_authcheckdam.pdf).

<sup>6</sup> *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct 2347 (2014).

<sup>7</sup> *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting).



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## Conversations with the New Members of the NYIPLA Board of Directors

In May 2016, four new members joined the NYIPLA Board of Directors: Mark H. Bloomberg, Charles R. Macedo, William McCabe, and Heather M. Schneider (who also became the NYIPLA's new Secretary). In addition, Peter G. Thurlow took on a new role as a Board Officer when he became Second Vice President of the NYIPLA. *The Report* interviewed the new Board members and officers to discuss their experiences with the NYIPLA.

### PETER G. THURLOW

Two years ago, Peter Thurlow was elected to the Board, and he was interviewed at that time. His answers can be found in the August/September 2014 issue of the Bulletin, <http://www.nyipla.org/images/nyipla/Documents/Bulletin/2014/AugustSeptember2014Bulletin.pdf>. Peter has now been tapped as a Board Officer—Second Vice President, so we are interviewing him again. These questions follow up on his answers from the earlier interview.



**THE REPORT:** Why did you decide to become an Officer of the NYIPLA?

**PT:** I have always been interested in becoming an Officer of the NYIPLA, especially after being a committee chair and otherwise actively involved in various NYIPLA committees since I became a member in 2000. As an Officer, I hope to take more of a leadership role in the future direction of the NYIPLA, including expanding its outreach to universities, law schools, and startups in New York City.

**THE REPORT:** What is your current role on the Board?

**PT:** My current role is to serve as a liaison to the Patent Law & Practice Committee. In this role, we review and respond to Federal Register notices published by the U.S. Patent and Trademark Office (USPTO). In the past year, we have responded to requests for comments to proposed USPTO patent quality and Patent Trial and Appeal Board rules proposals. This type of work helps me to keep up to date on the latest developments at the USPTO and the changes the USPTO is making to enhance our patent system. In addition, like other NYIPLA Board members, I am active in reviewing NYIPLA amicus briefs, reviewing intellectual property legislative developments, and attending NYIPLA CLE events. Just recently, a number of NYIPLA Officers and members from the NYIPLA legislative team met with Congressman Jeffries (D-8th District, NYC) to get his perspective on intellectual property and patent reform. Congressman Jeffries is an

active member of House Judiciary Committee, which has oversight responsibilities for intellectual property, and regularly holds hearings on the state of intellectual property in the U.S. I was impressed by his knowledge of pending patent reform legislation and overall grasp of important intellectual property matters.

**THE REPORT:** What are your goals for your time as an Officer on the Board, that is, what do you hope to accomplish? Do they differ from when you were just a Board member?

**PT:** My initial goal is to make other attorneys in New York, especially the new attorneys joining our ranks, get actively involved in the NYIPLA. I can only hope that others see the benefits of being an active member of the NYIPLA from both a career and personal perspective. From a career perspective, I represented the NYIPLA at the USPTO for almost 10 years before becoming a member of the Board and an Officer. By “representing the NYIPLA” I mean that I attended roundtables and meetings at the USPTO to discuss proposed USPTO rules and how we can improve our patent system. These trips to the USPTO allowed me to make some great friendships with USPTO officials and led to U.S. Secretary of Commerce Penny Pritzker appointing me to a nine-member USPTO patent public advisory committee (“PPAC”). I just started my second three-year term on the PPAC and thoroughly enjoy it, as we meet quarterly at the USPTO with Director Michelle Lee and other senior USPTO officials to discuss ways that we can improve our patent system.

My other goal as an NYIPLA Officer is to expand the reach of the NYIPLA to groups that typically have not been involved in the NYIPLA. These groups include universities in New York, law schools, and startups in New York City.

**THE REPORT:** What do you see as the future of the Association? Does this vision differ from when you were just a Board member?

**PT:** I see an “active” future for the NYIPLA that includes our continued involvement in intellectual property developments in the House and the Senate in Washington D.C., and of course at the USPTO. I see an expanding

NYIPLA membership base that includes in-house, private practice, and university IP professionals collaborating in an innovation-focused environment to further enhance the burgeoning entrepreneurial ecosystem in New York City. I see future interesting NYIPLA CLE events being conducted via webcasts to reach members outside New York City, and to include compelling experts such as judges from the S.D.N.Y. and the E.D.N.Y. I see more women and minority IP events to highlight the importance of diversifying the intellectual property field and increasing the benefits to the NYIPLA by doing so. In short, I see an exciting future for the NYIPLA.

**THE REPORT:** Is there anything else that you wish to share, now that you have two years of Board experience under your belt?

**PT:** As I look back on my brief 16-year career as a patent attorney, the best decision I made as a patent attorney was becoming an active member of the NYIPLA.

## HEATHER M. SCHNEIDER

**THE REPORT:** How long have you been a member of the NYIPLA?

**HS:** I have been a member of the NYIPLA since I started at Willkie Farr & Gallagher LLP as a first-year associate in 2006.

**THE REPORT:** Why did you first join the Association?

**HS:** When I joined Willkie, other members of the IP department were very involved in the NYIPLA (including past President Thomas J. Meloro) and supported my participation as well.

I joined the NYIPLA to meet other practitioners in my field and to attend CLEs and other events, particularly the well-regarded annual Judges Dinner.

**THE REPORT:** Has your membership in the Association benefited your practice and, if so, how?

**HS:** My membership in the NYIPLA has greatly benefited my practice over the past ten years. I have enjoyed networking and social activities, such as the Judges Dinner and Annual Meetings. I have also attended interesting, IP-specific CLEs, including the Fall One-Day Patent CLE Seminar. These events have allowed me to meet and learn from judges, members of the Patent Office, ITC Commissioners, in-house lawyers and other practitioners that I would not meet in my day-to-day practice or at other CLEs. As a woman with a technical background (Computer Science), I have also enjoyed meeting other women who practice IP law, particularly patent law.



**THE REPORT:** With which committees have you been involved during your membership?

**HS:** I was most recently a Co-Chair of the Programs Committee. In the past, I have been a member of the Amicus Brief Committee and the Hon. William C. Conner Writing Competition Committee. I am now the Board Liaison to the Women in IP Law Committee and the Young Lawyers Committee.

**THE REPORT:** How did you end up as the Secretary?

**HS:** I became very active in the Programs Committee, which resulted in my being selected as Co-Chair. In that role, I was very involved in organizing the One-Day Patent CLE Seminar, the Second Circuit Summer Associate Moot Court, the Day-of-the-Dinner CLE Luncheon, an event at RPI, and other CLEs. I got to know many of the people on the Board and Nominating Committee, which resulted in my nomination.

**THE REPORT:** Why did you want to be the Secretary?

**HS:** I was very honored to be an Officer of the NYIPLA in any capacity. In particular, being Secretary is a good fit for my organizational and leadership skills, as well as my IP legal experience.

**THE REPORT:** What is your role on the Board?

**HS:** Like the other Board members, I participate in Board meetings, helping to make decisions on the organization's direction, membership, future growth, amicus briefs, and other matters. In addition, as Secretary, I am responsible for keeping minutes of our Board meetings and organizing materials for the Board. I also get to represent the NYIPLA to many participants because I handle the correspondence for the NYIPLA under the direction of the President, including notifying officers, directors, and committee members of their appointments, and issuing notices of meetings. In addition, as noted previously, I am the liaison to the Women in IP Law Committee and the Young Lawyers Committee. I report on their activities and help them to get the attention of the Board when they would like assistance.

**THE REPORT:** Are you active in any other bar associations and, if so, which ones and in what capacity?

**HS:** I am a member of the NYSBA and the ABA. For the ABA, I am a member of the Section on Antitrust Law and have attended many of their spring meetings in Washington, D.C. Many of the ABA's antitrust activities overlap with IP. In 2013, I co-authored the chapter on IP in a book published by the ABA entitled *Frequently Asked Antitrust Questions* (2nd Ed. 2013).

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**THE REPORT:** How does your involvement with the NYIPLA compare with your involvement with the NYSBA and the ABA?

**HS:** I am more involved with the NYIPLA than with any other bar association. I believe that the NYIPLA has best-in-class opportunities for IP lawyers working in the NY area.

**THE REPORT:** What are your goals for your time on the Board, that is, what do you hope to accomplish?

**HS:** I would like to maintain orderly and effective records for the Board's benefit. I would like to represent the Board well to NYIPLA members and other practitioners, to continue making our current members feel welcome, and to reach out to new people.

**THE REPORT:** Over the longer term, what do you see as the future of the Association?

**HS:** I think that the NYIPLA will continue to be the preeminent organization for IP practitioners in the NY area. I think we will continue to add more young lawyers and diverse practitioners. I know that the NYIPLA will continue to offer cutting-edge CLEs, as well as social and networking events including the Judges Dinner and Day-of-the-Dinner CLE.

**THE REPORT:** Is there anything else that you wish to share or comment upon?

**HS:** I am honored to be Secretary of the NYIPLA and hope that I can live up to the high standards of my predecessors on the Board.

## MARK H. BLOOMBERG

**THE REPORT:** How long have you been a member of the NYIPLA?

**MB:** I have been a member of the NYIPLA since I graduated from law school in 1984 and became an associate at Fish & Neave.

**THE REPORT:** Why did you first join the Association?

**MB:** In 1984, patent litigation practice was dominated by what are now referred to as "boutique" firms, and most of those major firms were located in New York City. Every partner and every associate at Fish & Neave was expected to join the NYIPLA because it was "the" bar association for firms like Fish & Neave.

**THE REPORT:** Has your membership in the

Association benefited your practice and, if so, how?

**MB:** My membership in the Association has benefited my practice in at least two ways. First, it provides an opportunity to work with, and to get to know, colleagues from other firms. This has become increasingly important as the practice has changed over time from a small number of firms, where lawyers encountered each other virtually on a daily basis, to a fragmented practice among a large number of firms nationwide, where it is often the case that opposing attorneys will never encounter each other again after a matter ends. And second, the NYIPLA has enabled me to get to know a number of judges and USPTO officials in an informal setting.

**THE REPORT:** With which committees have you been involved during your membership?

**MB:** I have been a Co-Chair of the Programs Committee, which was formerly called the CLE Committee, for five years and have been a member of the Nominations Committee.

**THE REPORT:** How did you end up on the Board?

**MB:** As I was ending my tenure as Co-Chair of the Programs Committee, I was interested in a new challenge with the NYIPLA, and the Board seemed like a logical fit because the work of the Programs Committee cuts across so many different NYIPLA committees. I made it known to others that I was interested in becoming a Board member, and, fortunately, the Nominations Committee nominated me to be a member of the Board.

**THE REPORT:** Why did you want to be on the Board?

**MB:** I wanted to be on the Board to continue my close association with the NYIPLA and to use the experience I gained from being Co-Chair of the Programs Committee to benefit the Association in a broader role. Also, I greatly enjoy working with the Officers and other Board members.

**THE REPORT:** What is your role on the Board?

**MB:** I am the Board Liaison to the Programs Committee.

**THE REPORT:** Are you active in any other bar associations and, if so, which ones and in what capacity?

**MB:** Although I have been a member of several other bar associations, I have not been particularly active in any of them since I became Co-Chair of the NYIPLA Programs Committee.

**THE REPORT:** How does your involvement with the NYIPLA compare with your involvement with those other bar associations?



**MB:** The Programs Committee is a very active NYIPLA committee, with weekly meetings and over a dozen annual programs. None of the other bar association committees that I have been a member of had meetings even as frequently as once a month, or anything like the Programs Committee's workload.

**THE REPORT:** What are your goals for your time on the Board, that is, what do you hope to accomplish?

**MB:** The practice of law is continually changing, and is changing more quickly now than ever before. The challenge is to anticipate those changes and to adapt the Association so that it remains relevant, and becomes increasingly relevant to the changing practice. My goal is to leave the Board in three years with the Association being more relevant to the practice of IP law and having a larger and more engaged membership, which would not necessarily be limited to attorneys who are physically located in the greater New York City region.

