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THE INTERNATIONAL DESIGN APPLICATION: THE HAGUE AGREEMENT AND U.S DESIGN LAW

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INTRODUCTION

On February 13, 2015, the United States deposited with the Director General of the World Intellectual Property Organization (WIPO) its instrument of ratification of the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs ("the Hague Agreement" or "the Agreement"). Although the United States had been a signatory of the Hague Agreement since 1999, its ratification allowed applicants to begin using the Hague System on May 13, 2015. In response, the United States Patent and Trademark Office (USPTO) published its final rules to implement the local rule provisions of the Hague Agreement. This article provides a brief overview of the Hague Agreement, the major differences between U.S. requirements under the Agreement compared to other Contracting Parties, and a quick reference guide for the various USPTO rules implementing the provisions of the Agreement.[1]

THE HAGUE AGREEMENT GENERALLY

The Hague Agreement, and more particularly the Geneva Act of the Hague Agreement,[2] is a treaty signed on July 2, 1999, in an effort to harmonize the protection of industrial designs worldwide. The Hague Agreement establishes a procedural system through which an applicant can file a single application containing up to 100 designs in order to obtain design protection in each member country and organization (each referred to as a "Contracting Party").[3]

In order to file an international design application through the Hague System, an applicant must be a national of a Contracting Party, have established domicile and/or maintain a habitual residence in a territory of a Contracting Party, or have a real and effective industrial or commercial establishment in a territory of a Contracting Party.[4] In this regard, some U.S. applicants have already been using the Hague System to obtain international design protection, relying on the "real and effective" prong of Article 3 to establish the appropriate nexus to the Agreement. Of course, if an applicant cannot establish the appropriate nexus under one of these provisions of

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Article 3, they must separately file a national application in each jurisdiction where they wish to obtain protection.

An applicant files an international design application under the Hague System with either the International Bureau of WIPO (International Bureau) or with the office of the applicant's Contracting Party.[5] Specifically, the applicant files a single application (in either English, French, or Spanish) using WIPO-prescribed forms signed by the applicant, prescribed fees, a reproduction of up to 100 designs including a description of the products that encompass the designs, and the designated Contracting Parties in which the applicant is seeking protection.[6] Additionally, an applicant may include a claim of priority under the Paris Convention. Furthermore, if permitted according to the rules of each jurisdiction designated in the application, an applicant may include a request to defer publication of the design(s) in the *International Design Bulletin* for up to 30 Months.[7]

"The Hague Agreement establishes a procedural system through which an applicant can file a single application containing up to 100 designs in order to obtain design protection in each member country and organization."

Upon receipt of the international design application, the International Bureau performs a *formal* (and notably not *substantive*) examination of the application.[8] For example, the International Bureau examines the application to ensure the quality of reproduction of the design(s) is consistent with international standards, and to ensure the applicant has included the prescribed data and fees.[9] The International Bureau also records the design(s) in the *International Register* and publishes the design(s) in the *International Design Bulletin* (subject to any request to defer publication as discussed).[10]

Following this formal examination, the International Bureau forwards the application to each designated Contracting Party for substantive examination in accordance with each Contracting Party's domestic legislation.[11] Each designated Contracting Party then has six months (optionally 12 months if the designated Contracting Party is an exam office and/or an office that allows for opposition) to notify the International Bureau of any refusal for protection of the design under its domestic legislation (which can later be withdrawn, if appropriate, following subsequent prosecution).[12] At the expiration of the appropriate period (i.e., either six or 12 months), the applicant is then granted protection in each designated Contracting Party where the application was not refused.[13] The duration of protection is 15 years, and can last longer in some jurisdictions if the designated Contracting Party's domestic legislation provides for longer protection.[14] An applicant renews the patent right in each designated country by simply filing a single renewal fee with the WIPO every five years.[15]

Accordingly, the Hague System provides many benefits for applicants wishing to file for design protection across multiple Contracting Parties by providing a procedural avenue for filing international design applications, which in turn gives rise to cost savings through economies of scale while simplifying the application process.[16] Furthermore, the Hague System provides for reduced monitoring of the various renewal periods across multiple jurisdictions because an applicant can file a single renewal fee at WIPO that covers all designated countries.[17] Finally, the Hague System provides a unified process for effecting

changes in an international application (e.g., changes of ownership, etc.) because an applicant can file a single paper at WIPO that is effective in most designated countries encompassed by the design application.[18]

NOTABLE U.S. DECLARATIONS AND CORRESPONDING RULES

While the Hague System seeks to streamline filing of a design application across multiple jurisdictions, not all rules are consistent among the various Contracting Parties. Most notably, in its instrument of ratification, the United States listed several declarations to the treaty in order to align its obligations under the Agreement with U.S. design law. These declarations impose special requirements on any applicant that designates the United States, and, accordingly, the USPTO recently established final rules detailing these exceptions to the general Hague framework.

Specifically, any international design application that designates the United States must include a specification and a claim, and the claim language must be consistent with the requirements imposed by U.S. design law.[19] For example, the claim language must be in the form of an "ornamental design" of the subject article "as shown" or "as shown and described."[20] Also, applications designating the United States can include no more than *one claim*[21] directed to *only one* independent and distinct design,[22] unlike applications not designating the United States, which can include *up to 100 designs*.[23] Particularly, in applications designating the United States, if more than one patentably distinct design is shown in the drawings in the application, the USPTO will issue a restriction requirement and the applicant must select one of the designs to pursue in the application, unless the restriction requirement is successfully rebutted by the applicant's U.S. attorney. Hence, divisional applications will need to be filed to receive examination on the non-elected designs. As a result, while an applicant may situate many designs in one international design application and designate the United States, they may find themselves filing multiple divisional applications in the United States, or possibly filing additional fees for each design divided from the international design application.

