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Last Month at the Federal Circuit

January 2012

Proving Prior Invention Does Not Require That the Prior Inventor Appreciated the Subject Matter Using the Same Words of the Claim

Teva Pharmaceutical Industries Ltd. v.

AstraZeneca Pharmaceuticals LP

No. 11-1091 (Fed. Cir. Dec. 1, 2011)

[Appealed from E.D. Pa., Judge Yohn]

Plaintiff's Choice of Forum and Defendant's State of Incorporation Not Dispositive in Venue Transfer Analysis

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[Appealed from D. Del., Judge Robinson]

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No. 11-1131 (Fed. Cir. Dec. 28, 2011)

[Appealed from TTAB]

Abbreviations

ALJ	Administrative Law Judge
ANDA	Abbreviated New Drug Application
APA	Administrative Procedures Act
APJ	Administrative Patent Judge
Board	Board of Patent Appeals and Interferences
Commissioner	Commissioner of Patents and Trademarks
CIP	Continuation-in-Part
DJ	Declaratory Judgment
DOE	Doctrine of Equivalents
FDA	Food and Drug Administration
IDS	Information Disclosure Statement
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
NDA	New Drug Application
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office

SJ	Summary Judgment
TTAB	Trademark Trial and Appeal Board

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Spotlight Info

In *Teva Pharmaceutical Industries Ltd. v. AstraZeneca Pharmaceuticals LP*, No. 11-1091 (Fed. Cir. Dec. 1, 2011), the Federal Circuit affirmed the district court's grant of SJ of invalidity of certain claims of Teva Pharmaceutical Industries Ltd.'s ("Teva") U.S. Patent No. RE39,502 ("the '502 patent") based on AstraZeneca Pharmaceuticals LP's ("AstraZeneca") prior invention under 35 U.S.C. § 102(g)(2). In this case, the only question before the Court was whether, as a matter of law, AstraZeneca had to appreciate that crosopovidone stabilized its drug in order to prove prior invention under § 102(g)(2). The Federal Circuit held that the party asserting prior invention must prove that it appreciated what it had made, but the prior inventor did not need to know everything about how or why its invention worked and did not need to "conceive of its invention using the same words as the patentee would later use to claim it." Slip op. at 11. Thus, because AstraZeneca appreciated (1) that the composition it asserted as its prior invention was stable and (2) what the components of the composition were, the Court rejected Teva's argument that AstraZeneca had to appreciate crosopovidone's stabilizing effect. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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Looking Ahead

On December 7, 2011, the United States Supreme Court heard arguments in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, Supreme Court No. 10-1150.

The question presented is:

Whether 35 U.S.C. § 101 is satisfied by a patent claim that covers observed correlations between blood test results and patient health, so that the claim effectively preempts all uses of the naturally occurring correlations, simply because well-known methods used to administer prescription drugs and test blood may involve “transformations” of body chemistry.

The patents-at-issue are directed to methods for optimizing patient treatment in which the level of a certain drug metabolite is measured to identify a need to increase or decrease dosage levels. The district court ruled that the claims were invalid, finding the inventors’ discovery was just “a natural body process . . . preexisting in the patient population.” *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, No. 04-CV-1200, 2008 WL 878910, 86 U.S.P.Q.2d 1705 (S.D. Cal. Mar. 28, 2008).

The Federal Circuit reversed, holding the claims patent eligible because they involve a physical transformation and thus are not merely directed to a law of nature. *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, 581 F.3d 1336 (Fed. Cir. 2009). The Supreme Court remanded the case to the Federal Circuit in light of its decision in *Bilski v. Kappos*, 30 S. Ct. 3218, 561 U.S. ___ (2010). After the Federal Circuit again ruled in favor of Prometheus, 628 F.3d 1347 (Fed. Cir. 2010), the Supreme Court, on June 20, 2011, again agreed to hear the case.

The Supreme Court is expected to issue its decision in the spring of 2012.

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Proving Prior Invention Does Not Require That the Prior Inventor Appreciated the Subject Matter Using the Same Words of the Claim

Daniel A. Lev

Judges: Rader, Dyk, Linn (author)

[Appealed from E.D. Pa., Judge Yohn]

In *Teva Pharmaceutical Industries Ltd. v. AstraZeneca Pharmaceuticals LP*, No. 11-1091 (Fed. Cir. Dec. 1, 2011), the Federal Circuit affirmed the district court's grant of SJ of invalidity of certain claims of Teva Pharmaceutical Industries Ltd.'s ("Teva") U.S. Patent No. RE39,502 ("the '502 patent") based on AstraZeneca Pharmaceuticals LP's ("AstraZeneca") prior invention under 35 U.S.C. § 102(g)(2).