**THE REPORT:** Over the longer term, what do you see as the future of the Association?

**MB:** The Association grew in New York, which was the geographic center of the IP universe. During that time, the Association benefited from the knowledge and experience of exceptional attorneys who practiced in New York. The Association can continue to benefit from that knowledge and experience, which is second to none, but must recognize that the IP world is now unconstrained by geography. Thus, the reach of the NYIPLA cannot be constrained by the geographic location of where attorneys practice. I see the future of the NYIPLA in expanding its geographical reach, while maintaining its high standards, which are recognized by the profession, the courts, the PTO and other governmental agencies.

## CHARLES R. MACEDO

**THE REPORT:** How long have you been a member of the NYIPLA?

**CM:** I have technically been a member of the Association since May of 1999, but have participated in its activities since I was in law school. Before my second summer of law school, I was invited by the patent firm I was going to be working for to attend the Judges Dinner.

**THE REPORT:** Why did you first join the Association?

**CM:** I first joined the Association as part of a firm-wide effort to get everyone who attended the Judges Dinner to become a member of the



Association. At the time, it saved the firm money. I liked the idea because I had attended a number of the speaker luncheons the Association held and had enjoyed them very much.

**THE REPORT:** Has your membership in the Association benefited your practice and, if so, how?

**CM:** The Association has assisted my practice by allowing me opportunities to meet and interact with friends and colleagues in social and educational environments. Its programs and committees have also kept me in touch with the important issues facing our profession, and given me an opportunity to have a voice in guiding the courts and legislatures in efforts to reform our profession.

**THE REPORT:** With which committees have you been involved during your membership?

**CM:** I have been fortunate enough to participate in and Co-Chair the Amicus Brief Committee for years. In that position, I have worked on and been counsel of record or additional counsel in many key cases involving patent, trademark and copyright law before the U.S. Supreme Court and federal courts of appeal. This has been a great pleasure and honor for me.

I have also been fortunate enough to participate in the Meetings and Forum Committee and the Legislative Action Committee. As a member of the LAC, I had the honor of working on position papers for the Association, which I believe have had an impact on the legislation being considered in Congress.

**THE REPORT:** How did you end up on the Board?

**CM:** I was asked to serve, and was honored to do so.

**THE REPORT:** Why did you want to be on the Board?

**CM:** I have enjoyed being an active participant in the Association, and looked forward to the opportunity to serve in a new role that would give me a broader perspective on the Association.

**THE REPORT:** What is your role on the Board?

**CM:** I am the Board Liaison for the Inventor of the Year Committee. The new cash awards that the Association is offering the winner should stimulate greater interest in this award and lead to an increased number of submissions. I encourage all of those reading this interview to think about which of your clients should be considered for Inventor of the Year for 2017.

I also continue to be active in the Amicus Brief Committee and the Legislative Action Committee.

**THE REPORT:** Are you active in any other bar associations and, if so, which ones and in what capacity?

**CM:** I have long been a member of the Federal Circuit

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Bar Association, the American Intellectual Property Law Association, the New York Bar Association, the American Bar Association and the New York City Bar Association. I have a leadership role in the Federal Circuit Bar Association as a Co-Chair of the Friedman Memorial Lecture Committee. I was a law clerk to Judge Friedman, for whom this lecture is named, and am honored to maintain his memory as a great jurist and appellate advocate.

**THE REPORT:** How does your involvement with the NYIPLA compare with your involvement with those other bar associations?

**CM:** I am much more involved with the Association than with the other organizations.

**THE REPORT:** What are your goals for your time on the Board, that is, what do you hope to accomplish?

**CM:** I hope that I can assist the Association in continuing to make our profession relevant and beneficial to society by encouraging innovation and authorship through our activities. I look forward to seeing our membership roster grow, our activities continue to flourish, and our impact on the development of statutes and case law become more pronounced.

**THE REPORT:** Over the longer term, what do you see as the future of the Association?

**CM:** I see the Association, over the long term, as offering important opportunities for members of our profession to learn from each other and to share our experiences in order to ensure that our intellectual property laws and systems flourish.

**THE REPORT:** Is there anything else that you wish to share or comment upon?

**CM:** As a New York intellectual property lawyer, I always marvel at how lucky I am to live in a city that has so much talent and opportunity to practice our trade and with whom to collaborate. The Association is a great place that enables us as professionals to not only share our interests with other like-minded (and at times opposite-minded) colleagues, but also to do so in a constructive manner for the betterment of our society. I thank the Association for the opportunity to participate and be counted, and look forward to a great year on the Board.

## **WILLIAM MCCABE**

**THE REPORT:** How long have you been a member of the NYIPLA?

**WM:** I've been a member since 1988 or 1989.

**THE REPORT:** Why did you first join the Association?

**WM:** I started my legal career at the IP boutique Fish & Neave. At that time, the firm expected and encouraged all associates to join the Association. As a young associate, it's hard to know which professional organization(s) you should join and easy to sit on the sidelines. In hindsight, that little push by the firm helped to get me involved.

**THE REPORT:** Has your membership in the Association benefited your practice and, if so, how?

**WM:** It has given me an opportunity to interact with and get to know many colleagues in the Patent/Intellectual Property bar, particularly in New York. Many firm colleagues are now in-house or at other firms. The Association's meetings and events allow me to keep in touch with them and to meet others. Today, because so much of our business communications are handled electronically, there is not the same degree of face-to-face meetings as in the past. Participating in Association committees and events allows for face-to-face interaction with colleagues.

**THE REPORT:** With which committees have you been involved during your membership?

**WM:** I've served as Co-Chair of the Membership Committee and as Co-Chair of the Patent Litigation Committee. The Patent Litigation Committee is a very active committee with a large membership. Its members hold very diverse views on a number of issues but work together to find common ground.

**THE REPORT:** How did you end up on the Board?

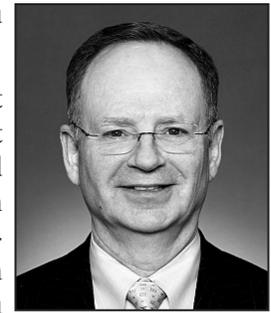
**WM:** Former Association President Tony Lo Cicero asked if I was willing to serve. I was then nominated and elected at the May 2016 annual meeting.

**THE REPORT:** Why did you want to be on the Board?

**WM:** I enjoyed serving on the committees and felt that I would be able to contribute at a higher level as a Board member. So far, I've been impressed with the Board members' dedication to the organization and the profession.

**THE REPORT:** What is your role on the Board?

**WM:** I am the Board Liaison to the Patent Litigation Committee. In addition, as a Board member I have an opportunity to comment on various positions the Association might take, for example, in amicus briefs or white papers. I find this very interesting because it



often presents areas and questions of law that might be outside my day-to-day practice.

**THE REPORT:** Are you active in any other bar associations and, if so, which ones and in what capacity?

**WM:** Yes, I'm active in the Conner Inn of Court and IPO (Intellectual Property Owners Association). I participate in the monthly Conner Inn meetings and usually take charge (with others) of one presentation or mock hearing per year. I am also a member of the IPO's Asian Practice Committee. The IPO draws its membership from across the country and around the world. As a result, IPO committee meetings tend to be conducted via telephone rather than in-person. There is not the same opportunity to interact with colleagues as there is in the NYIPLA.

**THE REPORT:** How does your involvement with the NYIPLA compare with your involvement with the Conner Inn of Court and the IPO?

**WM:** As a Board member I am more involved in the NYIPLA than with the other organizations. Being on the Board gives me a different—broader—perspective about the Association.

**THE REPORT:** What are your goals for your time on the Board, that is, what do you hope to accomplish?

**WM:** I would like to see the Association continue as a robust and active organization that draws members from as many different industries and interests as possible.

**THE REPORT:** Over the longer term, what do you see as the future of the Association?

**WM:** Recruiting new (junior) attorneys is the lifeblood of the Association. We all recognize that attorneys—particularly new attorneys—are very busy and have many demands on their time. With that in mind, we—as an organization—need to think of ways to get them involved. In hindsight, I was lucky that my firm gave me a “push” to get involved. We need to be creative and find ways to “pull” new attorneys into the Association as many lack the “push” from years past.

**THE REPORT:** Is there anything else that you wish to share or comment upon?

**WM:** I have found all of the committees to be very welcoming and would encourage everyone to participate.

## NYIPLA Calendar

[www.nyipla.org](http://www.nyipla.org)

### IN-HOUSE COUNSEL HAPPY HOUR (INVITATION IS EXTENDED TO NYIPLA YOUNG LAWYERS COMMITTEE MEMBERS)

➤ OCTOBER 13, 2016 ◀

Public House, 140 East 41st Street, New York, New York 10017

### WOMEN IN IP LAW FALL NETWORKING EVENT AND WINE TASTING “FOLLOWING THE LAW, BREAK THE MOLD”

➤ OCTOBER 19, 2016 ◀

Frommer Lawrence & Haug LLP, 745 5th Avenue, New York, New York 10151

### ONE-DAY PATENT CLE SEMINAR

➤ NOVEMBER 17, 2016 ◀

The Princeton Club, 15 West 43rd Street, New York, New York 10036

### NJIPLA & NYIPLA JOINT PROGRAM: ETHICS ISSUES IN IP PRACTICE

➤ DECEMBER 8, 2016 ◀

Renaissance Woodbridge Hotel, 515 US Highway Route 1 South, Iselin, New Jersey 08830

# Supreme Court 2015-2016 IP Case Review

By Anthony F. Lo Cicero, Charles R. Macedo,  
Jung Hahm, Benjamin Charkow, Jessica Capasso, David P. Goldberg, and Trevor O'Neill\*

## INTRODUCTION

In the past term, the Supreme Court continued to take a keen interest in intellectual property matters, including following up on its prior decisions. The Association, in turn, continued its strong history of representing its diverse intellectual property constituency before the Court. In particular, the Amicus Brief Committee filed briefs on the merits in the *Cuozzo Speed Technologies, LLC v. Lee* case, which was decided, and in the *Star Athletica, LLC v. Varsity Brands, Inc.* case, which was not, as well as in support of four petitions for writs of certiorari, one of which remains pending.<sup>1</sup> Below, we summarize last term's decisions and the related follow-on petitions that were decided in view of these opinions.

***Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513 consolidated with *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520, 136 S. Ct. 1923 (June 13, 2016).**

**Issue: Patent Law – Enhanced Damages and “Willful Infringement”**

### Question Presented:

Whether the Federal Circuit erred by applying a rigid, two-part test for enhancing patent infringement damages under 35 U.S.C. § 284, that is the same as the rigid, two-part test [the Supreme] Court rejected last term in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) for imposing attorney fees under the similarly-worded 35 U.S.C. § 285.

On June 13, 2016, the United States Supreme Court issued a joint decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.* and *Stryker Corp. v. Zimmer, Inc.* (“*Halo*”), unanimously rejecting the United States Court of Appeals for the Federal Circuit’s *Seagate* test for enhanced damages in patent cases. In both cases, the Court vacated the decisions of the Federal Circuit, which were decided using the *Seagate* test, and remanded the cases for further proceedings consistent with the opinion of the Court. 136 S. Ct. 1923, 1935-36 (2016).

Under Section 284 of the Patent Act, where there has been a finding of infringement, courts “*may* increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284 (emphasis added). In *In re Seagate Technology, LLC*, 497 F.3d 1360, 1371 (Fed.

Cir. 2007) (“*Seagate*”), the Federal Circuit set forth a specific test for determining whether enhanced damages under Section 284 based on willful infringement are allowed. Under the *Seagate* test, a patent owner must show by clear and convincing evidence: (i) “that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent;” and (ii) “that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.” *Id.* Only if both parts of the test are satisfied may the district court consider whether to award enhanced damages. *Id.* An award of enhanced damages is subject to trifurcated appellate review, where the first question of *Seagate* is reviewed *de novo*, the second is reviewed for substantial evidence, and the ultimate decision of whether to award enhanced damages is reviewed for abuse of discretion. *Halo*, 136 S. Ct. at 1930.