Furthermore, because U.S. design law makes no provisions for deferment of publication of design applications (indeed, U.S. design law includes no provisions for publication of a design application generally[24]), an applicant cannot request to defer publication of an international application that designates the United States.[25] And applicants designating the United States must also include the WIPO form of an oath or declaration for filing in U.S. national applications.[26]

> "The U.S. rules make clear that protection is not granted in the United States until a separate U.S. design patent is issued."

The United States also included a declaration under Article 7(2), and pursuant to Rule 12(3) of the Common Regulations, to replace the one-time prescribed fee normally required for each designated country with a two-part designation fee. Under this two-part designation fee, any applicant designating the United States is required to pay a first part of the designation fee at the time of filing, and a second part of the designation fee at the time of allowance.[27] However, paying this two-part fee relieves the applicant of having to file any renewals with WIPO to maintain a subsequently issued U.S. patent in force, because the two-part fee covers the entire 15 year period of the resulting U.S. patent.[28]

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Additionally, any correction or change in an international design application purportedly effected by notifying WIPO must also be sent to the USPTO before the change will be applicable to the U.S. application.[29] Accordingly, the benefits realized from the Hague System providing a centralized process for making changes in an international application is reduced somewhat for any international design application designating the United States. Furthermore, the United States included a declaration under Rule 18(1)(b) of the Common Regulations whereby the USPTO will be allowed 12 months to communicate any reason of refusal to WIPO rather than six months. And when an international design application is filed at the USPTO as an indirect office of filing, the USPTO may refuse to transmit the application to the International Bureau if doing so would threaten national security.[30]

Provisional rights will be available as a result from publication of the international design application designating the United States. Assuming a U.S. design patent eventually issues substantially similar to a published design in the international application, this provision sets forth that a patent owner may be entitled to a reasonable royalty for any person who makes, uses, offers for sale or sells in the United States the claimed invention, or imports the invention into the United States, during the period between publication of the patent application and the date the patent issued. While provisional rights will now be available for design patents that mature from international design applications, 35 U.S.C. § 289 remains unchanged and sets forth a unique remedy only available for the infringement of a design patent.

Finally, the United States allows for conversion of the international design application designating the United States to a U.S. national application during the pendency of the application.[31] Similarly, the U.S. rules make clear that protection is not granted in the United States until a separate U.S. design patent is issued.[32] Accordingly, and unlike other Contracting Parties, a mere indication by WIPO that no refusal was received within the 12 month period does not automatically grant the applicant protection within the United States.

CONCLUSION

The ascension to the Hague Agreement by the United States provides applicants who wish to obtain design protection across multiple Contracting Parties an alternative to filing national applications in each jurisdiction. Under the Hague System, the local substantive examination process remains unchanged and the legal standard for obtaining a design patent is not affected. Hence, the applicant's country selection and drawings should be based on dynamics, including strategies to maximize design rights, and whether the intellectual property rights (IPR) regime of the member country accepts partial designs, shaded or unshaded figures, the strength of IPR enforcement, where the product would be sold, potential copying, design prosecution and examination cost, and the like. Furthermore, the applicant's quality of design drawings, including shading, contouring and further features of the drawings, will still need to be addressed and customized prior to filing a design application under the Hague Agreement. U.S. applicants may find cost-saving and other benefits when pursuing international design protection using the Hague System. However, because the United States has many rules and requirements which differ from the "standard" Hague System framework, applicants should be acutely aware of U.S. requirements before filing an application under the Hague System, if the United States will be a designated Contracting Party. ■

1. Any citation to an "Article" throughout this article refers to an article of the Hague Agreement, and any citation to the Code of Federal Regulations refers to the final (and as of yet uncodified) rules provided by the USPTO in volume 80 of the Federal Register at pages 17,918-971.
2. The Geneva Act of 1999 was actually the third act that sought to implement a system to harmonize industrial design protection worldwide. The first act, the London Act of 1934, has been frozen since January 1, 2010, and the United States was not a signatory to the second act, the Hague Act of 1960. Accordingly, this article addresses only the provisions of the Geneva Act.
3. As of the publication of this article, there are 64 Contracting Parties to the Hague Agreement generally, 49 of which are parties to the Geneva Act.
4. *See* 37 C.F.R. § 1.1011; Article 3.
5. *See* 37 C.F.R. § 1.1011-1.1012; Article 4(1)(a).
6. *See* 37 C.F.R. § 1.1021-1.1022; Article 5.
7. *See* Article 5.
8. *See* 37 C.F.R. § 1.1004; Article 8.
9. *See* 37 C.F.R. § 1.1004; Article 8.
10. *See* 37 C.F.R. § 1.1004; Article 10.
11. *See* 37 C.F.R. § 1.1062; Article 12.
12. *See* 37 C.F.R. § 1.1062; Article 12.
13. *See* 37 C.F.R. § 1.1063; Article 14.
14. *See* Article 17.
15. *See* id.
16. *See* 37 C.F.R. § 1.1021; Article 5.
17. *See* Article 17.
18. *See* Article 16.
19. *See* 37 C.F.R. §§ 1.1024-1.1025.
20. *See* 37 C.F.R. § 1.1025.
21. *See* 37 C.F.R. § 1.1025.
22. *See* 37 C.F.R. §§ 1.1025, 1.1064.
23. *See* 37 C.F.R. § 1.1021(a)(8); Rule 7(3)(v) of the Common Regulations Under the 1999 Act and the 1960 Act of the Hague Agreement (the Common Regulations).
24. *See* 35 U.S.C. § 122(b)(2)(A)(iv).
25. *See* 37 C.F.R. § 1.1028.
26. *See* 37 C.F.R. § 1.1067.
27. *See* Rule 12(3) of the Common Regulations.
28. *See* 37 C.F.R. § 1.1031(e).
29. *See* 37 C.F.R. § 1.1065.
30. *See* 37 C.F.R. § 1.1002(b)(4).
31. *See* 37 C.F.R. § 1.1052.
32. *See* 37 C.F.R. § 1.1071.

