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Federal Circuit Patent Bulletin: *Evans v. Building Materials Corp. of Am.*

June 7, 2017

[A] court "may not deny a party's request to arbitrate an issue 'unless it may be said with positive assurance that the arbitration clause is not susceptible of an interpretation that covers the asserted dispute.'"

On June 5, 2017, in *Evans v. Building Materials Corp. of Am.*, the U.S. Court of Appeals for the Federal Circuit (Reyna, Linn, Taranto*) affirmed the district court's denial of GAF-ELK Corp.'s motion to dismiss Roof N Box, Inc.'s claims alleging, inter alia, GAF infringed U.S. Design Patent No. D575,509, which related to a three-dimensional roofing model used in homeowner sales. The Federal Circuit stated:

Fourth Circuit law stresses that "any doubts concerning the scope of arbitrable issues should be resolved in favor of arbitration." Thus, a court "may not deny a party's request to arbitrate an issue 'unless it may be said with positive assurance that the arbitration clause is notsusceptible of an interpretation that covers the asserted dispute.'" We follow those principles in reviewing the complaint in this case.

Counts I, II, and III state claims for patent infringement, trade-dress infringement, and unfair competition related, not to GAF's carrying out of its obligations established by the 2009 agreement, which concerned GAF's promotion of RNB's products, but rather to GAF's making and selling of its own competing roofing products. Those claims do not involve any issue "related to the performance or interpretation of the contract itself." Nor are the claims similar to those alleging tortious interference or other agreement-dependent wrongs, which courts have held to be covered by similarly worded arbitration provisions. As a substantive matter, Counts I, II, and III challenge actions whose wrongfulness is independent of the 2009

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agreement's existence. Those counts are so plainly outside the arbitration provision that a contrary argument is wholly groundless.

We also reject the assertion of arbitrability of Count IV, which, GAF now argues, incorporates an allegation that GAF breached a confidentiality obligation that it owed to RNB and possibly to Mr. Evans. As an initial matter, GAF has not preserved that argument. Its opening brief to this court did not present any argument for arbitrability specific to Count IV or GAF's confidentiality obligations. GAF mentioned "confidentiality" just once, and only in relation to the district court's finding that the arbitration provision did not survive the termination of the agreement. GAF did not make a version of its current point about Count IV until its reply brief and oral argument. That is too late. Moreover, GAF did not preserve its confidentiality-based argument in the district court. None of GAF's relevant district-court filings mention Count IV specifically or "confidentiality."

That GAF did not timely make its new argument is hardly surprising. The argument rests on the complaint's statement that GAF agreed to maintain the confidentiality of Mr. Evans's and RNB's information. But that statement does not allege that GAF undertook any such confidentiality obligation under the 2009 agreement itself, which is the sole asserted source of a duty to arbitrate. And in fact, the 2009 agreement does not contain such an obligation. The agreement contains a one-way confidentiality provision, which requires RNB to maintain the confidentiality of GAF's proprietary information, but not the reverse. . . .

For similar reasons, GAF has forfeited any argument that Count V warrants different treatment from the other claims. GAF has not presented any argument that Mr. Evans's and RNB's assertion of a violation of N.J. Stat. § 56:8-2 is broad enough to cover a claim against GAF for breach of the 2009 agreement (or other agreement-related conduct). And we see nothingin the record that would require us to disturb the district court's decision on that basis. . . .

As with GAF's state-of-mind argument, what matters for the "arising under" determination is the conduct that the plaintiffs challenge and the asserted reasons that the challenged conduct is wrongful. Here, the claims alleged in Counts I–V would not arise under the 2009 agreement even if Mr. Evans and RNB were to calculate the harm caused by GAF's challenged conduct based on their past revenues—including revenues earned during the 2009–2010 period, when the agreement was in effect—because the grounds on which they challenge that conduct are independent of any obligation in the 2009 agreement.