

# **Hot Topics** **in Litigation and Damages**

**Trade Secrets**  
**Copyrights**  
**Trademarks**  
**Patents**

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# Hot Topics in Trade Secrets Litigation

- Copyright Preemption and Removal in Trade Secrets Litigation
- Trends in ITC Trade Secrets Investigations
- Damages/Remedies

## *Spear Marketing, Inc. v. BancorpSouth Bank* (5th Cir. 2015)

- Plaintiff filed petition asserting ten claims, including trade secrets misappropriation in state court.
- Removed to federal court because two claims (conversion and civil theft) were preempted by the Copyright Act.
- Decision
  - State law claims may be preempted by Copyright even if they concern ideas, so long as the ideas are fixed in a tangible medium.
  - Conversion and Theft claims are preempted by the Copyright Act.



*Spear Marketing, Inc. v. BancorpSouth Bank* (5th Cir. 2015)

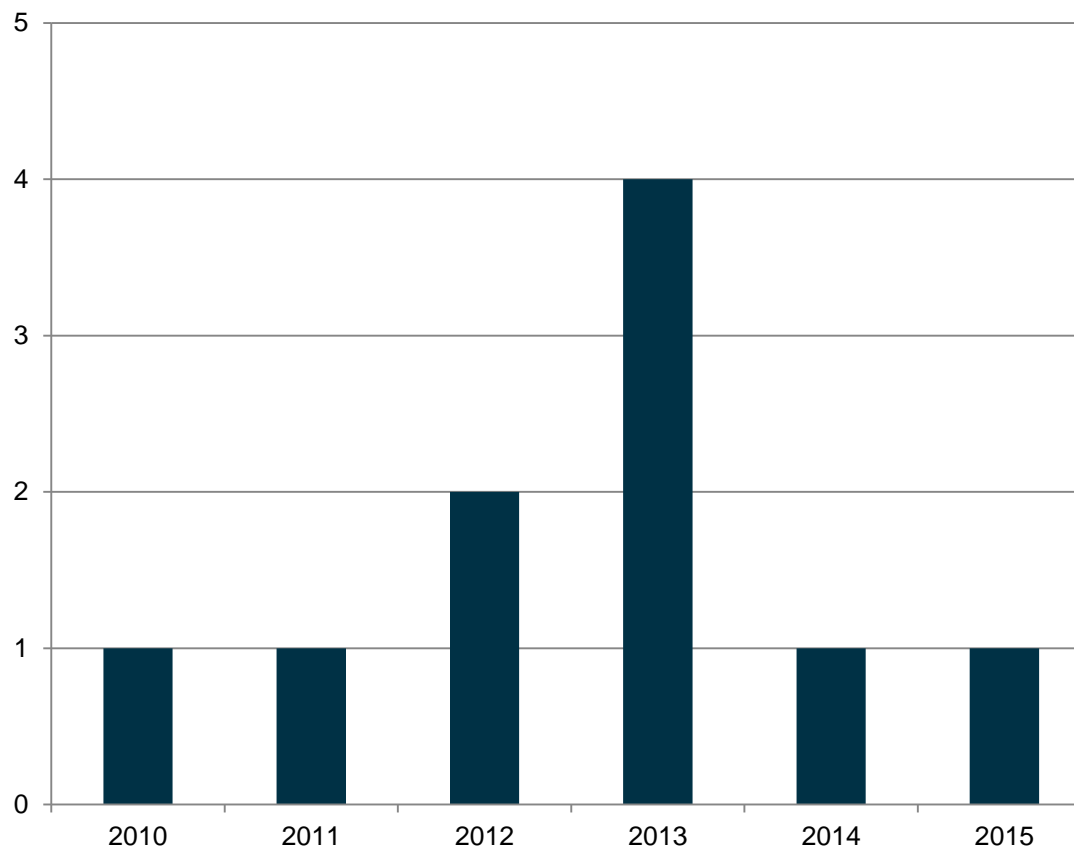
- Takeaways
  - Fifth Circuit joins majority in assessing whether claims fall into the “subject matter” of the Copyright Act.
  - Will not affect most trade secrets misappropriation claims because of additional elements – not “equivalent.”
  - May affect additional state law claims included in a complaint, for example conversion, civil theft, unjust enrichment, etc.