BANNER & WITCOFF AGAIN LEADS THE WAY IN DESIGN PATENT PROCUREMENTS

For the 12th consecutive year, Banner & Witcoff obtained more U.S. design patents than any other law firm. According to the 2014 U.S. Design Patent Toteboard and confirmed by U.S. Patent & Trademark Office records, the firm procured 790 U.S. design patents.

In 2014, Banner & Witcoff worked to protect many popular and prominent designs for its clients, including Nike's Flyknit® shoes, and Microsoft's Xbox OneTM gaming system and SurfaceTM Pro 3 tablet computer, as well as other important product designs for Nokia, Toshiba, PepsiCo and Electrolux. Demonstrating its depth of client base, last year was also significant for Banner & Witcoff as the firm has now procured design patent portfolios of 20 or more design patents for 28 different clients.

Banner & Witcoff also continues to lead in procuring international design patent portfolios. The firm has filed hundreds of design registrations in the World Intellectual Property Office for clients who reside in member countries of the Hague System for the International Registration of Industrial Designs. The firm will seek the same international protections for U.S. clients now that the USPTO has put procedures in place for accepting Hague System applications.

STRATEGIES IN *INTER PARTES* REVIEW PROCEEDINGS FOR BIOTECH/PHARMA PATENTS

BY: ROBERT H. RESIS

In October 2013, about one year after *inter partes* review (IPR) proceedings became available, the chief judge of the Federal Circuit called the Patent Trial and Appeal Board (PTAB) a "death squad."[1] Certainly, a high percentage of early IPR petitioners enjoyed success getting the PTAB to hold patent claims invalid, and the number of IPRs filed has steadily climbed.[2] Biotech/pharma patents, however, have a greater success rate in surviving an IPR than patents in other technologies. First, almost 40 percent of IPR petitions have been denied for patents in Tech Center 1600 (Biotechnology and Organic),[3] whereas about 21 percent of IPR petitions for all technologies have been denied.[4] Second, even when an IPR is instituted, biotech/pharma patents have all challenged claims survive about 33 percent on final PTAB decision versus about 23 percent for all technologies.

Of 18 final PTAB decisions for biotech/pharma patents, the patentee had all challenged claims survive in six,[5] and no challenged claims survive in 10,[6] and some, but not all challenged claims, survive in two.[7] Particularly useful strategies for petitioners and patent owners are discussed below.

STRATEGIES FOR PETITIONERS

1. **Argue the Primary Prior Art Document Favorably References a Secondary Prior Art Document that Discloses Claimed Feature(s) Not Found in the Primary Prior Art Document.**

In *Illumina v. Trustees of Columbia University* (IPR2012-00006), the challenged patent involved sequencing DNA by incorporating a base-labeled nucleotide analogue into a primer DNA strand, and then determining the identity of the incorporated analogue by detecting the label attached to the base of the nucleotide. Illumina argued that claims were obvious in view of Tsien and Prober I. Specifically, Illumina contended that Tsien's reference to Prober I's fluorescent nucleotides would have provided a person of ordinary skill in the art (POSITA) with a reason to have used Prober I's labeling technique in Tsien's method. Columbia argued that Tsien's base label nucleotide would not have been the "starting point" to make novel nucleotide analogues because of a preference for nucleotides with the label attached to the 3' –OH group. The PTAB did not find Columbia's argument to be persuasive because there was an explicit description of base-labeled nucleotides in Tsien, and no specific disclosure had been identified in Tsien by Columbia that disparaged these alternative nucleotide analogues, or which would have lead a POSITA to conclude that they were unsuitable for the "sequencing DNA by synthesis" purpose described by Tsien.

2. **Argue Inherency.**

In *Ariosa v. Isis* (IPR2013-00022, IPR2012-00250 joined), the challenged patent involved prenatal detection methods using non-invasive techniques by detecting foetal nucleic acids in serum or plasma from a maternal blood sample. The patent taught that the claimed methods may be used to screen for Down's syndrome and other chromosomal aneuploidies, to detect other conditions. The PTAB held that the same claim construction from its institution decision applied, i.e., all that was required by the amplification step of claim 1 was a step of amplifying nucleic

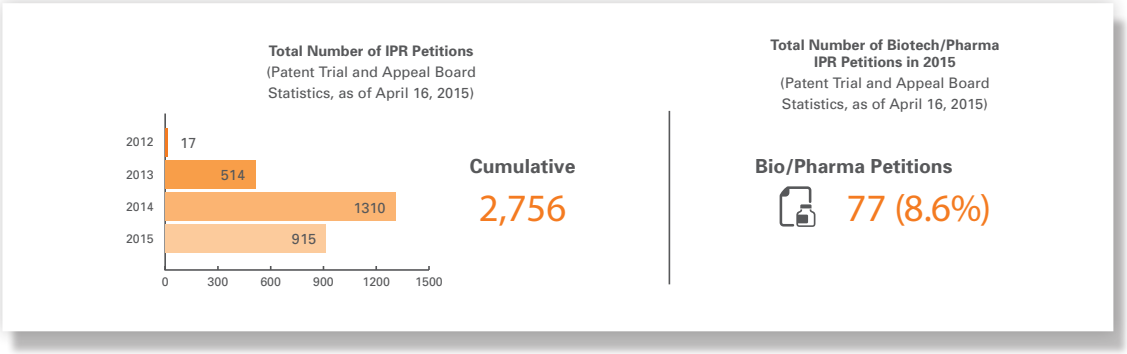
acid from a serum or plasma sample from a pregnant female, such as by PCR, as such amplified nucleic acid necessarily includes paternally inherited nucleic acid. Further, the PTAB held that the detecting step did not require that the detected nucleic acid specifically be identified as being inherited from the father or even as being from the fetus, only that it be identified as containing some level of nucleic acid, which would include, necessarily, nucleic acid from the fetus that was inherited from the father. The PTAB held that the Kazakov reference anticipated the claimed methods because it inherently detected paternally inherited nucleic acid of fetal origin. The PTAB held that the cases cited by Isis did not support its position that because experimental mistakes may have been made in Kazakov, Kazakov could not, under the law of inherency, anticipate the claimed methods.