AstraZeneca manufactures and sells the drug CRESTOR®, which is a statin (rosuvastatin calcium) formulation for the treatment of dyslipidemia. Because statins are inherently unstable compounds, they must be manufactured in stabilized formulations. Therefore, AstraZeneca designed the CRESTOR® composition with the stabilizer tribasic calcium phosphate. CRESTOR® also contains crosopovidone, which AstraZeneca included as a disintegrant.

Teva sued AstraZeneca for infringing several claims of the '502 patent by manufacturing and selling CRESTOR®. The asserted claims are directed to statin formulations stabilized exclusively by an amido-group containing polymeric compound ("AGCP compound") or by an amino-group containing polymeric compound. Teva asserted that it had conceived and reduced to practice its claimed invention by December 1, 1999.

It was uncontested that AstraZeneca intended to use tribasic calcium phosphate, which is not an AGCP compound, as the stabilizer in its formulation, and it did not appreciate, prior to December 1, 1999, the alleged stabilizing effect of crosopovidone, an AGCP compound, in CRESTOR®. It was also undisputed that AstraZeneca manufactured multiple batches of rosuvastatin calcium with the same ingredients in substantially the same amounts as its CRESTOR® composition beginning in mid-1999 and publicly disclosed the ingredients and quantities for its rosuvastatin formulation.

Based on these facts, AstraZeneca moved for SJ of invalidity under 35 U.S.C. § 102(g)(2), alleging prior invention of the subject matter of Teva's asserted claims. For the limited purpose of advancing its SJ motion, AstraZeneca conceded infringement of Teva's claims. The district court granted AstraZeneca's motion and held the asserted claims invalid in light of AstraZeneca's prior invention. Teva appealed.

The Federal Circuit noted that it was undisputed for purposes of the appeal that the CRESTOR® composition fell within the scope of the asserted claims because AstraZeneca conceded infringement and Teva maintained its infringement allegation upon which the suit was based. It was also undisputed that AstraZeneca's conception and reduction to practice of CRESTOR® occurred prior to Teva's conception of the claimed subject matter, and that AstraZeneca did not appreciate the alleged stabilizing

effect of crosopovidone in its CRESTOR® composition. Therefore, the only question before the Court was whether, as a matter of law, AstraZeneca had to appreciate that crosopovidone stabilized the drug in order to prove prior invention under § 102(g)(2).

“To establish prior invention, the party asserting it . . . [does not need to] conceive of its invention using the same words as the patentee would later use to claim it.” Slip op. at 11.

The Federal Circuit rejected Teva’s argument that, to prove prior invention, AstraZeneca had to show that it appreciated that the amount of crosopovidone in its earlier composition had a stabilizing effect. Relying on *Dow Chemical Co. v. Astro-Valcour, Inc.*, 267 F.3d 1334 (Fed. Cir. 2001); *Mycogen Plant Sciences v. Monsanto Co.*, 243 F.3d 1316 (Fed. Cir. 2001); and *Invitrogen Corp. v. Clontech Laboratories, Inc.*, 429 F.3d 1052 (Fed. Cir. 2005), the Court stated that the party asserting prior invention must prove that it appreciated what it had made, but the prior inventor did not need to know everything about how or why its invention worked and did not need to “conceive of its invention using the same words as the patentee would later use to claim it.” Slip op. at 11. Thus, because AstraZeneca had conceded infringement (such that the amount of crosopovidone fell within the claimed “stabilizing effective amount”), the Federal Circuit held that AstraZeneca only had to appreciate (1) that the composition it asserted as its prior invention was stable, and (2) what the components of the composition were. It did not need to appreciate which component was responsible for the stabilization. Because AstraZeneca had the requisite appreciation, the Court rejected Teva’s argument regarding crosopovidone’s alleged stabilizing effect.

Second, the Federal Circuit dismissed Teva’s argument that the district court incorrectly applied the doctrine of inherent anticipation in the § 102(g)(2) context, because Teva’s infringement allegations and AstraZeneca’s limited concession of infringement removed any factual dispute about whether or not the prior art includes a certain claim limitation (expressly or inherently).

Finally, the Court rejected Teva’s argument that AstraZeneca suppressed or concealed its prior invention by not disclosing that crosopovidone had a stabilizing effect because, as noted above, AstraZeneca did not need to appreciate this supposed property of crosopovidone.