In *Halo*, the Court focused on the language of Section 284, confirming that it contains “no explicit limit or condition” and that the “‘word ‘may’ clearly connotes discretion”” on the part of the district court. *Id.* at 1931. The Court cautioned, however, that enhanced damages under Section 284 are “generally reserved for egregious cases of culpable behavior.” *Id.* at 1932. That being said, the Court found the *Seagate* test to be “*unduly rigid*” and “impermissibly encumber[ing] the statutory grant of discretion to district courts.” *Id.* (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755 (2014)) (emphasis added).

Specifically, the Court took issue with *Seagate*’s requirement of a finding of “objective recklessness” before a district court may consider enhanced damages. *Halo*, 136 S. Ct. at 1932. The Court held that this standard allows an infringer to insulate himself from enhanced damages by simply mustering a reasonable, yet unsuccessful, defense at trial, even where the infringer “did not act on the basis of the defense or was even aware of it.” *Id.* at 1933. Thus, even the most culpable infringer may escape enhanced damages “solely on the strength of his attorney’s ingenuity.” *Id.* Rather, “[t]he subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless.” *Id.*

The Court emphasized that “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct” and Section 284 “allows

district courts to punish the full range of culpable behavior” in a manner that is free “from the inelastic constraints of the *Seagate* test.” *Id.* at 1933-34. The Court “eschew[ed] any rigid formula for awarding enhanced damages under § 284.” *Id.* at 1934. Further, the Supreme Court rejected the heightened clear and convincing standard required for enhanced damages under *Seagate* as inappropriate and inconsistent with Section 284. *Id.* Rather, “patent-infringement litigation has always been governed by a preponderance of the evidence standard.” *Id.* Finally, the Court also rejected the Federal Circuit’s three-part standard for appellate review, holding that a district court’s decision regarding enhanced damages should be wholly reviewed on appeal for abuse of discretion. *Id.*

Ultimately, the Court reiterated that while Section 284 gives district courts discretion to award enhanced damages against patent infringers, district courts should be guided by “sound legal principles” developed over many years of application and interpretation of the Patent Act in which enhanced damages are awarded only in “egregious cases of misconduct beyond typical infringement.” *Id.* at 1935.

Notably, Justice Breyer’s concurrence, joined by Justices Kennedy and Alito, confirmed that enhanced damages should be carefully applied “to ensure that they only target cases of egregious misconduct,” lest the fear of treble damages frustrate the purpose of the Patent Act to promote the progress of science and useful arts. *Id.* at 1937-38 (Breyer, J., concurring).

#### Holding:

An award of enhanced damages under 35 U.S.C. § 284 is at the discretion of the district court and should be guided by “sound legal principles” developed over many years of application and interpretation of the Patent Act. Enhanced damages should only be awarded in egregious cases of misconduct that go beyond typical infringement. The Federal Circuit’s *Seagate* test is “unduly rigid” and should not be used to decide such an award.

#### Follow-on cases:

In addition to consolidating *Stryker* with *Halo*, the Supreme Court also granted certiorari, vacated the judgments below, and remanded two cases, *WesternGeco LLC v. ION Geophysical Corp.*, No. 15-1085 (U.S. June 20, 2016) and *Innovention Toys, LLC v. MGA Entertainment*, No. 15-635 (U.S. June 20, 2016), to the Federal Circuit Court of Appeals in view of its decision in *Halo* to address the following questions:

1. Whether the court of appeals erred in affirming the district court’s decision not to enhance damages under 35 U.S.C. § 284 by finding ION’s defenses were not “objectively baseless” despite a jury finding that ION willfully infringed WesternGeco’s patents. *WesternGeco LLC v. ION Geophysical Corp.*, No. 15-1085 (U.S. June 20, 2016).

2. Whether a district court has discretion to enhance damages under 35 U.S.C. § 284 (similar to the “exceptional case” abuse-of-discretion standard for 35 U.S.C. § 285, as set forth in *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014)), where the infringer, one of the world’s largest toy companies, intentionally copied the patented game of a competitor, a small three-person toy company, and made no attempt to avoid infringement of the smaller company’s valid patent. *Innovention Toys, LLC v. MGA Entertainment, Inc.*, No. 15-635 (U.S. June 20, 2016).

The Federal Circuit has now begun to answer these questions in the above remanded cases and to apply the new more flexible standard set out in *Halo*, instead of its older more rigid standard set forth in *Seagate*.

First, the Federal Circuit on the remand of *Halo* vacated the district court’s decision not to enhance damages pursuant to Section 284. *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, Nos. 2013-1472, 2013-1656, slip op. at 21 (Fed. Cir. Aug. 5, 2016). The Federal Circuit noted that the jury had found it was “highly probable that Pulse’s infringement was willful.” *Id.* at 20. However, the district court found against enhanced damages because Pulse presented an obviousness defense that was not objectively baseless. *Id.* In vacating the decision, the Federal Circuit instructed the district court to exercise its discretion in awarding enhanced damages taking into account that: (1) Pulse did not challenge the jury’s subjective willfulness finding; and (2) Pulse’s obviousness defense, which the district court found was not objectively baseless, had not been developed until after the lawsuit was filed in 2007, meaning that it did not have such a defense at the time the infringement occurred. *Id.*

Similarly, in *Innovention Toys, LLC v. MGA Entertainment, Inc.*, the Federal Circuit, in a non-precedential decision, vacated the district court’s finding of no enhanced damages. Again, despite a jury finding of subjective willfulness, which was not disputed on appeal, no enhanced damages were awarded (this time by the Federal Circuit upon *de novo* review at the appellate level) because MGA’s obviousness defense was not objectively unreasonable. No. 2014-1731, slip op. at 3 (Fed. Cir. Aug. 5, 2016). Noting that the finding of will-

ful misconduct should remain untouched on remand, the Federal Circuit instructed the district court on remand to exercise its discretion to award enhanced damages, “including the emphasis on [the] egregiousness” of MGM’s conduct. *Id.* at 4.

***Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446, 136 S. Ct. 2131 (June 20, 2016).**

**Issue: Patent Law—Claim Construction and Appellate Review of Institution Decisions in PTAB Inter Partes Review (“IPR”) Proceedings**

Questions Presented:

1. Whether the court of appeals erred in holding that, in IPR proceedings, the Board may construe claims in an issued patent according to their broadest reasonable interpretation rather than their plain and ordinary meaning.
2. Whether the court of appeals erred in holding that, even if the Board exceeds its statutory authority in instituting an IPR proceeding, the Board’s decision whether to institute an IPR proceeding is judicially unreviewable.

On June 20, 2016, the United States Supreme Court issued its first decision reviewing the structure of the Leahy-Smith America Invents Act (“AIA” or “Act”). In *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (U.S. June 20, 2016), a unanimous Court joined Parts I and III of Justice Breyer’s opinion, finding that the United States Patent and Trademark Office (“PTO”) has the authority to adopt rules interpreting patent claims according to the so-called Broadest Reasonable Interpretation (“BRI”) standard in inter partes review (“IPR”) proceedings before the Patent Trial and Appeal Board (“PTAB”). In Part II, a split Court affirmed the Federal Circuit’s interpretation of the AIA, precluding appeals of IPR institution decisions under the Act. On the latter issue, Justice Alito dissented, joined by Justice Sotomayor, arguing that the AIA only precludes an interlocutory appeal of an institution decision, not a review of the institution decision once the IPR has concluded. Further, while the Court did not find reversible error in Part II, it did provide cautions that could be invoked in future cases.

**The BRI Standard**

In Part III of the opinion, Justice Breyer, writing for a unanimous court, found that the PTO did not exceed its rulemaking authority by issuing a regulation requiring claim construction according to the BRI

standard during an IPR before the PTAB. *Cuozzo*, 136 S. Ct. at 2140-41. Pursuant to the AIA, the PTO has designated the BRI, which is used in other contexts at the PTO, as the standard of patent claim construction in an IPR. 37 C.F.R. § 42.100(b). Relying on the process outlined in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), the Court found that the Act was ambiguous because it did not indicate which claim construction standard should be used, and also that Congress had expressly delegated rulemaking authority to the PTO “to address that gap.” *Cuozzo*, 136 S. Ct. at 2142.

Turning to the second step of the *Chevron* inquiry, the Court held that the use of the BRI standard was a reasonable exercise of rulemaking authority. *Id.* at 2142. To support this conclusion, the Court cited past practice at the PTO and the policy of protecting the public from faulty patents. *Id.* at 2144. While the Court acknowledged the numerous policy arguments for a different standard of review presented by *Cuozzo* and amici, it also recognized that the Court’s task when reviewing agency rulemaking does not include substituting its own decision-making for that of the agency. *Id.* at 2146.

**Appeals of Decisions to Institute**

In Part II of Justice Breyer’s opinion, which was joined by five other Justices, the Court affirmed the Federal Circuit’s holding that the decision to institute an IPR is not reviewable under the statutory framework. *Id.* at 2139. As the Court explained, the present dispute was an “ordinary dispute about the application of certain relevant patent statutes concerning the Patent Office’s decision to institute inter partes review.” *Id.* Because the petition for a writ of certiorari focused on the language of the statute rather than on possible violations of the U.S. Constitution or the Administrative Procedure Act, the Court limited its analysis to the statutory question.

The relevant statute states:

The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. § 314(d). Based on this language, the Court concluded that Section 314(d) prohibits appeals in these kinds of cases. *Cuozzo*, 136 S. Ct. at 2139. In further support of its position, the Court cited legislative history and congressional policy indicating Congress’ desire to leave the decision to institute an IPR solely in the hands of the PTO. *Id.* at 2139-40.

Significantly, the majority opinion left open the possibility that the bar against judicial review of institution decisions in Section 314(d) is not absolute:

[W]e need not, and do not, decide the precise effect of § 314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond “this section.”

*Id.* at 2141. The Court further explained, that:

Thus, contrary to the dissent’s suggestion, we do not categorically preclude review of a final decision where a petition fails to give “sufficient notice” such that there is a due process problem with the entire proceeding, nor does our interpretation enable the agency to act outside its statutory limits by, for example, canceling a patent claim for “indefiniteness under § 112” in inter partes review.

*Id.* (citation omitted).

### The Dissent on Appealability

The dissent, written by Justice Alito and joined by Justice Sotomayor, joined the majority opinion except as to Part II, the section concerning the appealability question. *Id.* at 2148-49 (Alito, J., dissenting in part). Justice Alito stressed the long-standing presumption of judicial review of administrative actions, and argued that Section 314(d) was only intended to preclude any interlocutory appeal of the decision to institute, not a review of that decision once a final judgment has been issued. *Id.* He reviewed similar statutes that had been examined by the courts, and concluded that the Act was best read to prohibit interlocutory appeal, but not final review. *Id.* at 2150-51.

Justice Alito acknowledged that the facts of this matter did not present a strong case favoring appeals of decisions to institute. *Id.* at 2153. However, he pointed out that prohibiting all review of the decision to institute allows the PTO to exceed statutory limitations that constrain that decision with no fear of appellate review, leaving dissatisfied parties with few remedies. *Id.* at 2154-55. This last argument was a central point in the New York Intellectual Property Law Association’s amicus brief in *Cuozzo*.

#### Holding:

1. The PTO has the authority to adopt rules calling for claim construction in IPR proceedings according to the so-called BRI (Broadest Reasonable Interpretation) standard.
2. A decision regarding institution of an IPR proceeding is non-appealable.

Follow-on cases:

In *Click-To-Call Technologies, LP v. Oracle Corp., et al.*, 136 S. Ct. 2508 (2016), the Supreme Court granted certiorari, vacated the decision below, and remanded to the Court of Appeals for the Federal Circuit for further consideration in view of *Cuozzo*.

