

Publications

The Supreme Court and Intellectual Property in 2024-2025: What Was Decided, What Is To Come And What Was Declined

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In wrapping up the 2023-24 term and embarking on the 2024-25 term, the Supreme Court was asked to decide a number of intellectual property cases. The Court issued several significant opinions in 2024 and has taken several other IP cases in the current term. The Court, however, also declined to take up several IP-related cert petitions for the 2024-25 term. Following are brief summaries of what the Court has decided, what is pending, and what it has declined to take up.

Issued Decisions

Trademarking a Name – *Vidal v. Elster*, 602 US 286:

In a 9-0 decision, the Supreme Court held that the Lanham Act's prohibition on trademarking the name of another person without that person's written consent does not violate the First Amendment.

In 2016, Elster applied to register the trademark "Trump too small" for use on shirts and hats. The Patent and Trademark Office rejected the application based on the Lanham Act's prohibition against trademarks that name another living person, without that person's written consent. On appeal, the Federal Circuit held that the Lanham Act's name clause prohibition violated the First Amendment.

The Supreme Court began its First Amendment analysis by asking what level of scrutiny to apply. Accordingly, the Court determined that the name clause is a content-based restriction as it applies only when the mark includes a name without consent. Yet, the restriction is viewpoint-neutral since it applies regardless of whether the mark reflects positively or negatively on the named individual. Without any precedent for content-based, yet viewpoint-neutral, trademark restrictions, the Court turned to the history and tradition of such restrictions to decide whether to apply a heightened scrutiny.

The Court recognized that trademark law has always been content-based yet has always existed alongside the First Amendment. Thus, the Court concluded that the "history and tradition is sufficient to conclude

that the names clause—a content-based, but viewpoint-neutral, trademark restriction—is compatible with the First Amendment.” Accordingly, the Court refused to apply heightened scrutiny.

Moreover, the Court recognized that the name clause is rooted in practical traditions. Common law placed restrictions on trademarking the name of another as each person has ownership of their own name and the right to use their own name in trade. Thus, restricting the use of another’s name ensured that consumers were able to identify the maker of a good and protected the maker’s reputation from others.

In a concurring opinion, Justice Barrett, joined by Justices Kagan, Sotomayor, and Jackson, agreed that the names clause does not violate the First Amendment. However, rather than basing her concurrence on the history and tradition of such restrictions, Justice Barrett suggested that the case should have been determined by the reasonableness of the restriction. She concluded that the restriction should be upheld as it “reasonably relate[s] to the preservation of the mark owner’s goodwill and the prevention of consumer confusion.”

Although the Court was clear in its holding that the name clause is constitutional, the majority opinion does not establish a clear framework for other potential constitutional challenges to other restrictions in the Lanham Act. Future challenges may flesh out whether Justice Barrett’s reasonableness test, or some other framework, will apply if a trademark restriction lacks such clear roots in history and tradition.

Copyright Damages Timing Limitation – *Warner Chappell Music, Inc., et al. v. Nealy et al.*:

In the only copyright case of the term, the Court addressed whether a party can receive damages for copyright infringement that occurred more than three years before the plaintiff brought suit.

The case stems from music producer Sherman Nealy’s claims against music publishing company Warner and others for incorporating his song “Jam the Box” into musical artist Flo Rida’s song, “In the Ayer,” without Nealy’s permission. Nealy was imprisoned from 1989 to 2008 and again from 2012 to 2015 and therefore claimed that he did not learn that his former business partner had licensed the song to Warner in 2008 without his permission until 2016. In 2018, Nealy sued Warner for copyright infringement.

While the Copyright Act generally requires that a plaintiff must bring suit within three years of the alleged infringement, Nealy brought suit in a jurisdiction that recognizes the discovery rule. Thus, the statute of limitations did not begin to run until Nealy discovered the infringement in 2016. Warner did not contest the application of the discovery rule to Nealy’s claims. Instead, Warner moved for summary judgment based on precedent from the Second Circuit, arguing that even if the infringement claim was timely based on the discovery rule, Nealy could recover damages only for the three years prior to the filing of his lawsuit.

The District Court agreed with Warner and held that monetary relief is limited to the three years immediately preceding the filing of the lawsuit. The Eleventh Circuit reversed the District Court’s decision and held that a plaintiff with a timely claim based on the discovery rule can recover damages for copyright infringement even if the damages occurred more than three years prior to filing his lawsuit. The Supreme Court took up the case to resolve the circuit split between the Second and Eleventh Circuits.