Accordingly, the Federal Circuit affirmed the district court’s grant of SJ under 35 U.S.C. § 102(g)(2) invalidating the asserted claims of the ’502 patent.

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Plaintiff's Choice of Forum and Defendant's State of Incorporation Not Dispositive in Venue Transfer Analysis

Adam J. Sibley

Judges: Rader, Dyk, O'Malley (per curiam)

[Appealed from D. Del., Judge Robinson]

In *In re Link_A_Media Devices Corp.*, No. 11-M990 (Fed. Cir. Dec. 2, 2011), the Federal Circuit granted Link_A_Media Devices Corp.'s ("LAMD") petition for a writ of mandamus directing the United States District Court for the District of Delaware to vacate its order denying LAMD's motion to transfer venue, and to direct transfer to the United States District Court for the Northern District of California.

Marvell International Ltd. ("Marvell") filed a patent infringement suit against LAMD in the District of Delaware. LAMD is incorporated under the laws of the state of Delaware, but maintains its principal place of business in the Northern District of California, where nearly all of its employees work. None of its employees work in Delaware. Marvell is a Bermuda-based holding company and has a related entity, which is headquartered in the Northern District of California and which employs the inventors of the patents-in-suit and presumably houses all of Marvell's documents relevant to the suit.

LAMD moved to transfer the case to the Northern District of California pursuant to 28 U.S.C. § 1404(a), which authorizes a district court of proper jurisdiction to nonetheless transfer a case "[f]or the convenience of the parties and witnesses, in the interest of justice." Slip op. at 2 (alteration in original). The District of Delaware denied LAMD's motion to transfer and LAMD filed a petition for a writ of mandamus.

"With respect to private interests, the district court's fundamental error was making Marvell's choice of forum and the fact of LAMD's incorporation in Delaware effectively dispositive of the transfer inquiry." Slip op. at 4.

Applying Third Circuit law, the Federal Circuit noted that the standard for granting a writ of mandamus "is an exacting one, requiring the petitioner to establish that the district court's decision amounted to a failure to meaningfully consider the merits of the transfer motion." *Id.* at 4. In finding this standard satisfied, the Court noted that the district court did not properly balance the private and public interest factors the Third Circuit considers in a § 1404 transfer analysis. *Id.* (citing *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995)). Specifically, the Federal Circuit found that the district court "failed to balance those factors fairly and instead elevated two considerations to overriding importance." *Id.*

With respect to private interests, the Federal Circuit found that the district court erred by placing far too much weight on (1) Marvell's choice of forum and (2) LAMD's incorporation in Delaware. The Court acknowledged that the Third Circuit places significance on a plaintiff's choice of forum, but "[w]hen a

plaintiff brings its charges in a venue that is not its home forum, . . . that choice of forum is entitled to less deference.” *Id.* Further, neither *Jumara* nor § 1404 lists a party’s state of incorporation as a factor for a venue inquiry, and it is “certainly not a dispositive fact in the venue transfer analysis, as the district court in this case seemed to believe.” *Id.* at 5. Finally, the district court erred by not considering two of the private interest factors of *Jumara*: (1) the convenience of the witnesses and (2) the location of the books and records, each of which favored transfer. “While advances in technology may alter the weight given to these factors,” the Court found it “improper to ignore them entirely.” *Id.* at 6.

With respect to the public interest factors, the Federal Circuit held that the district court erred when it found that the factors did not favor either forum. The Court noted that the defendant’s state of incorporation should not be dispositive of the public interest analysis. “Aside from LAMD’s incorporation in Delaware, that forum has no ties to the dispute or to *either* party.” *Id.* LAMD is headquartered in the Northern District of California, its relevant witnesses and evidence are located there, and while Marvell is incorporated and located in Bermuda, its affiliate, which employs the named inventors, is also located in the Northern District of California, only three miles from LAMD.

Finally, the Court rejected Marvell’s argument that the case should remain in Delaware because Delaware’s judges are highly experienced in patent infringement litigation. *Id.* at 7. Unlike state law claims, where a trial court’s familiarity with the law is a public interest factor in the venue transfer analysis under Third Circuit law, Marvell’s claims arise under the federal patent laws, for which there is nationwide uniformity and “which the Northern District of California is equally equipped to address.” *Id.* Further, there was no evidence that Delaware’s experience in patent law meant that patent cases were resolved more quickly there than in the Northern District of California.