introduce safety and efficacy hurdles resolvable only with human clinical trials. Despite this recognized difficulty, however, the PTAB held that a POSITA would have been motivated to pursue the clinical development of the therapy disclosed in one reference, which disclosed all of the claim limitations except for a biweekly dosing schedule. The PTAB held that the evidence established that the selection of the dose and dosing schedule would have been a routine optimization of the therapy outlined in the primary reference.

STRATEGIES FOR PATENT OWNERS

1. Point to Prior Art Incompatibility.

In *Ariosa v. Verinata* (IPR2013-00276, -00277), the challenged patent involved a method for determining the presence or absence of fetal aneuploidy – a condition in which a fetus carries an abnormal number of chromosomes – by



3. Demonstrate Motivation of POSITA to Pursue Development Despite Potential Hurdles.

In *BioMarin v. Genzyme* (IPR2013-000534), the challenged patent involved treatment of Pompe disease using a claimed enzyme (GAA) biweekly. BioMarin demonstrated that a POSITA would have understood that to treat Pompe disease effectively using GAA, sufficient quantities of enzyme would have to reach the patient's muscle cells, which could potentially require high doses that could

determining the relative amounts of non-random polynucleotide sequences from a chromosome suspected of being aneuploidy, and from a reference chromosome or a chromosome region, in a cell-free sample from a pregnant woman. Verinata argued that a "tagging" method of one reference would not have been combinable with another reference's use of restriction digestible primers. The PTAB found that although the petition and accompanying declarations point to disparate elements in the three references, and attempt

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[**IPR**, FROM PAGE 7]

to map them to elements of the challenged claims, virtually no effort was made to explain how or where the references differ from the challenged claims, how one of ordinary skill in the art would go about combining their disparate elements, or what modifications a POSITA would necessarily have made in order to combine the disparate elements. The PTAB held that Ariosa did not provide an "articulated reason[] with some rationale underpinning to support the legal conclusion of obviousness."

"Biotech/pharma patents, however, have a greater success rate in surviving an IPR than patents in other technologies."

2. Submit Evidence of Patentability.

In *Int'l Flavors v. USA* (IPR2013-00124), the patent involved a method for repelling arthropods, which are known to transmit diseases and pose a serious threat to public health worldwide. The patent claimed methods of treating an object or area with an arthropod repelling effective amount of at least one isolongifolenone analog having a particular formula. The USA provided several publications, as well as an expert declaration, to demonstrate the level of ordinary skill in the art, as well as the non-obviousness of features to demonstrate patentability of proposed, substitute claims. The PTAB found that the evidence cited by the USA demonstrated that even small changes in structure can change the biological activity of an insect repellant. The PTAB also found that the prior art did not provide a reason to modify, and did not provide a reasonable expectation that such modifications would result in a compound with desired insect repellant activity.

3. Show Construed Claim Term Not Disclosed in Prior Art.

In *Amneal v. Supernus* (IPR2013-00368), the patent involved sub-antimicrobial formulations of doxycycline. The claimed formulations could be used to inhibit activity of collagen destruction enzymes associated with human diseases, such as rosacea, without provoking undesired side effects attendant to an antibacterial dose. The PTAB credited the declaration testimony of Supernus' expert that inclusion of a water-soluble polymer coating of the secondary reference's secondary loading portion results in release of the drug promptly after administration, and that Amneal did not cite credible evidence to refute that testimony. The PTAB noted that although Supernus' expert conceded that there must be some lag while the polymer hydrates, it further credited his testimony that this lag, essentially the time required to wet the material, would not be considered a "delay" in connection with the construed claim term. The PTAB agreed with Supernus that the secondary reference did not disclose a "delayed release" portion. Thus, the PTAB held that the challenged claims were not unpatentable.

CONCLUSION

As shown above, the PTAB should not be considered a "death squad" for biotech/pharma patents. The exemplary biotech/pharma IPRs above demonstrate that there are successful strategies for both petitioners and patent owners. ■

1. At the annual meeting of the American Intellectual Property Law Association on October 25, 2013, during a question-and-answer session, then Chief Federal Circuit Judge Randall Rader stated that PTAB was "acting as death squads, kind of killing property rights." http://www.law360.com/articles/482264.
2. According to PTO statistics, the number of IPR petitions was 514 (FY 2013), 1,310 (FY 2014), and 915 (FY 2015). As of April 16, 2015, that correlates to a pace of about 3,150 for FY2015.
3. For Tech Center 1600, Biotechnology and Organic, of 109 IPR petition institutions decided, 39 percent (43) were denied, 15 (14 percent) were granted, and 47 percent (51) were granted and denied (for period of 2/1/2013 to 4/10/2015).
4. For all technologies, of 1,765 of all IPR petitions institutions decided, 21 percent (366) were denied, 18 percent (320) were granted, and 61 percent (1079) were granted and denied (for period of 2/1/2013 to 4/10/2015).
5. For the period to 4/10/2015, biotech/pharma patent had all challenged claims survive final PTAB decision in:
IPR2013-00276 and IPR2013-00277 – *Ariosa v. Verinata*
IPR2013-00368, -00371, and -00372 – *Amneal v. Supernus*
IPR2013-00517 – *Intelligent Bio-Systems v. Illumina Cambridge*
6. For the period to 4/10/2015, patent owners had no challenged claims survive final PTAB decision in:
IPR2012-00006, -00007, -00011 – *Illumina, Inc. v. Trustees of Columbia University*
IPR2013-00117 – *Gnosis v. Merck*
IPR2013-00128, -00266 – *Intelligent Bio-Systems v. Illumina Cambridge*
IPR2013-00534, -00537 – *BioMarin v. Genzyme*
IPR2013-00535 – *BioMarin v. Duke University*
IPR2013-00590 – *Baxter Healthcare v. Millenium Biologix*
7. For the period to 4/10/2015, patent owners had some claims survive final PTAB decision in:
IPR2013-00124 – *Int'l Flavors v. USA* (substitute claims 27-44 patentable, substitute claim 45 not patentable)
IPR2013-00022 (IPR2012-00250 joined) – *Ariosa v. Isis* (split)