We note that the Supreme Court has at least three pending petitions for a writ for certiorari that raise constitutional challenges to the IPR portion of the America Invents Act, which was the subject of *Cuozzo*:

*MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330 (petition for cert. filed Apr. 29, 2016), which presents in the Petition for Writ of Certiorari the following questions:

1. Does IPR violate Article III of the Constitution?
2. Does IPR violate the Seventh Amendment to the Constitution?

*Cooper v. Lee*, No. 15-955 (petition for cert. filed Jan. 21, 2016), and its companion case, *Cooper v. Square, Inc.*, No. 16-76 (petition for cert. filed July 13, 2016), present the same issue as Question 1 in *MCM*. If certiorari is granted in *MCM*, the *Cooper* cases are likely either to be consolidated with *MCM*, or certiorari will be granted for these cases, the appellate court decisions vacated, and the cases remanded for a decision in view of the result in *MCM*.

***Kirtsaeng v. John Wiley & Sons, Inc.*, No. 15-375, 136 S. Ct. 1979 (June 16, 2016).**

### Issue: Copyright Law– Attorney’s Fees

#### Question Presented:

What is the appropriate standard for awarding attorneys’ fees to a prevailing party under § 505 [the fee shifting provision] of the Copyright Act?

On June 16, 2016, the Supreme Court decided *Kirtsaeng v. John Wiley & Sons, Inc.*, addressing the appropriate standard for the attorney fee shifting provision of the Copyright Act, 17 U.S.C. § 505. Writing for a unanimous court, Justice Kagan agreed with the “objective reasonableness” standard employed by the district court in denying an award of attorney’s fees, but remanded the decision for further consideration after stressing that the reasonableness inquiry is only one part of the analysis and is not controlling. 136 S. Ct. 1979, 1983 (2016).

### Background

Section 505 of the Copyright Act authorizes a court

*cont. on page 32*

in its discretion to award a prevailing party reasonable attorney's fees in a copyright action:

In any civil action under this title, the court *in its discretion may* allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505 (emphasis added).

In the present case, the petitioner prevailed after an extended litigation that involved purchasing textbooks at lower prices overseas and reselling them in the United States. The previous litigation, which resulted in an earlier Supreme Court decision, *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), affirmed the applicability of the "first-sale doctrine" to cases involving copyrighted works purchased in foreign countries.

After successfully employing the first-sale doctrine as a defense, the petitioner returned to court to recover more than \$2 million in attorney's fees under Section 505. The district court denied the motion, placing substantial weight on the objective reasonableness of Wiley's position. *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-cv-07834, 2013 U.S. Dist. LEXIS 179113, at \*2 (S.D.N.Y. Dec. 20, 2013). The Second Circuit affirmed in an unsigned Summary Opinion. *John Wiley & Sons, Inc. v. Kirtsaeng*, 605 F. App'x 48, 49 (2d Cir. 2015).

### Supreme Court Decision

Justice Kagan, writing for a unanimous Court in *Kirtsaeng*, offered further clarification of the standard for awarding attorney's fees in copyright cases.

As an initial matter, the Court found that Wiley's position in the previous proceedings had been reasonable, citing the fact that several courts of appeal and three justices of the Supreme Court had agreed with its position. *Kirtsaeng*, 136 S. Ct. at 1984. The Court further noted that both parties agreed with the Court's previous discussion of the matter in *Forgerty v. Fantasy Inc.*, 510 U.S. 517 (1994), where the Court noted that the Section 505 inquiry was at the discretion of the district court and that the inquiry could not follow a precise rule or formula. *Kirtsaeng*, 136 S. Ct. at 1985. The *Kirtsaeng* Court reiterated that a district court may not award attorney's fees as a matter of course, and may not treat prevailing plaintiffs and prevailing defendants differently. *Id.* It also reviewed a list of non-exclusive factors that a district court may consider, including frivolousness, motivation, and objective unreasonableness. *Id.*

Turning to the present case, Wiley argued that granting substantial weight to the objective reasonableness

factor would further the objectives of the Copyright Act. *See id.* at 1985. On the other hand, Kirtsaeng argued that the standard for awarding fees should be whether the case "resolved an important and close legal issue and thus 'meaningfully clarifie[d]' copyright law." *Id.* (quoting Brief for Petitioner at 36). The Court sided with Wiley, holding that objective reasonableness was a proper factor for a court to consider. *Id.* at 1986. The Court stated that the test promoted the objectives of the Copyright Act by "encourage[ing] parties with strong legal positions to stand on their rights" while deterring parties with weak positions from litigating. *Id.* at 1986.

Adopting Kirtsaeng's proposal, the Court reasoned, would discourage parties from litigating because close legal questions may be decided either way, and basing the award of attorney's fees on close legal questions may discourage parties from bringing litigation because the award may easily and unpredictably switch from an inducement to a penalty. *Id.* at 1987. The Court also noted that Wiley's objective reasonableness test was easier to administer because a district court that has completed a copyright trial will be intimately familiar with the reasonableness of a party's position. *Id.* at 1987-88. The precedential or "law-clarifying value" of a decision may not be clear until many years later. *Id.* at 1988. Thus, it is easier for a district court to decide whether to award fees based on an objective reasonableness standard.

However, the Court went on to stress that objective reasonableness is not the only factor a district court may, or should, consider in its analysis. *Id.* at 1988-89. It listed several instances where other factors may be as relevant, if not more so, than objective reasonableness, including situations involving litigation misconduct and overly aggressive litigation tactics. *Id.* The Court stressed that, although a court may place substantial weight on the objective reasonableness of a party's position, it must consider all of the circumstances of a given case prior to reaching a decision. *Id.* at 1989.

After examining the record, the Court raised concerns that the Second Circuit's decisions on the issue had created a near presumption against granting fees against a party whose position is objectively reasonable. *Id.* The Court remanded to ensure that the district court had considered all of the relevant factors after the present clarification on the issue. *Id.* The Court emphasized that it was making no judgment on whether this particular case should result in an award of fees. *Id.*

This decision is significant for at least two reasons:

1. It follows the Supreme Court's recent trend in intellectual property cases of eschewing bright-line tests or rules in favor of giving discretion to the district court when awarding attorney's fees and other additions to damages. *See, e.g., Halo*

*Electronics, Inc. v. Pulse Electronics, Inc.*, Nos. 14-1513, 14-1520, 136 S. Ct. 1923 (June 13, 2016) (discussing the award of enhanced damages in patent infringement cases); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) (discussing the award of attorney’s fees in patent cases).

2. The decision affirms that the objective reasonableness of a party’s legal claims is a factor that will be given substantial weight in a Section 505 analysis. Although other factors will be considered, this decision gives some measure of certainty to future copyright litigants when deciding whether to bring a claim for attorney’s fees.

substantial weight to the objective reasonableness of the losing party’s position, but it should also use its discretion and give due consideration to other factors relevant to the issue of granting fees.

**Follow up to *Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896, 135 S. Ct. 1920 (May 26, 2015) (reported in last year’s Review):**

In *Medtronic Sofamor Danek USA, Inc. v. NuVasive Inc.*, No. 15-85 (U.S. Jan. 19, 2016), the Supreme Court granted certiorari, vacated the lower court decision, and remanded in light of one of last year’s decisions, *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015), which held that a defendant’s belief regarding patent validity is not a defense to an induced infringement claim under 35 U.S.C. § 271(b). We can expect the Federal Circuit to reconsider this case in view of *Commil* on remand.

**Holding:**

When deciding an award of attorney’s fees under Section 505 of the Copyright Act, a court should give

**(Endnotes)**

\* Anthony F. Lo Cicero was the President of the New York Intellectual Property Law Association in 2014-15 and is a Partner at Amster, Rothstein & Ebenstein LLP. Charles R. Macedo was Co-Chair of the Amicus Brief Committee last term, and is now a member of the Board of Directors of the New York Intellectual Property Law Association, and a Partner at Amster, Rothstein & Ebenstein LLP. Jung Hahm is a Senior Counsel at Amster, Rothstein & Ebenstein LLP. David P. Goldberg is Co-Chair of the Amicus Brief Committee and an Associate at Amster, Rothstein & Ebenstein LLP. Jessica Capasso and Benjamin Charkow are Associates at Amster, Rothstein & Ebenstein LLP.

Trevor O’Neill was a 2016 Summer Associate at Amster, Rothstein & Ebenstein LLP and is a 3L student at Columbia Law School. Their practice specializes in intellectual property issues, including litigating patent, trademark, and other intellectual property disputes. Portions of this article were taken from law alerts originally published by Amster, Rothstein & Ebenstein LLP. The authors and the Association thank Amster, Rothstein & Ebenstein LLP for granting permission to reprint these reports.

<sup>1</sup> The Association submitted amicus briefs on the merits in *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446, which is discussed herein, and *Star Athletica, LLC v. Varsity*

*Brands, Inc.*, No. 15-886, which is still pending. The Association submitted an amicus brief in support of a writ of certiorari in *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330, discussed herein. The Court’s decision on whether the case will be heard is still pending. The Association also submitted amicus briefs in support of writs of certiorari in the following cases where certiorari was denied: *Sequenom, Inc. v. Ariosa Diagnostics, Inc.*, No. 15-1182; *Daiichi Sankyo Co., Ltd. v. Lee*, No. 15-652; and *Shamas v. Hirshfeld*, No. 15-563. The Amicus Brief Committee will continue to monitor and propose amicus curiae submissions to be made, where appropriate, to the Board. If you would like to join the Amicus Brief Committee, please contact Co-Chairs David P. Goldberg (dgoldberg@arelaw.com) or Irena Royzman (iroyzman@pbwt.com).



# Notable Trademark Trial and Appeal Board Decisions

(All decisions are precedential.)

By Michael C. Cannata and Dyan Finguerra-DuCharme\*

## Mark Fails to Satisfy Lawful Use Requirement

The Trademark Trial and Appeal Board (“the Board”) affirmed the refusal to register HERBAL ACCESS on the grounds that the mark was not used in lawful commerce. The Board started its analysis with the principle that to qualify for federal trademark protection, a mark must be lawfully used in commerce under federal law. The Board applied its precedent, that “registration will not be refused based on unlawful use in commerce unless either (1) a violation of federal law is indicated by the application record or other evidence, such as when a court or a federal agency responsible for overseeing activity in which the applicant is involved, and which activity is relevant to its application, has issued a finding of noncompliance under the relevant statute or regulation, or (2) when the applicant’s application-relevant activities involve a *per se* violation of a federal law.”

With respect to HERBAL ACCESS, the Examining Attorney claimed that there was a *per se* violation of federal law based on the Applicant’s services as identified in the application. The Examining Attorney, relying on both the Applicant’s specimen of use (two photographs of the retail store) and its website, concluded that the Applicant’s retail store services included the provision of marijuana. The Board agreed, holding that “[t]he specimen and the webpage, taken together, support the conclusion that Applicant is engaged in the provision of marijuana via the retail services provided at the facility shown in the specimen and advertised on the website.”

Based on the foregoing, the Board found that the Applicant’s services involved the provision of an illegal substance—marijuana—in violation of the federal Controlled Substances Act, which, despite conflicting individual state laws, prohibits the manufacture, distribution, dispensing, or possession of marijuana. The Board concluded that there was a *per se* violation of the Controlled Substances Act and, thus, Applicant could not satisfy the lawful use requirement for federal trademark registration.

The Board also rejected the Applicant’s claim that the recitation of services was for “retail store services featuring herbs” and that selling “herbs” is not illegal. The Board held that “[t]he mere fact that lawful use is also contemplated by the identification does not aid Applicant’s cause,” and that it was proper for the Examining Attorney to look to the Applicant’s

specimen of use and website to determine that “herbs,” in this context, encompass marijuana.

*In re Morgan Brown*, 119 USPQ2d 1350 (TTAB 2016).