Accordingly, the Federal Circuit granted LAMD’s petition for a writ of mandamus and directed the District of Delaware to vacate its order denying LAMD’s motion to transfer venue, and to direct transfer to the Northern District of California.

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In Dissent, Judge Newman Questions PTO Reexamination After Judicial Determination of Patent Validity

Eric K. Chiu

Judges: Newman (dissenting), Prost (author), O'Malley
[Appealed from Board]

In *In re Construction Equipment Co.*, No. 10-1507 (Fed. Cir. Dec. 8, 2011), the Federal Circuit affirmed the Board's conclusion, following reexamination proceedings, that the patent claims-at-issue were obvious over the prior art. Construction Equipment Company ("CEC") is the owner of U.S. Patent No. 5,234,564 ("the '564 patent"), which is directed to a vehicle for screening rocks and plant matter based on size from, for example, soil or dirt at a construction site.

Following a request for ex parte reexamination of several claims of the '564 patent, the PTO found that the request raised a substantial new question of patentability and began reexamination proceedings. The Court noted that CEC claimed that the request was initiated by Powerscreen International Distribution Ltd. ("Powerscreen"), against whom CEC had previously asserted the '564 patent and had obtained an injunction against further infringement. By the end of reexamination, all of the claims-at-issue stood rejected by the examiner as obvious under 35 U.S.C. § 103 in view of the various references cited in the reexamination request. CEC appealed to the Board, which generally affirmed the examiner's rejections.

On appeal, the Court found no error of either fact or law in the Board's analysis. The Court agreed with the Board that every limitation of each claim was found in one or another of the available references. The Court further agreed that one of ordinary skill in the art would have been able to combine the available references in such a way as to practice the alleged invention of each claim, and that such a person would have had a reason to make such combinations. The Court therefore concluded that CEC's alleged invention consisted entirely of combining known elements into a machine that, while possibly new, was nevertheless obvious and therefore unpatentable.

"As a matter of constitutional plan, judicial power, legislative structure, and national innovation policy, a patent that has been held valid or invalid in court is not subject to administrative redetermination of the same issue. On these premises, reexamination in the PTO is not generally available after the issue of patentability has been litigated to a final judgment from which no appeal can be or has been taken." Newman Dissent at 13.

Judge Newman dissented, noting that the PTO's reexamination decision addressed the same issue that the Court had finally adjudicated eleven years ago, when the Court affirmed a district court's ruling of nonobviousness of the '564 patent based on some of the same references cited in the reexamination

request. Judge Newman therefore found that CEC's reexamination appeal raised several fundamental questions: "[I]s a final adjudication, after trial and decision in the district court, and appeal and final judgment in the Federal Circuit, truly final? Or is it an inconsequential detour along the administrative path to a contrary result? Although final decisions of courts of last resort are preclusive within the courts, is the administrative agency excused?" Newman Dissent at 1.

Judge Newman expressed concern that, in this case, there had already been a final disposition of the issue of validity in Article III courts. As Judge Newman explained, the plan of the U.S. Constitution places the judicial power in the courts, whose judgments are not thereafter subject to revision or rejection, and that neither the legislative nor the executive branch has the authority to revise judicial determinations. Thus, revision by an agency of a district court's order would render the previous judgment by the district court "merely advisory" and thus in violation of the Constitution. *Id.* at 4. Accordingly, Judge Newman concluded that the previous judgment of the Federal Circuit, on the same issue that was taken to the PTO for reexamination, should not be "merely advisory." *Id.* Moreover, Judge Newman found that the issue was not waived because waiver is inapplicable to significant questions of general impact or of great public concern, including those affecting the integrity of judgments and the separation of powers.

In dissent, Judge Newman also found that the principles of litigation repose are violated by the reopening in an administrative agency of issues that were litigated to finality in judicial proceedings. According to Judge Newman, the rules of res judicata and issue preclusion were relevant in this case, because reexamination was requested by Powerscreen, who had been the defendant in the prior district court ruling, the appellant in the prior Federal Circuit appeal, and the petitioner for certiorari.

As Judge Newman explained, under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action. In addition, when an issue has been litigated and judgment entered in a court of last resort, the underlying rationale of the doctrine of issue preclusion is that a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided over again. Moreover, according to Judge Newman, the fundamentals of judicial authority and administrative obligation are not subject to the vagaries of shifts in the burden or standard of proof in nonjudicial forums, and a lower standard of proof in an administrative agency cannot override the finality of judicial adjudication. Thus, Judge Newman concluded that, because the question of obviousness had already been finally decided, Powerscreen should have been precluded from reopening the same issue in another forum. Furthermore, Judge Newman found that the issue was not waived because waiver is inapplicable against issues of res judicata and issue preclusion, for preclusion principles serve the powerful public and private interests of finality in judicial proceedings and the avoidance of inconsistent results.