## *Tianrui Group Co. Ltd. v. ITC.* (Fed. Cir. 2011)

- ITC investigation of alleged Section 337 violation by reason of misappropriation of trade secrets.
- Misappropriation of trade secrets under Illinois law based on acts occurring in China.
- Federal Circuit affirms
  - ITC may apply domestic trade secrets law to extraterritorial activities.
  - ITC cannot apply state trade secrets law, rather federal law, UTSA, or Restatement of Unfair Competition.
  - Domestic industry need not practice misappropriated trade secrets.

- Post-*Tianrui*, ITC trade secrets investigations expected to increase.
- Despite a spike in 2013, it has not happened.
- Barriers to and benefits of future ITC trade secrets filings.

## Number of Trade Secrets Investigations Sought





# Hot Topics in Trademark Litigation

ALEXANDRA H. BISTLINE

ASSOCIATE, PIRKEY BARBER PLLC



- ▶ The Preclusive Effect of TTAB Decisions
  - ▶ *B & B Hardware, Inc. v. Hargis Industries, Inc.*

# The Preclusive Effect of TTAB Decisions

*B & B Hardware, Inc. v. Hargis Industries, Inc.*  
135 S.Ct. 1293 (2015)

- ▶ **Question:** Can the Trademark Trial and Appeal Board's ("TTAB") finding of a likelihood of confusion preclude the party from litigating likelihood of confusion in subsequent infringement litigation?
- ▶ **Answer:** A district court "should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met."

# The Ambiguity of *B & B Hardware* – Remaining Questions

12

- ▶ **(1) When is the likelihood of confusion issue the same?**
  - ▶ Standard: If mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court.
  - ▶ Questions:
    - ▶ What does “usages” mean
    - ▶ What does “materially the same” mean
- ▶ **(2) When do the parties have a full and fair opportunity to litigate?**



# Implementing *B & B Hardware* – When to Expect Preclusion

- ▶ Likelihood of Confusion Determinations
  - ▶ Specialized trade channels?
  - ▶ House marks?
  - ▶ Distinctive packaging or designs?
- ▶ Other Determinations:
  - ▶ Fame
  - ▶ Genericness
  - ▶ Descriptiveness
  - ▶ Secondary Meaning
  - ▶ Priority
  - ▶ Functionality

# Remember:

- ▶ *B & B* does not just apply to the TTAB's likelihood-of-confusion determinations
- ▶ The TTAB does not permit live testimony (or video-taped depositions)
- ▶ The TTAB has more limited electronic discovery
- ▶ Surveys are more restricted
- ▶ Third parties may be able to use some determinations against your client
- ▶ Can always argue the marketplace conditions or consumer perceptions have changed
- ▶ Justice Ginsburg's Concurrence