## Board’s Accelerated Case Resolution Procedure Used to Sustain Opposition

The Board, with the parties’ consent, used the Accelerated Case Resolution (ACR) procedure to resolve, by means of a summary bench trial, outstanding factual issues that remained after it denied the parties’ cross-motions for summary judgment and to sustain an opposition. By way of background, the Applicant sought registration of the below stylized design that features the phrase “Black Men Rock” in connection with “[c]aps, hats, jackets, t-shirts,” and “[e]ducation services, namely, providing live and on-line classes, seminars, workshops in the field of personal development”:



The Opposer owns a registered trademark for BLACK GIRLS ROCK! for use in connection with “tee shirts,” “[c]haritable services, namely, organizing volunteer programs for at-risk teenage women of color,” and “[e]ntertainment, namely, a continuing award show broadcast over television; arranging and conducting of concerts; and entertainment services in the nature of live musical performances.” The Opposer claimed priority and likelihood of confusion in opposing the Applicant’s registration. The Board found that the Opposer had established priority, so likelihood of confusion was the only issue resolved under the ACR procedure.

In assessing the nature of the goods and services at issue, the Board found that the goods were, in part, identical based on the identification of t-shirts in the goods description for both marks. In comparing the services, the Board reasoned that “since Applicant’s recitation of services does not restrict his education services to ‘black men,’ these services could be rendered to ‘black girls.’” With respect to the marks themselves, the Board first stated that it was the verbal portion of the Applicant’s mark that was likely to indicate the origin of the goods and services and concluded that:

[t]he only differences in the literal portions of the marks BLACK MEN ROCK and BLACK GIRLS ROCK! are the word “MEN” in Applicant’s mark, and the word “GIRLS” and the exclamation point in the Opposer’s mark. Both marks connote that the subject of the services (“black girls” and “black men”) are “very good, impressive, or exciting.” Thus, Opposer’s and Applicant’s marks suggest that the programs offered by Opposer and Applicant improve the self-images of the participants. Both the design in Applicant’s mark, consisting of the silhouette of a man with his arms outstretched in a sign of victory, and the exclamation point in Opposer’s mark emphasize the positive outcome the programs hope to have on the participants.

In addition, the Applicant argued that registration should be allowed because the U.S. Patent and Trademark Office “allowed different BLACK - - - ROCK format marks.” But this argument was predicated upon an abandoned trademark application and a cancelled trademark registration and, as result, was rejected by the Board. The Board also rejected the Applicant’s reference to one instance wherein a third party used a phrase similar to the Opposer’s mark (BLACK WOMEN ROCK) on the Internet.

Finally, the Board rejected the Applicant’s argument that there was no actual confusion. The Board stated that there was nothing in the record to demonstrate that the Applicant had been using the mark long enough for any such confusion to actually occur.

*Beverly A. Bond v. Michael Taylor*, Opposition No. 91213606 (TTAB June 16, 2016).

### **Board Dismisses Opposition to SEXY ASTROLOGY**

The Board recently dismissed an opposition brought under Section 2(d) of the Trademark Act to the registration of the mark SEXY ASTROLOGY for “astrology consultation” on the grounds that the Opposer failed to prove proprietary rights in the mark SEXSTROLOGY.

The Opposer’s mark SEXSTROLOGY is registered on the Supplemental Register for services in the nature of “astrology horoscopes.” Since a registration on the Supplemental Register is presumed to be merely descriptive, the Opposer had the burden of proving that her SEXSTROLOGY mark had acquired distinctiveness in order to prove that she had proprietary rights in the mark.

The Opposer claimed that she coined the term SEXSTROLOGY in 2003 for an article she was writing in which she combined the words “sex” and “astrology” to define “astrology as it pertains to men and woman [sic], as it pertains to relationships, and as it pertains to the interaction between men and women.” She also testified that she used SEXSTROLOGY on her Facebook page, website, and blog, and as her Twitter handle. The Board, however, did not find that this was enough to establish proprietary rights in a mark because using a term in various materials does not constitute use as a service mark or associate the mark with the Opposer as the source of services. It also clarified that “using a term as part of a Twitter handle to identify oneself does not necessarily evidence trademark use for particular services.”

Dismissing the opposition, the Board concluded that the Opposer had failed to demonstrate that she had acquired proprietary rights in the term SEXSTROLOGY. It also found that, “even if we accept that she had shown such rights,” she had not shown a likelihood of confusion.

*Terry Nazon d/b/a Terry Nazon Inc. v. Charlotte Ghiorse*, 119 USPQ2d 1178 (TTAB 2016).

### **TTAB Clarifies the Fame Requirement for Dilution Claims**

The Board recently clarified its timing requirement for proof of fame in dilution cases. While the Board ultimately denied Applicant Alphi Phi Omega’s motion for summary judgment on Omega SA’s opposition claims against one of two involved marks, much of its discussion surrounded the flaws in Omega’s argument that Alphi Phi Omega’s proposed marks would cause dilution by blurring.

Omega contended that, in order to prevail on its dilution claim, it needed to establish only that its OMEGA marks had become famous prior to the filing date of Alpha Phi Omega’s opposed trademark applications. The Board disagreed, explaining that Omega must establish that its marks became famous “prior to Applicant’s first use in commerce of the marks in its involved use-based applications.” However, the Board also clarified that “in the event that Applicant fails to establish when it first used its applied-for marks in commerce, Opposer will need only to prove fame prior to Applicant’s constructive use date of its involved marks, i.e., the filing date of its involved applications.”

Omega further argued that “a plaintiff alleging dilution by blurring need only prove the fame of its mark vested prior to the use by an applicant or registrant

*cont. on page 36*

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of its mark for the specific goods or services involved in its application or registration.” The Board also disagreed with this assertion. It explained that, under Section 1125(c)(1) of the Lanham Act and case law, a dilution-by-blurring claimant must prove that its mark became famous “prior to **any established, continuous use** of the defendant’s involved mark as a trademark or trade name, and not merely prior to use in association with the specific identified goods or services set forth in a defendant’s subject application or registration.” This is because the dilution inquiry’s focus is “not centered upon defendant’s use of its involved mark on the goods or services identified in defendant’s involved application or registration,” but rather “on whether any use by defendant of its involved mark has reduced the ability of plaintiff’s mark to serve as a *unique* identifier of the plaintiff’s products and services.”

Accordingly, the Board held that, in order to prevail on its dilution by blurring claim, an opposer must establish that its “marks that serve as a basis for its dilution by blurring claim became famous prior to **any established, continuous use** of Applicant’s involved marks.”

*Omega SA (Omega AG)(Omega Ltd.) v. Alpha Phi Omega*, 118 USPQ2d 1289 (TTAB 2016).

#### (Endnote)

\*Michael C. Cannata is a partner in the intellectual property group at Rivkin Radler LLP and has experience litigating complex intellectual property, commercial, and other business disputes in state and federal courts across the country. He is a Co-Chair of the Trademark Law & Practice Committee. Dyan Finguerra-DuCharme is a partner in Pryor Cashman LLP’s Intellectual Property, Litigation and Media & Entertainment Groups. Ms. Finguerra-DuCharme’s practice focuses on prosecuting and defending IP litigation involving trademarks, trade dress, false advertising and copyrights, as well as providing trademark and copyright counseling. She is a Co-Chair of the Trademark Law & Practice Committee.



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## 2016 U.S. Bar–JPO Liaison Council Report

By John B. Pegram and Raymond E. Farrell\*

For over twenty-five years, a delegation of the U.S. Bar–JPO Liaison Council and the JPO have been meeting to serve as a forum for the exchange of ideas and information between council delegates and the JPO. The meetings afford an opportunity to: collect and disseminate information to the represented bar groups on matters pertinent to U.S. applicants at the JPO; communicate to the JPO, observations and experiences of U.S. applicants seeking protection in Japan; and receive from the JPO, information regarding its observations and experiences relating to U.S.-origin patent applications. This exchange continued on June 10, 2016, when a delegation from the Japanese Patent Office comprising Commissioner Hitoshi Ito and six members of the JPO’s International Policy Division met with fourteen delegates of the U.S. Bar–JPO Liaison Council at Amazon’s new headquarters in Seattle, Washington.

The sessions opened with an exchange of welcoming remarks from the Council’s Chair, Jonathan Osha,

and JPO Commissioner Ito, who summarized his recent participation in the IP5 meetings and recalled his previous time in Seattle as part of the World Trade Organization meetings in 1999.

Thereafter, the meeting included an exchange of presentations on various topics of interest to the JPO and U.S. applicants before the JPO. Commissioner Ito gave a detailed update to the delegates, which included statistics on the technical balance of trade among the seven major IP countries (China, France, Germany, Japan, Korea, the UK, and the U.S.). He presented statistics on overseas filings by Japanese companies, as well as the number of patent registrations in the world by country of residence. He also identified three priority issues for the JPO, namely, in the areas of: 1) accelerated market changes by achieving the world’s fastest and utmost quality in patent examination; 2) globalized economy by promoting globalization of the intellectual property system; and 3) establishing a self-sustaining society by promoting utilization of

intellectual properties throughout regional areas in Japan. His detailed remarks focused primarily on the first two issues of achieving the fastest prosecution with the utmost quality. Commissioner Ito fielded questions regarding the Collaborative Search Pilot program between Japan and the U.S., as well as the rate of filing by Japanese applicants.

Matsuo Nonaka, Director, International Policy Division for the JPO, gave an update on the JPO Patent Opposition system. He noted that, after the former JPO Opposition system was abolished in 2003, the number of requests for trial for invalidation initially increased by 40% and has gradually decreased to the former levels. He indicated that in order to make patent rights stable at an early stage, a new “Patent Opposition System” was established under the revised Patent Act enabling simple and expeditious appeal examination. In addition, under the revised Patent Act, the demandant is limited to only the interested person in the Trial for Patent Invalidation System. The new opposition system became effective as of April 1, 2015. He presented a chart which compared the key features of the JPO’s Patent Opposition System to the Trial for Patent Invalidation System.

From the U.S. side, several presentations gave the JPO delegation some user opinions of the USPTO from the U.S. Bar perspective. One presentation gave a virtual tour of the Global Dossier platform now available on the USPTO website. A discussion ensued regarding: prior art collections for identifying IDS art submissions; the input sought from the stakeholders when the platform was developed; and translation availability, especially for Russian and Chinese documents. Commissioner Ito noted that the JPO has negotiated with SIPO to get Chinese documents translated into Japanese and those are available (in Japanese only).

A further presentation gave a detailed update on the status of functional claiming in the U.S., with a particular focus on the *Williamson v. Citrix Online, LLC* case and how the USPTO treats functional claiming during examination, especially for software claims. During the question/discussion period it was noted, for the JPO delegation’s purposes, how this treatment of functional claiming/interpretation is affecting Japanese applicants. Additionally, USPTO quality management measures were presented with a focus on the Enhanced Patent Quality Initiative, which was announced on February 2, 2015.

The JPO delegation then gave an update on the Examination Guidelines and Examination Handbook. Shunsuke Shikato, Deputy Director, International Policy Division, expanded upon the details touched upon

by Commissioner Ito regarding the updates of the Examination Guidelines and Handbook, use invention of foods, extension of patent term for anti-cancer drugs, as well as product-by-process claims in Japan.

The remainder of the presentations from the U.S. side addressed: updates on new U.S. laws and rules with a focus on: the new federal trade secrets law; revisions to the Federal Rules of Civil Procedure; trends and tendencies of recent judicial and PTAB decisions (particularly *Alice*/Section 101 issues) and new PTO guidelines; post-*Nautilus* cases; an update on PTAB and Federal Circuit review; and the claim interpretation standard at the PTAB.

The close of the session marked the end of John Osha’s term as Council Chair. He concluded the session by passing the Chair position over to Ray Farrell, who will serve as the Council’s Chair for the next two years. Next year, the U.S. Bar–JPO Liaison Council delegation will travel to the JPO in Tokyo for the annual exchange.