THE SUPREME COURT'S IMPACT ON IP RIGHTS IN 2015

BY JORDAN N. BODNER AND CAMILLE SAUER

The U.S. Supreme Court has generated quite a few closely-watched intellectual property decisions in 2014, analyzed in Banner & Witcoff's Spring and Fall 2014 Newsletters. The trend has continued during the start of the 2014-15 term, with decisions on the appropriate standard for reviewing a district court's factual findings in patent claim construction, whether issue preclusion applies to Trademark Trial and Appeal Board decisions, and whether the jury or the court resolves trademark tacking issues. In addition, the Supreme Court heard oral arguments in March 2015 for another two patent cases, with opinions expected to be released this summer.

PATENT CASES

TEVA PHARMACEUTICALS USA, INC. V. SANDOZ, INC.: FACTUAL FINDINGS REVIEWED FOR CLEAR ERROR

In *Teva Pharmaceuticals*, the Supreme Court held that when a district court resolves subsidiary factual issues in the course of patent claim construction, the Federal Circuit must defer to the district court by applying a "clear error" standard of review. *Teva* clarifies the important *Markman* decision[1], which held, nearly a decade ago, that the ultimate question of patent claim construction is a question of law and thus patent claim construction is reviewed *de novo*. *Teva* addresses how subsidiary fact finding by district courts in construing patent claims is to be reviewed.

The lawsuit began when Teva Pharmaceuticals (and other parties) sued Sandoz and others for patent infringement for marketing a generic version of the multiple sclerosis drug Copaxone. The patent claim at issue before the Supreme Court recited that a particular active ingredient has "a molecular weight of 5 to 9 kilodaltons." The district court concluded, based on evidence from experts, that the phrase was definite and that a skilled artisan would have understood that the term "molecular weight" referred to molecular weight as calculated using a peak average molecular weight method. On appeal, the Federal Circuit reviewed *de novo* all aspects of patent claim construction including the district court's determination of subsidiary facts, held that "molecular weight" was indefinite, and invalidated the patent.

The Supreme Court, on appeal, explained that *Markman* did not create an exception to Federal Rule of Civil Procedure 52(a)(6), which requires that a court of appeals must not set aside a district court's findings of fact unless they are clearly erroneous. Thus, this civil procedure rule and its "clearly erroneous" standard must be applied when a court of appeals reviews a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim. In construing a patent claim, a judge is engaged in much the same task as the judge would be in construing other written instruments, such as deeds, contracts, or tariffs. Referring to *Great Northern R. Co. v. Merchants Elevator Co.*, 259 U.S. 285 (1922), construction of written instruments can present a question solely of law, such as when the words are used in their ordinary meaning. But, where the words give rise to a factual dispute, such as

when the document uses technical words or phrases not commonly understood, extrinsic evidence may help to establish a usage of trade or locality.

The same reasoning applies to patent claim construction. Citing *Markman*, the Supreme Court said that subsidiary fact-finding is sometimes necessary in patent claim construction, a practice with "evidentiary underpinnings" that "falls somewhere between a pristine legal standard and a simple historical fact." Referring to additional case law and practical considerations, the Supreme Court reasoned that clear error review is particularly important where patent law is at issue, as it is a field where so much depends upon familiarity with specific scientific problems and principles not normally part of general knowledge and experience.

According to the Supreme Court, when only intrinsic evidence is reviewed (the patent and prosecution history), construction will be a pure determination of law and the correct standard is a *de novo* review. However, where extrinsic evidence is relied upon to understand, for example, the background science or the meaning of a patent claim term, subsidiary factual findings will be made about the extrinsic evidence. These are the "evidentiary underpinnings" discussed in *Markman* that must be reviewed for clear error.

The Supreme Court concluded by reiterating that, while underlying factual disputes that are part of patent claim construction can be overturned only if found to be clearly erroneous, the ultimate question of construction remains a legal question reviewed *de novo*.

TRADEMARK CASES

B&B HARDWARE, INC. V. HARGIS INDUSTRIES, INC.: PRECLUSIVE EFFECT OF TTAB DECISIONS

In *B&B Hardware*, the Supreme Court tackled the question of whether Trademark Trial and Appeal Board (TTAB) decisions preclude issues in subsequent district court proceedings. The Supreme Court held that "[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before a district court, issue preclusion should apply."

> "The Supreme Court clarified how patent claim construction is to be reviewed on appeal, when Trademark Trial and Appeal Board issue preclusion applies, and the role of the jury in trademark tacking priority questions."

In the case, Hargis sought federal registration for its trademark SEALTITE with the United States Patent and Trademark Office under the Lanham Act. B&B opposed the registration, arguing that it was too similar to its trademark SEALTIGHT. B&B also sued Hargis for trademark infringement in federal district court while the opposition proceeding was pending. The TTAB sided with B&B and concluded that SEALTITE should not be registered because of the likelihood of confusion between the two marks.