Judge Newman further explained that the reexamination statute seeks to replace or reduce the expense and encumbrance of litigation, but when the same issue has already been litigated and finally adjudicated, interested persons should be able to rely on the judicial decision. According to Judge Newman, throughout the legislative adjustments to reexamination, no one suggested that reexamination in the PTO could override a final judicial decision, and such an unconstitutional act would not have been contemplated by Congress, and is improperly endorsed by the Court.

Judge Newman also observed that precedent warns against hindsight combination, whereby disparate elements are fitted into the template of the new device with the guidance of the patentee. According to Judge Newman, the majority's decision "present[s] a classical illustration of judicial hindsight to construct a machine that was not previously known, a machine that achieved commercial success because it provided previously unavailable advantages." *Id.* at 12. Judge Newman therefore concluded that the majority did not apply the correct analytic criteria in its obviousness analysis.

In a footnote, the majority noted that it was "unpersuaded" by the dissent's contention that the Court should hold the reexamination proceedings unconstitutional, or barred by considerations of res judicata or issue preclusion. Slip op. at 5 n.3. Initially, the majority explained that federal appellate courts have a well-established practice of declining to take up arguments not timely made by the parties, and found

that the notion that the reexamination was ipso facto unlawful was neither briefed nor argued by any party at any stage of the case.

In addition, the majority disagreed that either constitutional principles or the common law doctrines of claim or issue preclusion would bar reexamination of the '564 patent, finding *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008), to be highly instructive. According to the majority, in *Swanson*, the Federal Circuit found no error in the PTO's holding that reexamination could be instituted on the strength of a reference that the requesting party had unsuccessfully asserted as prior art in litigation involving the same patent, even where the Federal Circuit had affirmed the district court's judgment of validity. As the majority explained, the *Swanson* court's judgment was not incompatible with the examiner's rejection of claims on reexamination because the district court's judgment was not that the patent was valid per se, but that the accused infringer had failed to carry his burden to prove it invalid. Thus, there was no contradiction between the affirmed litigation judgment and the examiner's rejection during reexamination. The majority therefore found no reason why *Swanson* would not control this case because, in both cases, the reexamination was initiated by a party that had previously failed to prove the patent invalid in litigation. Moreover, the majority found that the reexamination involved numerous references, combinations, and even claims not treated by the district court.

Finally, the majority found that the dissent's suggestion—that a finding that a patent is not invalid in one proceeding against one party would bar any other validity challenge—would be a dramatic expansion of the concept of nonmutual offensive collateral estoppel. The Court therefore declined to adopt a rule for patent cases that is inconsistent with all other governing law regarding collateral estoppel.

Thus, the Court affirmed the Board's conclusion that the patent claims-at-issue were obvious over the prior art.

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TTAB's Entry of Default Judgment Affirmed as Sanction for Failure to Comply with Discovery Orders

Stephanie H. Bald

Judges: Newman (author), Lourie, Moore

[Appealed from TTAB]

In *Benedict v. Super Bakery, Inc.*, No. 11-1131 (Fed. Cir. Dec. 28, 2011), the Federal Circuit affirmed the TTAB's entry of default judgment against Respondent Ward E. Benedict and the TTAB's sanction of cancellation of Benedict's trademark registration for failure to comply with discovery orders. On appeal of a prior TTAB ruling in this matter, the Court vacated the TTAB's default judgment in view of Trademark Rule 2.127(d) and remanded. See *Benedict v. Super Bakery, Inc.*, 367 F. App'x 161 (Fed. Cir. Mar. 3, 2010).

Benedict owned a trademark registration for the mark G THE GOODYMAN and design for pepperoni sticks, cookies, cakes, tarts, rice cakes, strudels, and donuts. Petitioner Super Bakery, Inc. ("Super Bakery") owned a trademark registration for the mark GOODY MAN for cupcakes and filed an application to register the mark GOODY MAN for cupcakes, marshmallow treats, glazed rings, cookies, donuts, buns, fruit pies, muffins, and snack cakes. Super Bakery's application was refused registration based on Benedict's G THE GOODYMAN registration on the ground of likelihood of confusion.