#### (Endnote)



\*John B. Pegram is a Senior Principal at Fish & Richardson P.C., a Past President of the NYIPLA, and a long-time NYIPLA delegate to the U.S. Bar–JPO Liaison Council. Raymond E. Farrell is a partner at Carter, DeLuca, Farrell & Schmidt, LLP and a past member of the NYIPLA Board of Directors. He currently serves as the Chair of the U.S. Bar–JPO Liaison Council.

## When the Robes Come Off—Retired Federal Judges Roundtable Discussion: Reflections on the Practice of Law Based on Perspectives from Both Sides of the Bench

*By Matthew McFarlane*

CLE PROGRAMS

Three former judges participated in a panel considering life before and after the bench, and ethical considerations of judges leaving the bench to engage in private practice: Hon. Garrett E. Brown, Jr. (Ret.), former Chief Judge, U.S. District Court for the District of New Jersey, and NYIPLA Board Member; Hon. Joseph Farnan, Jr. (Ret.), former Chief Judge, U.S. District Court for the District of Delaware; and Hon. John Hughes (Ret.), former Magistrate Judge, U.S. District Court for the District of New Jersey.

The panel first considered three ethical issues relating to post-judicial employment. First, the panel discussed the conclusions of the Committee on Codes of Conduct Advisory Opinion No. 70 (2009) that a sitting judge should recuse him or herself when a former judge appears as counsel before the court in which they once held office. The panel reflected on the importance of the appearance of impartiality when a former colleague appears as counsel.

Next, the panel considered the tricky issue of under what circumstances a former judge may use the honorific title “judge” in connection with post-judicial legal activities. With regard to court papers and proceedings, the Committee on Codes of Conduct Advisory Opinion No. 70 (2009) is clear that a former judge acting as counsel should not be identified as “judge.” Again, the panelists relayed their experience that former judges, like all officers of the court, are required to preserve the sanctity of the judicial process. One panelist remarked that if a lawyer who is a former judge has the same title as the presiding judge in a proceeding, it diminishes the status of the presiding judge. In addition, all panelists agreed about the appearance of impropriety if a lawyer who is a former judge is called “judge” in the courtroom, since it connotes special influence or knowledge in the proceedings.

Finally, the panel addressed a tricky issue of timing. According to the Committee on Codes of Conduct, “a judge contemplating

resignation or retirement followed by a return to practicing law should take steps to avoid the appearance of impropriety or affect the court’s ability to handle its docket.” Advisory Opinion No. 84 (2016). The panelists discussed the various steps a judge must take when considering stepping off the bench. In particular, the former judges on the panel noted that significant difficulties in court administration could result from a sitting judge’s resignation. Moreover, there are pitfalls to the prospective employer of the sitting judge as well.

In addition to some ethical considerations relating to post-judicial employment, the panelists offered more personal observations about practice after serving on the bench. Perhaps not surprisingly, all continued to perform, to some degree, neutral roles as mediators and arbitrators. And, related to that experience, the panelists offered tips to the audience on selecting a mediator as well as creative ways in which a mediator could be used even in connection with litigation to resolve discrete issues and minimize the scope of a dispute. But, all discussed the allure, and the challenges, of re-entering private practice as a solo practitioner or affiliating with a law firm after retirement from the bench. All-in-all, the panel, representing over six decades of judicial experience, led a lively and informative discussion from a judge’s perspective. ■

**SAVE THE DATE!**

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## Blurred Lines—The State of Play in Design Patent, Copyright, and Trade Dress Law

By Lauren Emerson and Joseph Farco

At the May 17, 2016 Annual Meeting of the NYIPLA, the Copyright Law & Practice Committee hosted a panel comprised of practitioners and an academic who discussed the state of design patent, copyright, and trade dress jurisprudence and the overlaps in these areas of intellectual property. The panel was tasked with discussing the intersections, contradictions, and implications of those overlaps for an audience of NYIPLA members whose practices focus on patents, trademarks, and copyrights. Joe Farco, Co-Chair of the NYIPLA Copyright Law & Practice Committee, moderated the panel during the event.

The first panelist, Darius Gambino, a partner at DLA Piper LLP, presented on the overlap between trade dress and design patents, with a focus on how the two areas of law affect a rightsholder's entitlement to damages for infringement of one or both. Mr. Gambino walked the audience through the damages law as applied in the trade dress and design patent contexts, and then went through some of the types of subject matter amenable to one or both of these areas of intellectual property. Mr. Gambino concluded his portion of the presentation with some helpful tips for prosecution of both design patents and trade dress.

The second panelist, Professor Andrew Beckerman-Rodau of Suffolk University Law School, presented on the issues resulting from the overlap between copyrights

and design patents. Professor Beckerman-Rodau spoke about potential issues in permitting parties to extend their monopoly rights in products and other subject matter by using multiple types of intellectual property protections. He made compelling arguments that the overlap between design patents, copyrights, and trade dress could limit—rather than encourage—innovation and creativity, competition, and the free flow of ideas.

The third and final panelist, Toby Butterfield, a partner at Frankfurt Kurnit Klein & Selz PC, presented on the overlap between trade dress and copyrights with a focus on how those overlaps affect the fair use, derivative works, and useful articles doctrines. Mr. Butterfield spoke about how these overlaps and concerns manifest themselves in burgeoning technologies, such as social media platforms and 3D printing. He also discussed recent legal cases in which some of these concerns may be addressed by the courts, e.g., the *Star Athletica, LLC v. Varsity Brands, Inc.* case.

The hour-long CLE event was well attended by patent, copyright, and trademark practitioners. The panel provided an interesting look at how the various intellectual property regimes practiced by the NYIPLA membership intersect and overlap. The success of these presentations will hopefully encourage other committees to present joint panels on issues that are relevant to each of their respective areas of law.

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## Trademark Strategies for the Emerging Marijuana Economy

By Michael Cannata and Dyan Finguerra-DuCharme

At the Annual Meeting on May 17, 2016, the NYIPLA Trademark Law & Practice Committee sponsored a CLE presentation entitled, “Trademark Strategies for the Marijuana Economy,” led by Kieran Doyle of Cowan Liebowitz & Latman, P.C., and Bill Thomashower of Schwartz & Thomashower LLP. Kieran and Bill addressed the following topics: “legalized” marijuana — a misnomer in the eyes of the USPTO; the “lawful use in commerce” hurdle to registering certain marijuana marks; workarounds within the current federal trademark registration framework; challenging the PTO's current treatment of marijuana ITU applications; and the fallback options: common law and state registrations. The thought-provoking presentation sparked a lively discussion among the attendees, many of whom had experience with these issues and offered their own

war stories. Kieran and Bill offered concrete insights and guidance for dealing with roadblocks to registering these types of marks.

Following the presentation, members of the Trademark Law & Practice Committee met to continue planning the Committee's upcoming Half-Day Trademark program and to discuss proposed changes to the TTAB rules and recent case law developments.

The NYIPLA Trademark Law & Practice Committee continues to welcome any and all comments, requests and recommendations regarding the content and timing of this presentation. In addition, the NYIPLA Trademark Law & Practice Committee will continue to accept members for those still interested in participating. Please contact Lisa Lu at [admin@nyipla.org](mailto:admin@nyipla.org) for committee membership details.

## PTAB Trials: Tips and Strategies

*By Douglas Nemec*

On June 8, 2016, the Patent Litigation Committee, in conjunction with Skadden, Arps, Slate, Meagher & Flom LLP, hosted a panel entitled, “PTAB Trials: Tips and Strategies.” Panelists included Administrative Patent Judges Bryan Moore and Kimberly McGraw of the U.S. Patent & Trademark Office’s Patent Trial and Appeal Board (PTAB), Sang Young Brodie, Executive Counsel responsible for intellectual property litigation at GE, and Steven Baughman, a partner and chair of the post-grant patent challenge practice at Ropes & Gray LLP. Douglas Nemec of Skadden moderated the panel. The panel brought together perspectives from the bench, the bar, and clients, offering a valuable range of insights for the audience.

Before a packed room, the panelists covered a broad range of topics, beginning with the threshold question of when to choose the PTAB as a forum for patent challenges, and continuing through best practices

for oral hearings before the PTAB. Of particular note, the panelists emphasized that in the PTAB the trial begins—and, in some sense, ends—with the petition. Each panelist offered insights on how best to approach petitions, including the use of experts, arguments in the alternative, and the perils of “holding back.”

Other hot topics addressed during the panel discussion and a lively Q&A that followed included the use of preliminary responses and the new ability to include expert testimony with such submissions, the availability of claim amendments and perceptions of the ability to secure amendments, and the scope of permissible argumentation in reply briefs. While the panelists offered a variety of views on the myriad issues raised during the discussion, one view was clearly unanimous: the PTAB has changed the landscape of patent litigation and will continue to play an enormous role in patent practice in years to come. ■

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## USPTO Quality Check—One Year Later

*By Mark Bloomberg*

On June 14, 2016, the USPTO and the NYIPLA jointly presented a Quality Check—One Year Later Program at Benjamin N. Cardozo School of Law. The program addressed the status and results achieved to date from various pilot programs the USPTO has initiated to enhance the quality of patents that are issued and to help expedite the process so that patents are issued more quickly.

NYIPLA President Walter Hanley introduced Valencia Martin Wallace, Deputy Commissioner for Patent Quality, who outlined the program and her responsibility for enhancing the quality of patent application examination. Deputy Commissioner Martin Wallace explained that improving quality is vitally important to the USPTO, and described the various pilot programs implemented by the agency. She also described the importance of receiving feedback from practitioners concerning what initiatives are working, what initiatives can be improved, and what other initiatives the USPTO might consider to improve quality.

Wendy Garber, Director, Technology Center 3700, then discussed the Clarity of the Record Pilot Program, which is intended to develop best practices for enhancing various aspects of the prosecution record and

to study the impact of those practices. The goals of the pilot program are to increase applicants’ understanding of the USPTO’s positions during patent prosecution and to create greater certainty of the scope of patents after issuance. Ms. Garber explained how the pilot program has been implemented and how it will be extended.

Ms. Garber also described the First Action Interview Pilot Program, which is intended to promote interviews prior to the first office action to streamline prosecution. This pilot program, which began on a very limited basis in 2008, has been steadily expanding. Ms. Garber discussed the requirements for an application to be included in the pilot program, and the process by which applications proceed in the program.

Mindy Bickel, Associate Commissioner for Innovation Development, discussed the USPTO Patent Pro Bono Program, including the goals, scope, and metrics of the program. Ms. Bickel also discussed success stories, including one pro bono applicant who successfully licensed his patent, creating a company that now has nearly 20 employees. The inventor has continued to make new inventions and to file applications on those inventions, and he is now able to pay his attorneys for their services.

Ms. Bickel also discussed the Patents Ombudsman Program, which enables prosecuting attorneys to navigate through procedural and logistical impediments that sometime arise during prosecution. She explained that this program is viewed positively by examiners, who sometimes refer issues to the program. She emphasized that patent prosecutors should not be reluctant to avail themselves of this resource because examiners will not be offended by applicants' requests to use this resource.

Jack Harvey, Assistant Deputy Commissioner for Patent Operations, discussed the Post-Prosecution Pilot (P3) Program, which is designed to determine the feasibility of modifying the After Final Consideration Pilot program and the Pre-Appeal Brief Conference Pilot program to make them more efficient. Mr.

Harvey also discussed post-grant outcomes to date. The purpose of the P3 Program is to make examiners aware of decisions of the PTAB and the Federal Circuit so that they can better incorporate the reasoning of these tribunals into their examination process.

The program concluded with a panel discussion moderated by Mindy Bickel of the USPTO, including panelists Wendy Garber and Jack Harvey from the USPTO and Rob Rando and Mark Bloomberg from the NYIPLA. The panel fielded questions from the audience and engaged in discussions concerning the USPTO's pilot program initiatives, including the potential impact of those initiatives on the licensing and enforcement of patents in the context of the current patent law environment.