In the later district court infringement suit, B&B argued that the TTAB decision precluded Hargis from contesting likelihood of confusion. The district court disagreed on the ground that the TTAB is not an Article III court. The Eighth Circuit affirmed on other grounds, holding that issue preclusion does not apply because the TTAB and the district court use different

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factors to evaluate likelihood of confusion, the TTAB places too much emphasis on the appearance and sound of the marks, and different parties bear the burden of persuasion in the two proceedings.

A 7-2 majority of the Supreme Court reversed, holding that a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met. The Supreme Court rejected the district court's conclusion that agency decisions can never ground issue preclusion. Citing its 1991 decision in *Astoria Fed. Sav. & Loan Assn. v. Solimino*, the Supreme Court explained that issue preclusion applies to agency decisions unless "a statutory purpose to the contrary is evident." Next, the Supreme Court looked to the text and structure of the Lanham Act, finding that neither forbids issue preclusion. Justice Thomas authored a strong dissent, reasoning that the majority opinion raises potential constitutional concerns, first in depriving a trademark holder of the opportunity to have a core private right adjudicated in an Article III court, and second in transferring core judicial powers to an executive agency.

The Supreme Court next rejected the Eighth Circuit's conclusion that the likelihood of confusion factors were different, because the operative language of each statute is essentially the same. Similarly, procedural differences between TTAB proceedings and district court proceedings do not, by themselves, defeat issue preclusion. While many registration decisions will not satisfy the ordinary elements of issue preclusion, "[t]here is no categorical reason why registration decisions can never meet the ordinary elements of issue preclusion." Preclusion applies at least where the issues of the two cases are identical, in other words, where the mark owner uses its mark in ways that are materially the same as the usages included in its registration application.

HANA FINANCIAL, INC. V. HANA BANK: TRADEMARK TACKING AS AN INQUIRY FOR THE JURY

In the unanimous *Hana Financial* decision, the Supreme Court held that the determination of whether two trademarks may be tacked for purposes of determining priority is a question for the jury. "Tacking" is the practice of claiming early use of a trademark in spite of past modifications to the mark over time. If tacking is claimed and the trademark changes over time are minor, the modified mark retains the priority date of the original mark.

Hana Bank began operating as a financial company in Korea under the name of "Korea Investment Finance Corporation" in 1971. The name was changed to "Hana Bank" in 1991. In 1994, it began a service called "Hana Overseas Korean Club," providing financial services to Korean expatriates, specifically advertising the service in the United States. In 2000, "Hana Overseas Korean Club" was changed to "Hana World Center" and in 2000, it began operating as a bank in the United States under the name "Hana Bank." Hana Financial began using the name in commerce in 1995, and obtained a federal trademark registration in 1996. In 2007, Hana Financial sued Hana Bank, alleging trademark infringement of the "Hana Financial" mark. Hana Bank denied infringement by invoking the tacking doctrine to claim an earlier priority date.

The district court submitted the tacking question to the jury, which found for Hana Bank. The Ninth Circuit affirmed, holding that the tacking doctrine was an exceptionally limited and highly fact-sensitive matter for juries, not judges. Because the circuits were split as to whether tacking is properly a question for the judge or the jury, the Supreme Court granted certiorari.

The Supreme Court first considered that two marks may be tacked when they are "legal equivalents," meaning that they create the same commercial impression. Since commercial impression must be viewed through the eyes of an ordinary purchaser or consumer, the jury should generally be hearing and deciding upon the fact-intensive evidence.

Hana Financial put forth several arguments in support of why tacking should be a question for the judge. The Supreme Court found all four to be unpersuasive. For instance, while Hana Financial argued that the "legal equivalents" test involves a legal standard, the Supreme Court countered that it is a mixed question of law and fact that is typically resolved by juries. In response to Hana Financial's argument that leaving tacking questions to juries would eliminate the predictability of the outcomes of future trademark decisions, the Supreme Court saw no reason why this would be so and pointed out that jury decisions are routinely relied upon in tort, contract, and criminal justice systems to apply legal standards to facts without eliminating predictability. And, although Hana Financial cited cases where judges have resolved tacking disputes, the Supreme Court explained that, unlike the present situation, those cases were resolved in bench trials, summary judgment, and the like — contexts in which it is undisputed that judges may resolved tacking disputes.

UPCOMING OPINIONS

The Supreme Court heard oral arguments for two patent cases in March 2015, with opinions expected to be released this summer:

- *Commil USA, LLC v. Cisco Systems*: The Supreme Court will consider whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).
- *Kimble v. Marvel Enterprises*: The Supreme Court will consider whether to overrule *Brulotte v. Thys Co.*, which held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." ■

1. *Markman v. Westview Instruments,* Inc., 517 U.S. 370 (1996)

CHALLENGING AND DEFENDING OBVIOUSNESS AT THE PTAB

BY BRADLEY J. VAN PELT AND BRITTANY M. MARTINEZ

In the first two-and-a-half years of *inter partes* review (IPR) precedent, IPRs have proven to be an effective means of challenging the validity of a patent. More than 73 percent of claims originally challenged in IPR petitions have been either cancelled by the patent owner or found unpatentable by the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (USPTO).[1] Where the PTAB has granted petitions for IPRs, it jumps to more than 81 percent.[2] While the success rate of novelty challenges at the PTAB is slightly better than the district courts (37.5 percent in IPRs at the PTAB compared to 31.1 percent in the district courts), PTAB precedent, thus far, indicates that the PTAB is more likely to invalidate claims for obviousness than the district courts (57.6 percent in IPRs at the PTAB compared to 27.8 percent in district courts).[3] In view of the heightened success of obviousness cases in IPRs, how can patent holders best prepare for the issue of obviousness in IPRs and what can be learned by the invalidity challenges that have failed?