# **Hot Topics in Copyright Litigation**

**Michael Heinlen  
Thomson & Knight, LLP**

# Transforming Fair Use



- Conies made for commercial use are



Art Rogers  
*Puppies*, 1980

Comment on the

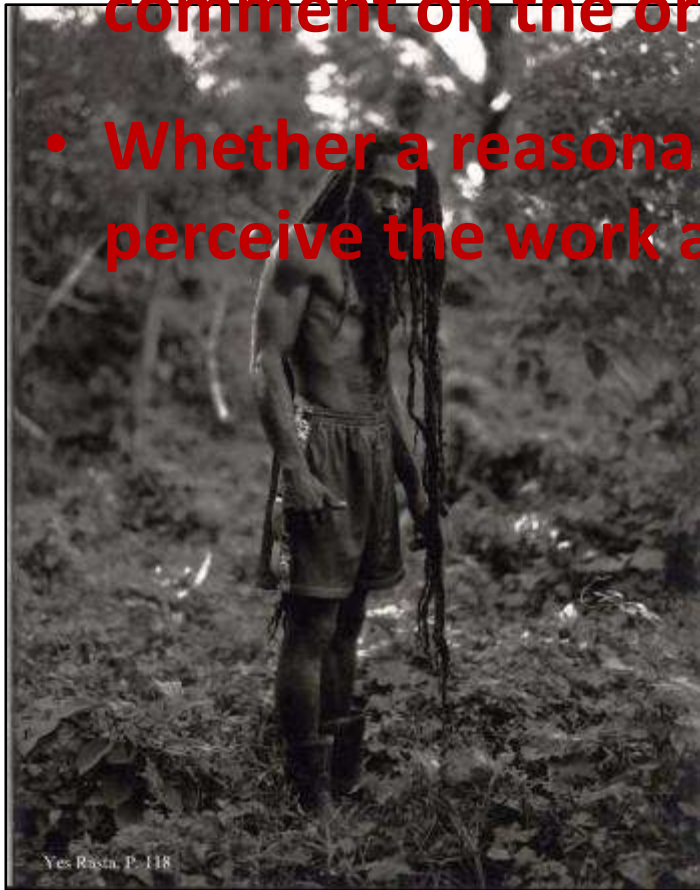
Jeff Koons  
*String of Puppies*, 1988



- **No more presumption that copies made for commercial use are unfair**
- **Still must comment on the original**



- No requirement that the copy must comment on the original



Patrick Cariou

*Yes Rasta*, 2000

- Whether a reasonable observer would perceive the work as transformative

Richard Prince

*Tales of Brave Ulysses (Canal Zone)*, 2007



Green Day  
*East Jesus Nowhere*, 2009



Copy is transformative if it gives new meaning to the original

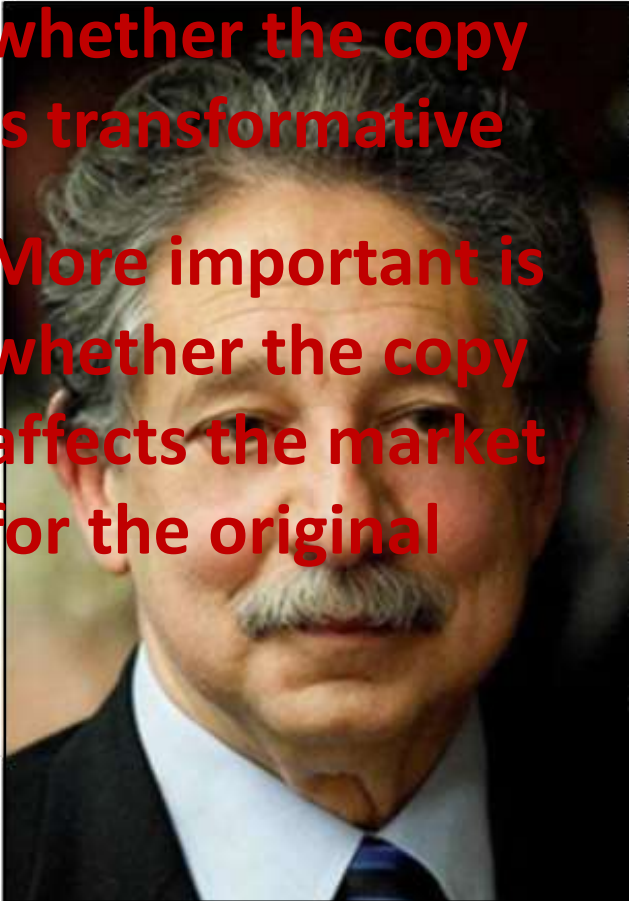
Derrick Seltzer  
*Scream Icon*, 2003





Michael Kienitz

- **Issue not just** *Paul Soglin, 2011*  
**whether the copy**  
**is transformative**
- **More important is**  
**whether the copy**  
**affects the market**  
**for the original**



Sconnie Nation  
*Sorry for Partying, 2012*



- Did the copy overcome the presumption of unfairness by commenting on the original?



- Did the copy comment on the original?



- Did the copy add something new to the original?



- Did the copy give new meaning to the original?



### Back to Basics

- Is the copy a substitute for the original?

# HOT TOPICS IN PATENT LITIGATION:

## The Rise of Technical Experts in Claim Construction

Jason F. Hoffman  
Baker & Hostetler LLP

2005 | Federal Circuit

## *Phillips v. AWH Corp.*

“We have viewed extrinsic evidence in general as less reliable than the patent and its prosecution history in determining how to read claim terms, for several reasons.”

“...[E]xtrinsic evidence consisting of expert reports and testimony is generated at the time of and for the purpose of litigation and thus can suffer from bias that is not present in intrinsic evidence.”

2014 | Supreme Court

## *Nautilus v. Biosig Instruments*

“...a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”

“It cannot be sufficient that a court can ascribe *some* meaning to a patent’s claims; the definiteness inquiry trains on the understanding of a skilled artisan at the time of the patent application, not that of a court viewing matters *post hoc*.”