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## The NYIPLA Sponsors Third Successful Moot Court at the Second Circuit Court of Appeals

*By Heather Schneider*

On July 12, 2016, the Second Circuit Court of Appeals graciously hosted the 3rd Annual Second Circuit Moot Court Argument CLE Program. This year's hypothetical fact pattern was derived from the Slants' and Redskins' trademark cases involving derogatory marks. As a timely summer event, this year's hypothetical addressed a "Ghostbusters" mark that was arguably derogatory to members of a particular "paranormal" group. The fact pattern allowed the teams to address serious legal issues involving trademark, first amendment, and due process law in a light-hearted way.

The presiding judges were the Honorable Denny Chin, Circuit Judge for the U.S. Second Circuit Court of Appeals, and the Honorable William F. Kuntz and the Honorable Margo K. Brodie from the U.S. District Court for the Eastern District of New York. Teams from Pryor Cashman

LLP, Hodgson Russ LLP, Ropes & Gray LLP, and Wilmer Cutler Pickering Hale and Dorr LLP represented the trademark applicant, the U.S. Patent & Trademark Office, and amicus curiae supporters for each side, respectively. The oral argument was very engaging, with the presiding judges asking numerous questions about the trademark, first amendment and due process issues and providing significant feedback to the presenters.

Opening remarks were provided by NYIPLA President Walter Hanley, and the event was organized by NYIPLA Treasurer Rob Rando and Secretary Heather Schneider, with the assistance of Programs Committee Board Liaison Mark Bloomberg. The event was followed by a cocktail reception attended by the presiding judges, the participants, and the attendees.

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## Trademark Law & Practice Committee Presents Half-Day Program

*By Michael C. Cannata*

On July 20, 2016, the Trademark Law & Practice Committee continued its tradition of sponsoring a half-day CLE seminar, and presented a program entitled, "Hot Topics in Intellectual Property Law." The program was held at The Princeton Club, and featured several prominent speakers from the legal community. This year's program also marked the completion of Pina Campagna's dedicated service, for the past three

years, as Co-Chair of the Trademark Law & Practice Committee. Accordingly, the program opened — as it should have—with a well-deserved thank you to Pina.

Professor Barbara Kolsun, Adjunct Professor of Fashion Law at Benjamin N. Cardozo School of Law and Co-Director of Cardozo's FAME (Fashion, Arts, Media & Entertainment) Program, was this year's keynote speaker. Professor Kolsun brought a depth of

*cont. on page 42*

hands-on experience to the program, including her experience as counsel to fashion icons such as Kate Spade and Stuart Weitzman. Professor Kolsun's presentation, entitled, "State of the Union in Fashion Law," was well received and covered several key issues facing those in the fashion industry, including an overview of how practitioners can look to copyright, trademark, and patent law to protect their clients' valuable intellectual property in the fashion community.

The program also featured an engaging panel discussion focused on evidentiary considerations in evaluating and analyzing disparaging trademarks under Section 2(a) of the Lanham Act. Members of the panel included Dyan Finguerra-DuCharme, a partner at Pryor Cashman LLP and Co-Chair of the Trademark Law & Practice Committee, Scott Greenberg, senior counsel at Locke Lord LLP, and, Robert L. Raskopf, a partner at Quinn Emmanuel Urquhart & Sullivan, LLP. The panel delved into these evidentiary issues through the lens of two high-profile trademark cases.

After the conclusion of the panel discussion, the program was fortunate to feature a presentation by renowned intellectual property practitioner, Charles E. Miller, a member of the Intellectual Property Group at Eaton & Van Winkle LLP. Mr. Miller's presentation undertook a critical analysis of whether attorney fees incurred by the PTO are within the scope of the expense-shifting provisions of statutes that address the judicial review of agency rulings. Mr. Miller's studied analysis was underscored by a discussion of two recent decisions addressing this issue.

The program's next speaker was William P. Campos, an Assistant U.S. Attorney for the Eastern District of New York. Mr. Campos is the Intellectual Property Crimes Coordinator in the Business and Securities Fraud Unit. Mr. Campos presented on aspects of criminal prosecution

in cases involving counterfeit trademarks and trade secrets. Mr. Campos' presentation provided a welcome addition to the program as it provided critical insight into the potential criminal aspects of certain counterfeiting issues faced by practitioners in the civil arena.

The Honorable Gerard F. Rogers, the Chief Administrative Trademark Judge for the Trademark Trial and Appeal Board (TTAB), also presented at the program. Judge Rogers reports directly to the Office of the Under Secretary and Director of the USPTO, and is responsible for all ongoing operations at the TTAB, including the strategic planning for future operations. Judge Rogers provided a detailed performance update for cases presently pending before the TTAB, as well as an overview of new rules and fees recently implemented by the TTAB.

Patricia Chang was the program's next speaker. Ms. Chang is in-house counsel for Etsy, the popular online marketplace, headquartered in DUMBO Brooklyn, that presently features millions of items for sale. Ms. Chang called upon her extensive experience in takedown policies and procedures related to intellectual property violations to provide a meaningful analysis of the current state of the law with respect to safe harbors as they relate to service providers such as Etsy.

The program concluded with an informative presentation by Kathleen E. McCarthy, a partner at King & Spalding LLP, who outlined and analyzed ethical matters that trademark practitioners must consider on a daily basis. Specifically, Ms. McCarthy touched on ethical issues relating to social media investigations, acquisitions, sworn statements made to the USPTO, attorney advertising, conflicts, and litigation financing.

The Trademark Law & Practice Committee would like to thank all of the speakers who accepted the invitation to present at this year's program and all of those in attendance.

## Extra . . . Extra – Call for Submissions!

The Publications Committee seeks original articles for possible publication in upcoming issues of *The Report*. Articles on all intellectual property-related topics will be considered.

An article can be any length, but a length of 1700 to 2500 words is about average. Articles should be submitted in MICROSOFT WORD®, 1997-2003 format (i.e., ".doc," not ".docx") and with endnotes rather than footnotes. Authors should also provide us with electronic copies of any sources cited in either the text of the article or in the endnotes to assist us with the editing process.

Please send your submission via e-mail to Publications Committee Co-Chairs Mary W. Richardson at [mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com), William Dippert at [wdippert@patentusa.com](mailto:wdippert@patentusa.com), and Dale Carlson at [dcarlson007@gmail.com](mailto:dcarlson007@gmail.com). Please check with the Co-Chairs regarding the deadline for submission of your article.



## Moving UP ▲ & Moving ON >>>

- Vadim Vapnyar, Pina M. Campagna, and Seth M. Cannon have been promoted to partner at Carter, DeLuca, Farrell & Schmidt, LLP.
- Irah Donner, formerly of Stroock & Stroock & Lavan LLP, has joined Manatt Phelps & Phillips LLP as a partner in its Intellectual Property practice.
- Brian Rothery, formerly of Stroock & Stroock & Lavan LLP, has joined Fox Rothschild LLP as a partner in its Intellectual Property Department. He is also a Co-Chair of the NYIPLA Patent Law & Practice Committee.
- Patrick Birde, Deborah Somerville, and Christopher Glynn, formerly of Kenyon & Kenyon LLP, have joined Fox Rothschild LLP as partners in its Intellectual Property Department.
- Christopher P. Beall, formerly of Levine Sullivan Koch & Schulz, LLP, has joined Fox Rothschild LLP as a partner in its Intellectual Property Department, resident in New York and Denver.
- The attorneys of Bienstock & Michael, LLC have joined Scarinci Hollenbeck, LLC in its intellectual property and entertainment groups in New York and New Jersey. Ronald Bienstock and Jill Michael joined as partners, Brent “Giles” Davis joined as counsel, and Adrian Lee and Shane Birnbaum joined as associates.
- Donna A. Tobin, formerly of BakerHostetler, LLP, has joined Frankfurt Kurnit Klein + Selz PC as a partner in its Trademark & Brand Management Group.
- Fenwick & West LLP has opened an office in New York. Daniel Brownstone, a partner in its Intellectual Property group, has moved from its Mountain View, CA, office to New York.
- C. Bruce Hamburg, formerly of Jordan and Hamburg LLP, has joined Norris McLaughlin & Marcus, P.A., as a partner in its Intellectual Property Group.
- Ashley Kessler, formerly of Feldman Gale P.A., has joined Cozen O’Connor as an associate in its Intellectual Property Department.
- Daniel C. Glazer, formerly of Fried Frank Harris Shriver & Jacobson LLP, has joined Wilson Sonsini Goodrich & Rosati PC as a partner in its Technology Transactions practice.
- Lawrence T. Kass, formerly of Milbank Tweed Hadley & McCloy LLP, has joined Buchanan Ingersoll & Rooney PC as a shareholder in its Intellectual Property practice.
- Lindsay W. Bowen, formerly of Jenner & Block, has joined Cowan DeBaets Abrahams & Sheppard LLP as a partner in its litigation, entertainment, and intellectual property practices.
- Hassan Sayeed, formerly of Ropes & Gray LLP, has joined Paul Hastings LLP as a partner in its Intellectual Property practice.
- Chad Peterman, formerly of Patterson Belknap Webb & Tyler LLP, has joined Paul Hastings LLP as a partner in its Intellectual Property practice.

*The Report's Moving Up and Moving On* feature is for publicizing news of intellectual property attorneys transitions and accolades. If you have changed your firm or company, made partner, received professional recognition, or have some other significant event to share with the Association, please send it to *The Report* editors: Mary Richardson ([mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)), William Dippert ([wdippert@patentusa.com](mailto:wdippert@patentusa.com)) or Dale Carlson ([dcarlson007@gmail.com](mailto:dcarlson007@gmail.com)).

## MINUTES OF APRIL 27, 2016

### MEETING OF THE BOARD OF DIRECTORS OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

# BOARD MINUTES

The Board meeting was held at the Midtown offices of Cadwalader, Wickersham & Taft LLP. President Dorothy Auth called the meeting to order at 12:25 p.m. In attendance were:

Frank DeLucia	Robert Isackson
Raymond Farrell	Kathleen McCarthy
Walter Hanley	Colman Ragan
Annamarie Hassett	Peter Thurlow

Garrett Brown, Matthew McFarlane, Jeanna Wacker, and Robert Rando participated by telephone. Jessica Copeland, Anthony Lo Cicero, and Denise Loring were absent and excused from the meeting. Feikje van Rein was in attendance from the Association’s executive office.

The Board approved the Minutes of the March 9, 2016 Board meeting.

Treasurer Rob Rando reported that the Association’s finances continue to be sound.

Rob Rando reported that the Association added 11 new members, including five new student members and one corporate member. The Board approved admission of the new members to the Association.

Rob Isackson reported on the activities of the Amicus Brief Committee. A decision was issued in *Daichi Sankyo Co., Ltd v. Lee* on March 28—the Petition was denied. There are several cases under consideration for an amicus brief to be filed.

President Auth reported that the Judges Dinner was a success. The feedback has been overwhelmingly positive.

Walter Hanley reported that the 2017 Judges Dinner has not been contracted due to proposed renovations at the Waldorf-Astoria New York. Feikje will continue to monitor the situation.

Matt McFarlane reported on the Strategic Planning Committee’s ongoing discussions with faculty members at Benjamin N. Cardozo School of Law to conduct one or more programs for students in the IP arena. The Board discussed potential programs under consideration.

Anne Hassett reported on activities of the Legislative Action Committee. The LAC continues to consider the effects of the Trans-Pacific Partnership (TTP) on U.S. law, although our current view is that TTP exports U.S. law far more than it requires changes to U.S. law. The LAC is also starting to look at proposed legislation that proposes changes to the structure of the Copyright Office and also proposed legislation that would affect licensing of music copyrights.

Committee liaisons reported on activities of their committees.

President Auth adjourned the meeting at 2:00 p.m.

The next Board meeting will take place on May 17, 2016. ■



## NYIPLA Job Board

A perfect chance to submit job openings,  
 refer members to postings,  
 and search for new opportunities  
 at [www.nyipla.org](http://www.nyipla.org).