Citation of prior art during prosecution is not enough to avoid an IPR on the basis that the prior art was already considered by the examiner. While judges and juries are typically unwilling to invalidate claims based on prior art considered during prosecution, the PTAB has granted petitions for IPRs on the basis of prior art already considered by the examiner during prosecution. (*See Macauto U.S.A. v. BOS GmbH & KG*, IPR2012-00004, Paper 18 (Jan. 24, 2013) declining to reject a petition based upon the fact that particular arguments and prior art were previously considered by the USPTO; *Illumina, Inc. v. Trs. of Columbia Univ. in the City of N.Y.*, IPR2012-00006, Paper 28 (Mar. 12, 2013) finding that the petitioner demonstrated a reasonable likelihood that certain claims would be invalidated in view of art considered during prosecution; and *LKQ Corp. v. Clearlamp, LLC*, IPR2013-00020, Paper 18 (Mar. 29, 2013) finding that the petitioner demonstrated a reasonable likelihood that the claims would be found obvious over prior art successfully traversed during prosecution). Therefore, simply citing the closest prior art during prosecution will not guarantee avoiding a later invalidity challenge at the PTAB on the basis of the same cited prior art.

In addition, the PTAB has seldom allowed patent holders to amend claims during IPRs, and, therefore, the ability to amend claims during an IPR is virtually nonexistent.[4] Moreover, in light of the recent affirmance of the PTAB's decision to deny amending of claims in *In re Cuozzo Speed Tech.*, amending claims during IPRs is likely to remain difficult. (*See Garmin Int'l Inc. v. Cuozzo Speed Tech.*, IPR2012-00001, Paper 59 (Nov. 13, 2013), aff'd in *In re Cuozzo Speed Tech.*, 2014-1301 (Fed. Cir. February 4, 2015) denying a motion to amend because the scope of the proposed substitute claim was not supported by any of the original claims).

Accordingly, during prosecution, practitioners should consider taking steps in addition to amending the claims or arguing the various features of the claims to overcome the particular references relied on by the examiner to reject the claims. Specifically, practitioners should also consider all prior art of record when developing a response strategy in prosecuting applications.

In particular, extensively review all prior art and its impact on the claims when drafting and prosecuting applications and how the prior art may be used later on in invalidity attacks against the claims. For example, in addition to amending the claims to overcome the prior art relied upon by the examiner, also file narrower claims that may be helpful in overcoming any other known prior art discovered during prosecution.

Moreover, prior to filing applications, applicants often conduct patentability searches to determine what is protectable in patent applications, which includes a search of the relevant prior art pertaining to an invention. With the successfulness of obviousness challenges at the PTAB, it becomes more important to thoroughly review these searches prior to application drafting to determine various routes to patentability. This includes preparing robust disclosures containing multiple embodiments and drafting claims of varying scope and degree.

As compared to district court litigation, IPR rules are skewed dramatically in the petitioner's favor. In an IPR, there is no presumption of validity, but rather petitioners need only satisfy a preponderance of the evidence standard, and claims are given their broadest reasonable interpretation. Further, the PTAB, comprised of patent practitioners with technical backgrounds, is not as likely as a judge or jury to defer to examiner conclusions. Once an IPR petition is filed, a patent owner must be prepared to attack any and all weaknesses of the petitioner's case.

The optional patent owner's preliminary response (POPR) can be an important tool to attack the petitioner's case and may help persuade the PTAB to deny petitions for IPRs. For example, patent holders should utilize POPRs to challenge any procedural deficiencies of IPR petitions (e.g., redundancy, timing, etc.) and/or a specific deficiency in the prior art, combination of prior art or petitioner's characterization of prior art. (*See E.I. Du Pont De Nemours & Co. v. Monsanto Tech. LLC*, IPR2014-00331, paper 21 (July 11, 2014) finding convincing patent owner's argument that a particular claim element was missing from the prior art; *Lenroc Co. v. Enviro Tech Chemical Services, Inc.*, IPR2014-00382, paper 12 (July 24, 2014) finding dispositive patent owner's claim construction; and *Mylan Pharms. Inc. v. Gilead Scis., Inc.*, IPR2014-00885, Paper 15 (Dec. 9, 2014) finding convincing patent owner's argument that there was no motivation to combine references).

"Extensively review all prior art and its impact on the claims when drafting and prosecuting applications and how the prior art may be used later on in invalidity attacks against the claims."

Additionally, although the PTAB has invalidated many claims on obviousness grounds, it still remains the petitioner's burden to establish a prima facie case of obviousness. Therefore, in the POPR, patent holders can highlight the areas of petitions where the petitioner has failed to establish a *prima facie* case of obviousness against the claims. (*See Lake Cable v. Windy City*, (IPR2013-00528, Paper. 11 at 29-31 (Feb. 19, 2014) denying petition for IPR brought on five different grounds of obviousness because the petitioner failed to show that the prior art taught all of the elements of the claims and/or the petitioner failed to explain why a person of ordinary skill in the art would have made the proposed modifications). Further, the PTAB has denied petitions for IPR where the petition only points out that all of the elements are

MORE ▸

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shown in the prior art. (*See* id at 24 opining that the "independent existence of [ ] elements in various prior art references does not, itself, demonstrate that the combination of such elements is obvious;"[5] *see also Nautique Boat Company, Inc. v. Malibu Boats, LLC*, IPR2014-01045 Paper. 13, at 14-15, 19 (Nov. 26, 2014) denying obviousness grounds because petitioner failed to identify any differences between the claimed invention and the prior art, thus failing to make a meaningful obviousness inquiry and because the reason to combine the elements was not made explicit).

"In reviewing a petition for IPR, the PTAB's job is not to determine whether the claims are patentable, but only whether the petitioner has satisfied its burden."