In a 6-3 ruling authored by Justice Kagan and joined by Chief Justice Roberts and Justices Sotomayor, Kavanaugh, Barrett, and Jackson, the Supreme Court held that the plain language of the Copyright Act's remedial section does not impose a time limit on a copyright plaintiff's monetary recovery under the discovery rule. The majority noted that a three-year limit on damages would essentially gut the discovery rule as it would allow plaintiffs to bring suit but not recover damages for any infringement prior to the three years preceding the lawsuit.

Notably, the majority stated that it did not decide whether the discovery rule itself is valid, but only whether there is a three-year limitation on the damages a plaintiff can recover. This point was highlighted by the dissent led by Justice Gorsuch and joined by Justices Thomas and Alito. Rather than reach the question of whether there is a time limitation on damages, the dissent argues that the case was not timely because the discovery rule itself is invalid. Looking to § 507 of the Copyright Act, the dissent points out that the plain language states "no civil action shall be maintained . . . unless it is commenced within three years after the claim accrued." Therefore, because the infringing acts were committed more than three years prior to the commencement of the lawsuit, the dissent asserts that Nealy's lawsuit was not timely and there was no need to reach the damages question. Yet, the dissent acknowledges that because neither party questioned the discovery rule, the majority passed on deciding its validity.

After this case, plaintiffs in jurisdictions that apply the discovery rule can recover damages that occurred prior to three years before bringing suit. However, as both the majority and the dissent created a roadmap for future challenges to the validity of the discovery rule itself, these jurisdictions may face new challenges and approaches to that rule.

Pending Decisions

Scope of a Defendant's Profits under the Lanham Act – *Dewberry Group, Inc. v. Dewberry Engineers, Inc.*

Meanwhile, during the first few months of the current term, the Court has heard argument on another IP case, *Dewberry Group, Inc. v. Dewberry Engineers, Inc.* The Court, in a case on appeal from the Fourth Circuit, has been asked to determine whether "defendant's profits" awarded under the Lanham Act can include an order for the defendant to disgorge the distinct profits of legally separate non-party corporate affiliates.

The case, one of trademark infringement, unfair competition and breach of contract, was decided on motion for summary judgment as to liability in favor of the plaintiff, Dewberry Engineers, Inc. As a result, the District Court limited the scope of the trial to the "appropriate quantum of damages to be awarded" to the plaintiff. Ultimately, the District Court awarded the plaintiff a \$43 million dollar award that included the revenues of both the named defendant *and* corporate affiliate non-party entities.

The district court held that the purpose of the disgorgement damages provision of the Lanham Act provision in question (15 USC 1117(a)), which permits a plaintiff to recover the infringing defendant's profits, is to take all the economic incentive out of trademark infringement.

The district court, in assessing whether disgorgement-of-profits remedy was appropriate, considered six (6) equitable factors laid out by the Fourth Circuit, as well as caselaw from the Fifth Circuit. As result, the district court held that defendant Dewberry Group, Inc. and its Ownership Entities (non-parties to the litigation) would be “treated as a single corporate entity when calculating the revenues and profits generated by Defendant’s use of the Infringing Marks,” despite the Ownership Entities being legally separate entities from the named defendant. In particular, the district court held that the plaintiff’s expert analysis of the Dewberry Group’s financials, were supported by “ample evidence” and “but-for the revenue generated by the Ownership Entities, Dewberry Group as a single tax entity would not exist.” The District Court in its holding expressing the equitable purpose of the Lanham Act’s disgorgement remedy, pointedly provided that to ignore the “economic reality of how [the] Defendant’s business operates” would undermine the purpose of the Lanham Act disgorgement remedy and enable the “entire Dewberry Group enterprise to evade the financial consequences of its willful, bad faith infringement.”

The Fourth Circuit affirmed the disgorgement damages award and the district court’s discretionary ruling that that defendant Dewberry Group, Inc. and the Ownership Entities would be “treated as a single corporate entity when calculating the revenues and profits generated by Defendant’s use of the Infringing Marks,” despite the Ownership Entities being legally separate entities from the named defendant.

Like the district court, the Fourth Circuit found *American Rice* instructive. In particular, the Court found *American Rice* to provide that where a party may not receive revenue from an infringing party, even some benefit obtained from the “infringing relationship with its [Ownership] affiliates” is enough. Further, the Fourth Circuit noted a “district court’s grant of profit disgorgement is ‘subject to the principles of equity.’”