## MINUTES OF MAY 17, 2016

### MEETING OF THE BOARD OF DIRECTORS OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was held at The Princeton Club after the Annual Meeting. Newly appointed President Walter Hanley called the meeting to order at 5:30 p.m. In attendance were:

Mark Bloomberg	Charles Macedo
Garrett Brown	Colman Ragan
Walter Hanley	Robert Rando
Annemarie Hassett	Heather Schneider
Robert Isackson	Peter Thurlow
Kathleen McCarthy	Jeanna Wacker
Matthew McFarlane	

Immediate past president Dorothy Auth and other past presidents were also in attendance. Frank DeLucia and William McCabe were absent and excused from the meeting. Feikje van Rein was in attendance from the Association's executive office.

The meeting was called to order and President Hanley welcomed the new Board members. The Board approved the Minutes of the April 27, 2016 Board meeting.

President Hanley provided some brief remarks, including an overview of plans and initiatives for the next Board meeting and the schedule of upcoming Board meetings to be held at the offices of Kenyon & Kenyon LLP. He also presented the Board of Directors Book for May 2016 – April 2017.

President Hanley briefly discussed the calendar for the upcoming year and the status of committee appointments, including the need for an additional co-chair for the Trade Secrets Committee and additional co-chairs for the Presidents' Forum Committee.

The Amicus Brief Committee then provided a report on pending matters, including certain draft proposals that will be submitted to the Board for consideration.

The meeting was adjourned at 6:00 p.m. and photos were taken of the Officers and Board members.

The next Board meeting will take place on June 22, 2016. ■

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## MINUTES OF JUNE 22, 2016

### MEETING OF THE BOARD OF DIRECTORS OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was held at the Kenyon & Kenyon LLP office at One Broadway. President Walter Hanley called the meeting to order at 12:25 p.m. In attendance were:

Dorothy Auth	Annemarie Hassett
Mark Bloomberg	Robert Isackson
Frank DeLucia	William McCabe
Walter Hanley	Kathleen McCarthy

Robert Rando, Garrett Brown, Charles Macedo and Matthew McFarlane participated by telephone. Peter Thurlow, Heather Schneider, Colman Ragan, and Jeanna Wacker were absent and excused from the meeting. Feikje van Rein was in attendance from the Association's executive office.

The Board approved the Minutes of the May 17, 2016 Board meeting.

Treasurer Rob Rando reported that the Association is currently undergoing its annual audit, so no current financial reports are available to the Board.

Rob Rando reported that the Association added 22 new members. The Board approved admission of the new members to the Association. A discussion followed about the status of the renewal process. A 5-year comparison will be discussed at the July Board meeting.

Rob Isackson presented the *Star Athletica, L.L.C. v. Varsity Brands, Inc.* amicus brief proposal. The Board approved the current draft with a minor adjustment. The Committee is considering filing briefs in *Life Technologies Corp. v. Promega Corp.*, *NantKwest, Inc. v. Lee*, and *Fox Television Stations, Inc. v. Aereo Killer LLC*.

President Hanley reported that the Waldorf Astoria New York has notified the NYIPLA that it will be closing its doors for a renovation project early in 2017

*cont. on page 46*

and, therefore, will not be able to host the Judges Dinner next March. As an alternative, the hotel has offered to host the event in February 2017 before closing its doors for renovation. The Board indicated a preference to have the event remain in March and, therefore, to look for another location. Initial research has been conducted for an alternate location, and the New York Hilton looks like the most suitable. The Board decided that the officers will conduct a site visit at the Hilton.

Matt McFarlane reported on the Strategic Planning Committee's discussions, and proposed a series of 4 or 5 two-hour programs on practical skills and specific IP topics. The programs would be geared to law students who have taken basic IP courses and to junior associates. The course content will be designed to focus on subject matter and skills that law schools do not offer. NYIPLA members will design and teach the programs, and NYIPLA members will also be encouraged to attend the programs to enhance networking with the students and junior associates. The NYIPLA is considering whether to offer a certification to those who attend all the programs in the series. The aim is to begin to offer the series in January 2017.

Anne Hassett reported on activities of the Legislative Action Committee. The issues on the horizon primarily are in the copyright arena, including legislative proposals to reorganize the U.S. Copyright Office and to reform an aspect of music performance licensing. In addition, the FCC's proposal to open cable set-top boxes to competition has engendered a number of copyright concerns raised by cable content providers. The LAC is also working with ACG to develop closer working relationships with local congressional legislators.

Rob Rando reported on the upcoming July 12<sup>th</sup> Second Circuit Moot Court Argument CLE program, and Katie McCarthy reported on the upcoming July 20<sup>th</sup> Hot Topics in IP Law program.

Bill McCabe reported that the June 8<sup>th</sup> PTAB Trials: Tips and Strategies program at Skadden Arps was a success, and the Patent Litigation Committee is working on another program for the Fall.

Mark Bloomberg reported that the USPTO Quality Check—One Year Later program on June 14<sup>th</sup> at the Benjamin N. Cardozo School of Law was well attended, and the USPTO officials were pleased with the collaboration.

Charley Macedo reported on the activities of the IOTY Committee and its plan to expand the outreach among members, press, research facilities and other organizations having a focus on innovation and inventions.

President Hanley adjourned the meeting at 2:00 p.m.

The next Board meeting will take place on September 20, 2016. This will be an evening meeting with the committee chairs.

## Committee Liaisons:

Amicus Brief – Rob Isackson  
Corporate – Colman Ragan  
Copyright Law & Practice – Garrett Brown  
Hon. William C. Conner Writing Competition – Frank DeLucia  
Privacy, Big Data and Cybersecurity – Katie McCarthy  
IOTY– Charles Macedo  
Law Firm Management – Jeanna Wacker  
LAC – Anne Hassett  
Media – Robert Rando  
Patent Law & Practice – Peter Thurlow  
Patent Litigation – Bill McCabe  
Presidents' Forum – Walt Hanley  
Programs – Mark Bloomberg  
Publications – Frank DeLucia  
Strategic Planning – Walt Hanley  
Trademark Law & Practice – Katie McCarthy  
Trade Secrets – Colman Ragan  
Women in IP Law – Heather Schneider  
Young Lawyers – Heather Schneider

Mark your Calendars for the 2016- 2017 NYIPLA Board Meetings – all meetings will be at Kenyon & Kenyon LLP's office unless otherwise noted.

September 20, 2016 (dinner including committee chairs); October 20, 2016; November 9, 2016; December 14, 2016; January 11, 2017; February 15, 2017 (dinner including committee chairs); March 8, 2017; April 20, 2017; and May 16, 2017 (Annual Meeting).

Last Name	First Name	Company/ Firm /School	State	Membership Type
Abrams	Kaitlin	Frommer Lawrence & Haug LLP	New York	Student
Armellino	Christine	Frommer Lawrence & Haug LLP	New York	Student
Austin	David	Wilikie Farr & Gallagher LLP	New York	Active 3+
Baton	William	Saul Ewing LLP	New York/New Jersey	Active 3+
Blum	Gil	Cadwalader, Wickersham & Taft LLP	New York	Active 3-
Cave	Maia	Orrick Herrington & Sutcliffe LLP	District of Columbia	Active 3+
Ceresia	Scott	Cowan, Liebowitz & Latman, P.C.	New York	Active 3+
Cole	David	Cadwalader, Wickersham & Taft LLP	New York	Active 3+
Coury	Larry	Regeneron Pharmaceuticals, Inc.	New York	Corporate
Dach	Benjamin	Frommer Lawrence & Haug LLP	New York	Student
Denman	Gayle	Frankfurt Kurnit Klein & Selz PC	New York	Active 3+
Diana	Keelan	Frommer Lawrence & Haug LLP	New York	Active 3-
Essunger	Magnus	Troutman Sanders LLP	New York	Active 3+
Ford	Brooke	Benjamin N. Cardozo School of Law	New York	Student
Furlow	Harold	Harold G. Furlow, Esq.	New York	Active 3+
Gerson	Christopher	Fitzpatrick, Cella, Harper & Scinto	New York	Active 3+
Greenwald	Eric	Axinn, Veltrop & Harkrider LLP	New York	Active 3-
Jensen	J. Christopher	Cowan, Liebowitz & Latman, P.C.	New York	Active 3+
Kim	Christina	Davis Wright Tremaine LLP	New York	Active 3+
King	Jonathan	Cowan, Liebowitz & Latman, P.C.	New York	Active 3+
Koemm	Kyle	Frommer Lawrence & Haug LLP	New York	Student
Kronman	Rachel	Frankfurt Kurnit Klein & Selz PC	New York	Active 3+
Lee	David	Carter, DeLuca, Farrell & Schmidt LLP	New York	Active 3+
Lizza	Charles	Saul Ewing LLP	New Jersey	Active 3+
McGlynn	Daniel	Sol Aero Technologies Corp.	New York	Corporate
Monahan	Patrick	Powley & Gibson, P.C.	New York	Active 3+
Morales	Suzanna	Powley & Gibson, P.C.	New York	Active 3+
Nuzzo	Raymond	Raymond A. Nuzzo, Patent Attorney	Connecticut	Associate
Petegorsky	Michael	Akin Gump Strauss Hauer & Feld LLP	New York	Active 3-
Reich	Stephen	Stephen Reich, Attorney at Law	New York	Active 3+
Segalman	Teresa	Abelman, Frayne & Schwab	New York	Active 3+
Shapiro	Matthew	Ropes & Gray LLP	New York	Active 3+
Sharkin	Keith	Powley & Gibson, P.C.	New York	Active 3+
Shor	Merav	Pearl Cohen Zedek Latzer Baratz LLP	New York	Student
Sipsas	Ioannis	Sipsas P.C.	New York	Active 3+
Squiers	Deborah	Cowan, Liebowitz & Latman, P.C.	New York	Active 3+
Sukach	Marsha	Kramer Levin Naftalis & Frankel LLP	New York	Active 3-
Valentino	Joseph	Fish & Richardson, P.C.	New York	Active 3-
Vosgerchian	Jessica	Hogan Lovells US LLP	New York	Active 3-
Wang	Xuezheng	Frommer Lawrence & Haug LLP	New York	Active 3-
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Hundred and Twenty-two  
NYIPLA



## CALL FOR NOMINATIONS! 2017 NYIPLA INVENTOR OF THE YEAR AWARD

*Deadline: Thursday, December 8, 2016*

The 2017 Inventor of the Year will be honored at the  
Association's Annual Meeting and Awards Dinner  
to be held at  
The Princeton Club of New York on  
Tuesday, May 16, 2017

**This year's winner will be awarded \$5,000.00**

We invite you to nominate an individual or group of individuals who, through their inventive talents, have made a worthy contribution to society by promoting the progress of Science and useful Arts.

See <http://www.nyipla.org/nyipla/InventorOfTheYear.asp>  
for more information, including submission rules, instructions,  
and answers to frequently asked questions.

Should you have any questions, feel free to contact:  
David Leichtman [DLeichtman@RobinsKaplan.com](mailto:DLeichtman@RobinsKaplan.com) or  
Jonathan Auerbach at [jonathan@radip.com](mailto:jonathan@radip.com)

### THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION, INC. Telephone (201) 461-6603 [www.NYIPLA.org](http://www.NYIPLA.org)

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#### Officers of the Association 2016-2017

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President-Elect: Annemarie Hassett  
1st Vice President: Matthew B. McFarlane  
2nd Vice President: Peter G. Thurlow  
Treasurer: Robert J. Rando  
Secretary: Heather Schneider

#### Publications Committee

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##### Committee Members

Jayson Cohen, TaeRa Franklin, Robert Greenfeld,  
Annie Huang, Michael Keenan, Keith McWha,  
Vadim Vapnyar, Joshua Whitehill

*Board Liaison* Frank DeLucia Jr.

*The Report Designer* Johanna I. Sturm