Petitioners attempting to institute an IPR on grounds of obviousness should not expect that the PTAB will connect the dots in determining whether to grant the petition for review. In reviewing a petition for IPR, the PTAB's job is not to determine whether the claims are patentable, but only whether the petitioner has satisfied its burden. The PTAB will not embark on reviewing the references cited in detail to determine whether the claims at issue are obvious.[6] In *Fontaine Engineered Products, Inc. v. Raildecks*, (2009), Inc. IPR2013-00360, Paper 9 (Dec. 13, 2013), the PTAB refused a petition for IPR brought on obviousness grounds because the petitioner's claim charts only cited to disclosure of the alleged invalidating reference without any accompanying explanation or argument as to why the reference discloses or teaches the recited "first brace(s)."[7] Additionally, petitioners must explicitly identify where every limitation of the claims is located in the prior art. (*See CB Distributors, Inc. v. Fontem Holdings 1 B.V.*, IPR2013-00387, Paper 43 at 30-31 (Dec. 24, 2014) finding that claim 11 is not obvious in view of the asserted prior art because the petitioner did not "contend or point us to where Hon '494 discloses or suggests a restriction component 'detachably set on one end' of the porous component.")

In addition, petitioners cannot rely on conclusory statements without more to establish obviousness and must explain why a person of ordinary skill in the art would make the alleged combination. (*See Scotts Company LLC v. Encap* IPR2013-00491, Paper 9 (Feb. 5, 2014) denying a petition to institute an IPR because the petitioner relied on "conclusory statements, without any substantiating evidence (e.g., expert declaration), as to why a person of ordinary skill in the art would have combined the teachings …."[8] Also in *Zimmer Holdings, Inc. v. Bonutti Skeletal Innovations LLC*, IPR2014-01078, Paper 17 (Oct. 30, 2014), the PTAB denied a petition to institute an IPR on obviousness grounds on a patent pertaining to knee implants and knee implant surgery because the references asserted provided substantially different structures and functions from each other, and the obvious rationale was not supported "by adequate articulated reasoning with rational underpinning."[9]

Petitioners should always include expert testimony in petitions for IPR. (*See Excelsior Medical Corp. v. Lake*, IPR2013-00494, Paper 10 at 8 (Feb. 6, 2014) denying petition for IPR on obviousness grounds because the petitioner did not provide any objective evidence that supported its assertion that the prior art contained the claimed "at least one elastically deformable, inwardly directed protrusion"). Also, in utilizing experts, petitioners should avoid having the expert simply restate the position in the petition. In *Kinetic Technologies, Inc. v. Skyworks Solutions, Inc.*, IPR2014-00529,

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Paper 8 (Sept. 23, 2014), the PTAB denied the petition because the expert's declaration did not provide any facts or data to support the underlying opinion that the claims would have been obvious. Specifically, the expert's opinion was substantially identical to the arguments of the petition, and the PTAB indicated that the statements made by the expert in the opinion were conclusory and entitled to little weight.[10]

In light of the success of obviousness at the PTAB, patent applicants should extensively review all prior art and its impact on the claims when handling applications and how the prior art may be used later in invalidity attacks against the claims. Once an IPR petition has been filed, the POPR is important for attacking the petitioner's obviousness case and to persuade the PTAB to deny petitions for IPRs. Additionally, although the PTAB has invalidated many claims on obviousness grounds, petitioners must still establish a *prima facie* case of obviousness or risk denial of the institution of an IPR. ■

1. *"2014 Findings on USPTO Contested Proceedings," Post Grant HQ Reporter, Fitzpatrick, Cella, Harper & Scinto, Postgranthq.com, page 2.*
2. *Id.*, at 4.
3. *Id.*, at 10.
4. "3 Lessons From Unsuccessful Inter Partes Review Petitions," Law360, Herzfeld et al. http://www.law360.com/ip/articles/640040?nl_pk=9524721c-1d2b-4e22-8155-adb407db986d&utm_source=newsletter&utm_medium=email&utm_campaign=ip
5. *Id.*
6. *See* § 42.108(b)
7. *Id.* at 11 and 15.
8. *Scotts Company LLC v. Encap, IPR2013-00491,* Paper 9 (Feb. 5, 2014).
9. *Id.*
10. *Id.*

NEW USPTO DIRECTOR MICHELLE LEE JOINS IPLAC ROUNDTABLE DISCUSSION IN CHICAGO

Michelle K. Lee, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, visited Chicago on April 16 to discuss current developments and topics in patent law and policy. Banner and Witcoff shareholder Richard S. Stockton played a key role in organizing the event, which included a roundtable discussion with Lee, and a question and answer session with the audience.

Lee is the first woman to serve as head of the patent system in its 225 year history, and also served as the first head of patents and patent strategy for Google. She discussed several key initiatives of the USPTO and its almost 13,000 employees, including the Patent Quality Initiative aimed at enhancing patent examination and the quality of issued patents. As a principal adviser to President Obama on intellectual property matters, she also discussed current proposals for patent reform legislation pending or under consideration in Congress, as well as the role of patents and other forms of intellectual property in driving innovation.

The program was hosted by IPLAC and held at the University Club in Chicago.

BANNER & WITCOFF WELCOMES EIGHT SUMMER ASSOCIATES

The following law students will join Banner & Witcoff's Chicago and Washington, D.C., offices as summer associates:

- Courtney Cronin, Chicago, Northwestern University School of Law;
- Kevin Dam, Chicago, Washington University School of Law;
- Kimberly Devine, Chicago, Northwestern University School of Law;
- Sydney English, Washington, D.C., George Washington University Law School;
- Lindsay Laddaran, Washington, D.C., Georgetown University School of Law;
- Kumar Ravula, Chicago, Northwestern University School of Law;
- Kurt Riester, Chicago, Northwestern University School of Law;
- Michael West, Washington, D.C., George Mason University Law School.

Law students are selected for the summer associate program based on their strong academic records in law school and undergraduate studies, technical backgrounds and personal achievements.

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