Amicus briefs in support of both Petitioner and Respondent have been filed. The United States also filed an amicus brief on the basis that the USPTO governs the federal trademark registration scheme and thereby has a substantial interest in the Court’s disposition of the case.

Based on the Justices’ questions during oral argument, it does not appear that the Court will affirm the lower court’s holding. However, it remains to be seen how the Court will respond to arguments presented in the briefing that have not been brought before the Court to date.

Potential Issues the Court May Decide

The following cases are currently pending before and awaiting a decision by the Court as to whether it will grant certiorari.

Copyright Vicarious Liability: Sony Music and Cox Communications have filed cross-petitions with the Supreme Court to review the Fourth Circuit decision that found Cox Communications, an internet service company, contributorily liable for copyright infringement. The decision came after a 2019 district court jury verdict awarded Sony \$1 billion in damages based on both contributory and vicarious liability when Cox subscribers used the services to unlawfully download and distribute songs. The Fourth Circuit declined to reconsider arguments to limit the number of copyrighted works at issue.

This case presents an opportunity for the Supreme Court to provide guidance as to whether promoting infringement is required to find that a service provider is a material contributor to copyright infringement, and the direct financial benefit requirement of vicarious copyright infringement.

Expansion of Patent Personal Jurisdiction: *Lighting Defense Group v. SnapRays* concerns the personal jurisdiction of patent owners when an alleged infringer files a declaratory judgment suit. The Lighting Defense Group (LDG) was a participant in Amazon's Patent Evaluation Express (APEX) program, an initiative created to resolve claims of patent infringement between Amazon sellers. Upon the LDG's submission of an APEX Agreement claiming SnapPower as an alleged infringer, SnapPower sought declaratory judgment of non-infringement against LDG in Utah, its principal place of business. In response LDG filed a motion to dismiss for lack of personal jurisdiction, which was granted by the district court. SnapPower then appealed to the Federal Circuit, which reversed the lower court decision, finding that the APEX Agreement was a purposeful direction of activities in Utah where SnapPower was located and that the agreement would affect marketing, sales and other activities in Utah. Relying on previous rulings in *Calder v. Jones* and later *Walden v. Fiore* regarding a defendant's minimum contacts, Petitioner argues for the Supreme Court to reconsider the Federal Circuit's decision.

If the Supreme Court were to grant certiorari to the petitioner, this case could alter patent personal jurisdiction, expanding personal jurisdiction to any state where enforcement is sought against an alleged infringer and particularly to those entering similar dispute resolution programs.

Patent Hatch-Waxman Safe Harbor: The case of *Edwards Lifesciences Corp. v. Meril Life Science Pvt. Ltd.* centers around the scope of the Hatch-Waxman safe harbor that provides exceptions for patent activity "solely for uses reasonably related" toward gaining U.S. Food and Drug Administration approval for marketing. Under 35 U.S.C. § 271(e)(1) there is an exemption for otherwise infringing activities in the development and testing of generic drugs and medical devices that are undertaken toward obtaining regulatory approval. In the underlying case, Edwards sued Meril for patent infringement due to Meril's importation of certain heart valve devices for nonregulatory uses. In response, Meril claimed it was protected by the safe harbor created by Hatch-Waxman, and the district court agreed. On appeal the Federal Circuit affirmed, finding that Meril's use was reasonably related to the development of information to the FDA.

The Supreme Court is expected to decide whether they will hear this case in early 2025. The decision would be significant to the medical device and pharmaceutical industries whose practices will rely on the court's interpretation of "solely" regarding nonregulatory uses of patents.

Patent Domestic Industry Requirement: In *Roku, Inc. v. International Trade Commission*, Roku is seeking review of International Trade Commission and Federal Circuit decisions to block Roku's importation of products that include articles protected by a patent. Under 19 U.S.C. § 337(a)(3)(C) of the Tariff Act of 1930, a patent owner must demonstrate that it has made substantial investments in the United States in the exploitation of its patent in order for the International Trade Commission to bar products utilizing the patent. Petitioner Roku argues that the domestic industry doctrine requirement was only met for unpatented portions of products and seeks for the Supreme Court to review the scope of authority granted to the International Trade Commission on such matters.