At the TTAB, Super Bakery filed a petition to cancel Benedict's registration for the G THE GOODYMAN mark on grounds of fraud and abandonment. After Benedict failed to comply with the TTAB's order to respond to Super Bakery's discovery requests, Super Bakery filed a motion for default judgment as a sanction. The TTAB denied Super Bakery's motion and ordered Benedict again to provide full and complete responses to Super Bakery's discovery requests.

One day before the discovery response deadline, Benedict filed a motion for SJ. Benedict also invoked the procedure of Rule 2.127(d), which provides that when any party files a motion for SJ, "the case will be suspended by the [TTAB] with respect to all matters not germane to the motion and no party should file any paper which is not germane to the motion except as otherwise specified in the Board's suspension order." Slip op. at 4. Eighteen days later, the TTAB suspended the proceedings pending determination of Benedict's motion for SJ. Super Bakery then filed a second motion for sanctions, asking the TTAB to enter judgment against Benedict for its failure to comply with the TTAB's orders. In considering Super Bakery's motion for sanctions, the TTAB described Benedict's motion for SJ as "a likely effort to avoid his discovery obligations once again." *Id.* at 5. The TTAB found that Benedict's discovery obligations were not suspended automatically upon his filing of the SJ motion, but only after the TTAB ordered the suspension of the proceedings. Because Benedict had failed to respond to Super Bakery's discovery requests and had not complied with the TTAB's discovery orders, the TTAB granted Super Bakery's motion for sanctions, entering default judgment against Benedict, cancelling Benedict's

registration, and denying Benedict's motion for SJ as moot. Benedict appealed.

In the prior appeal, Benedict argued that the TTAB incorrectly granted Super Bakery's motion for discovery sanctions, because Benedict's filing of a motion for SJ should have suspended his obligation to comply with the TTAB's discovery sanction. The Court vacated the default judgment and remanded the case for consideration of the application of Rule 2.127(d) to the facts of the case.

“Default judgment may be warranted in cases of repeated failure to comply with reasonable orders of the Trademark Board, when it is apparent that a lesser sanction would not be effective.” Slip op. at 10.

On remand, the TTAB explained that the mere filing of a motion for SJ does not automatically suspend a proceeding. Rather, only an order of the TTAB formally suspending proceedings has such effect. The TTAB explained that it had considered and declined to adopt an automatic suspension of proceedings, and referred to the PTO summary of the notice-and-comment exchange on the rule when it was proposed, in which the PTO “comment” stated that, “[b]ecause of the number of situations in which a party may make a potentially dispositive motion, it is believed better for the Board to determine whether proceedings should be suspended based on the situation presented by the particular case.” *Id.* at 6. Accordingly, the TTAB held that Benedict was obligated to respond to Super Bakery's discovery requests as ordered by the TTAB until a formal suspension of the proceeding and that filing a motion for SJ did not constitute good cause for not complying with the discovery order. Benedict again appealed the TTAB's decision.

In the instant appeal, Benedict argued that the TTAB misinterpreted and misapplied Rule 2.127(d), which, in Benedict's view, is unqualified in its requirement that when an SJ motion is filed, the case will be suspended by the TTAB and “no party should file any paper which is not germane to the motion.” *Id.* at 8. Benedict argued that the TTAB had restated the Rule, and that it was unfair to apply the restatement retroactively to him because he relied on its clear and plain terms.

The Court agreed with Benedict that Rule 2.127(d) did not clearly present the interpretation of the rule that the TTAB attributed to it. The interpretation only became clear if Rule 2.127(d) was considered with the PTO “comment,” and that comment was not stated in the rule as adopted. Specifically, Rule 2.127(d) does not state that no suspension shall occur until the TTAB separately acts to impose it, and that any filing deadlines will remain in force despite Rule 2.127(d)'s prohibition on filing. Accordingly, the Court found that Rule 2.127(d) ambiguity did not support the extreme sanction of default judgment.

Nonetheless, the Court found that default judgment was well supported for other reasons. Specifically, Benedict had failed to comply with discovery requests and orders for two years. The TTAB had discussed Benedict's repeated noncompliance with Super Bakery's discovery requests and his noncompliance with the TTAB's orders. And the TTAB's finding that there was no reason to assume that, given additional opportunities, Super Bakery would fulfill its obligations as a party to the proceeding in the future, was supported by the entire experience of the case. Thus, the Court found that the TTAB had not abused its discretion in granting default judgment because of Benedict's repeated failures to comply with established and reasonable procedural orders, and the Court affirmed the TTAB's decision.

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