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Just The Facts: Supreme Court Takes Aim at Treatment of Fact Questions in Two IP Decisions

By Matthew A. Werber

The Supreme Court issued decisions in separate patent and trademark cases on consecutive days last week, marking an unusually busy week for intellectual property rulings by the Court. In each case, the Court declined to afford special treatment to certain fact questions arising in such cases.

Teva Pharmaceuticals USA, Inc., et al. v. Sandoz, Inc., et al., No. 13-854 (January 20, 2015)

In *Teva*, the Court ruled that the Federal Circuit must defer more to district courts when reviewing patent claim constructions that depend on factual findings. The litigation, involving several Teva patents directed to multiple sclerosis treatment, boiled down to the interpretation of a claim limitation requiring a specified “molecular weight.” The District Court interpreted the claim term after weighing competing expert testimony concerning the ordinary understanding of that term. The Federal Circuit rejected the District Court’s construction.

In reversing the Federal Circuit, the Supreme Court took issue with the appellate court’s review of expert testimony:

[T]he Federal Circuit did not accept Teva’s expert’s explanation ... [a]nd it failed to accept that explanation without finding that the District Court’s contrary determination was “clearly erroneous.” The Federal Circuit should have accepted the District Court’s finding unless it was “clearly erroneous.” Our holding today makes clear that, in failing to do so, the Federal Circuit was wrong.

In holding that the appellate court must review such fact determinations under a clear error standard, as opposed to a *de novo* standard (i.e., reviewing without deference), the Court made clear that its landmark *Markman* ruling remains undisturbed: “[W]hen we held in *Markman* that the ultimate question of claim construction is for the judge and not the jury, we did not create an exception from the ordinary rule governing appellate review of factual matters.”

The justices also expressed that this holding should impact only a minority of patent cases as “subsidiary factfinding is unlikely to loom large in the universe of litigated claim construction.” To be sure, the Court instructed that claim constructions depending solely on intrinsic evidence -- the patent claims, specification and prosecution history -- “will amount solely to a determination of law, and the Court of Appeals will review that construction *de novo*.”

Notwithstanding the Court's view that the ruling will impact a small number of cases, practitioners should expect some impact from *Teva* in litigating claim construction, particularly in situations where the appropriate construction depends on "extrinsic" evidence, such as expert testimony. As such, parties may be more inclined to use experts in their claim construction analyses, filings and hearing presentations. Similarly, district courts may craft their claim construction opinions in order to emphasize that the construction necessarily depended on credited expert testimony, thereby increasing the likelihood the construction will be affirmed on appeal.

***Hana Financial, Inc. v. Hana Bank*, No. 13-1211 (January 21, 2015)**

One day after *Teva*, the Supreme Court held that the trademark doctrine of "tacking" is a fact question for the jury -- once again declining to treat an IP doctrine differently from those arising in other types of cases. Trademark owners use the tacking doctrine to maintain priority based on the date of first use of the mark, even if the mark changed slightly over the years. For the doctrine to apply, the later mark must "create the same, continuing commercial impression" as the earlier mark so consumers "consider both as the same mark." Despite its fact intensive nature, some courts have evaluated tacking as a question of law giving rise to a circuit split.

In the lawsuit, Hana Financial claimed that Hana Bank's use of "Hana" for financial services infringed Hana Financial's trademark rights. Hana Bank denied infringement by arguing it had priority over the use of "Hana" for financial services based on the tacking doctrine. The case was tried to a jury who returned a verdict in favor of Hana Bank. The Ninth Circuit affirmed.

Hana Financial argued to the Supreme Court that the judge should have decided the issue rather than the jury. The unanimous Court disagreed, explaining that "when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decision maker that ought to provide the fact-intensive answer." Thus, absent circumstances warranting summary judgment or judgment as a matter of law, the issue of tacking must be decided by a jury.

While the case represents the first substantive trademark decision by the Supreme Court in approximately ten years, practitioners are reluctant to characterize *Hana* as a landmark decision because tacking issues arise in only a small minority of cases. Still, *Hana*, like *Teva*, stands as an example of the Court's reluctance to carve out exceptions for IP doctrines.

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