Rule 36 No-Opinion Patent Judgments: The Supreme Court will announce whether it will hear *ParkerVision v. TCL Industries Holdings Co., Ltd.* The Supreme Court has the opportunity to decide whether Federal Circuit Local Rule 36, which allows for the issuance of judgments of affirmance without analysis, is permissible considering the requirement of 35 U.S.C. § 144 to issue "its mandate and opinion" in patent appeals. A ruling on this matter would be impactful, as a large proportion of Patent Office appeals

currently are decided under Rule 36. A similar petition has been filed in *Island Intellectual Property v. TD Ameritrade*.

Issues the Court Declined to Decide in 2024

Finally, the Supreme Court declined to hear at least 15 petitions concerning copyright, trademark, patent, or trade secret law during its terms that included 2024. Below are a handful of notable issues that may present themselves again for the Court's consideration.

Section 101 Patent Eligibility: The Supreme Court declined to hear the case of *Eolas Technologies, Inc. v. Amazon.com, Inc.*, in which a technology company sought review of the Federal Circuit's invalidation of its patent infringement claims pursuant to 35 U.S.C. § 101. The case involved Eolas Technologies, which brought patent infringement claims against Amazon, Google, and Walmart for alleged infringement of its patented process of harnessing remote computing power through distributed hypermedia environments provided by the World Wide Web. The Federal Circuit had affirmed the district court's decision to invalidate Eolas's claims because they were directed to a patent-ineligible abstract idea under Section 101. Specifically, the Federal Circuit emphasized that "interacting with data objects on the World Wide Web is an abstraction."

In its petition for certiorari, Eolas contended that the Federal Circuit's ruling conflicted with the Supreme Court's 2014 opinion in *Alice Corp. v. CLS Bank International* and emphasized the numerous calls for the Court to provide clarification on the test for Section 101 patent eligibility post-*Alice*. Unfortunately for Eolas, its call for clarity was not well received, with the Court denying cert on October 7, 2024.

Obviousness-Type Double-Patenting and Patent Invalidation: The Supreme Court refused to hear the petition of Collect LLC, which had its patent claims invalidated for obviousness-type double-patenting (ODP) by the Federal Circuit. After being sued by Collect for patent infringement stemming from its image-sensor technology, Samsung sought *ex parte* reexamination of the Collect patents. Among the patents reevaluated were three for which Collect had received patent term adjustments (PTA) due to USPTO delays during prosecution. Collect's patent claims were ultimately invalidated for ODP during the reexamination proceeding. In affirming, the Federal Circuit noted that PTA differed from patent term extensions (PTE), which are granted for delays stemming from references to terminal disclaimers. Specifically, the Federal Circuit emphasized that PTA did not protect Collect from ODP invalidation and that Collect should have filed terminal disclaimers for its patents.

Despite the support of numerous *amicus curiae* filings, Collect's petition to the Supreme Court was denied on October 7, 2024. Accordingly, the Federal Circuit's decision stands, and patent holders cannot rely on PTA to avoid ODP invalidation, but instead, must file terminal disclaimers for their patents.

Inter Partes Review Proceedings: The Supreme Court declined to hear the petition of Arbor Global Strategies, LLC to review a Federal Circuit decision affirming an invalidation of four of its compact processor patents. Arbor's petition challenged whether the Patent and Trademark Appeal Board (PTAB) was in violation of the Administrative Procedure Act pursuant to 5 U.S.C. § 554(d) by allowing the same panel to perform both adjudicatory and prosecutorial duties in its proceedings.

Courts have already affirmed the PTAB practice of using the same panels to review patents and make invalidation decisions under due process and the America Invents Act, but Arbor argued that the practice had not been properly evaluated under the Administrative Procedure Act. The denial leaves in place current PTAB practices and is a major win for Samsung Electronics Co. Ltd. which initiated the invalidation proceedings. Had Arbor succeeded, hundreds of products could have been found to infringe on Arbor's former processor patents frequently used in smartphones and tablets.

Domicile Address Requirement for Trademark Applications: Finally, the Supreme Court denied a petition regarding the USPTO's domicile address requirement. In 2019, the USPTO promulgated a new rule that trademark applications must disclose the applicant's domicile address. This rule was challenged with the plaintiff, Chestek PLLC, arguing that the USPTO failed to hold a notice-and-comment period for the rule as required by the Administrative Procedures Act. The Federal Circuit ultimately held that the rule was procedural rather than substantive, and thus, did not require a notice-and-comment period, given that it did not substantially modify the current trademark examination procedures.

Chestek petitioned the Supreme Court to hear the case, alongside *amicus curiae* arguments filed in support of both sides of the argument. The Court denied certiorari, meaning the requirement that domicile addresses be included on trademark applications will remain.