2015 | Supreme Court

## *Teva Pharmaceuticals USA v. Sandoz*

“... if a district court resolves a dispute between experts and makes a factual finding that, in general, a certain term of art had a particular meaning to a person of ordinary skill in the art at the time of the invention, the district court must then conduct a legal analysis: whether a skilled artisan would ascribe that same meaning to that term in the context of the specific patent claim under review.”

# The Technical Expert is Back

The combination of *Nautilus* and *Teva* has opened the door for litigants to submit expert testimony in support of proposed claim constructions and for that expert testimony to be given more credence by the District Court.

And *Teva* gave some added protection to the factual conclusions made by a District Court if it chooses to rely upon expert testimony, as such findings on review are now subject to the clearly erroneous standard.

July 8, 2015 | D.P.R.

## *Canatelo, LLC v. TRENDnet, Inc.*

- Only Defendant submitted an expert report; Court relied upon Defendant's expert.
- At issue: “video camera” and “computer,” and whether the usage of the term “computer” would “encompass it being integrated or embedded with the video camera(s).”
- Defendant's expert “demonstrated that a POSITA is not enabled to ‘make, use or build a camera with an internal processing unit,’ and that a POSITA would not be put on notice as to what is an ‘embedded system’ based upon the lack of depiction in the specification.”



July 28, 2015 | D. Del.

## *Shire Dev. v. Cadila Healthcare*

- Plaintiff expert's deposition admission leads to defendant's construction
- At issue: "melting point." Defendant argued that the term meant "the temperature at which solid and liquid phases of a compound are at equilibrium."
- Plaintiff's expert ultimately agreed with Defendant's construction: "[i]n order for the melting to take place, you have to be at the melting temperature, which is the temperature[ ] where [the solid and liquid phases] coexist in equilibrium."

Aug. 3, 2015 | E.D.N.C.

## *Krausz Indus. v. Smith-Blair*

- “Because it is more faithful to the language and context of the patent in suit, the court finds more credible the expert testimony by plaintiff’s expert rather than defendants’ expert, on the subject of the meaning of “torn off” to a person skilled in the art.”
- Plaintiff’s expert “explained the development of his opinion based upon review of specific aspects of the intrinsic record, suggesting also that he has drawn from his extensive engineering experience, which qualifies him as one of skill in the relevant art of hydraulic pipe couplings.”

Aug. 21, 2015 | E.D. Tex.

## *Effective Explor. v. Classic Oper. Co.*

- Defendants submitted that the phrase “extend in the subterranean zone in different directions from each other” was indefinite.
- Defendant submitted no expert declaration in support of the assertion; Plaintiff submitted an expert declaration asserting that the phrase was not indefinite and providing a definition for the phrase.
- The Court concluded that Defendants failed to establish with clear and convincing evidence that the phrase is indefinite, given Plaintiff’s “unrebutted declaration” of Plaintiff’s expert.



Aug. 21, 2015 | N.D. Cal.

## *Altera Corp. v. PAC XPP Tech.*

- In addition to the parties each having experts, the Court, pursuant to FRE 706, appointed a neutral expert and invited the expert to submit comments regarding the claim construction positions of the parties.
- Plaintiff proposed narrow constructions based upon the declaration of its expert for the terms “bus system,” “compiler,” and “configuration unit.” The District Court found that the proposed narrow constructions were not supported by the intrinsic evidence and found that for each term, Plaintiff’s expert contradicted the opinion of the Court’s neutral expert.

# Hot Topics in Trade Secrets Damages

- Future lost profits and "loss of business opportunity" are potentially powerful damages remedies.
- The challenge is one of proof and causation.
- Need for a sophisticated methodology "controlling" for other business or economic factors.
- Valuation of a lost business opportunity tests the skill of both lawyers and experts, and remains very fact-intensive.



# Trademark Damages & Remedies

ALEXANDRA H. BISTLINE

ASSOCIATE, PIRKEY BARBER PLLC



## ► Damages & Remedies

- The Presumption of Irreparable Harm post-eBay
- *Octane Fitness* & Attorney's Fees



# Trademark Remedies – Injunctive Relief post-eBay

- ▶ Four Factors for Injunctive Relief:
  - ▶ Success (or likely success) on the merits
  - ▶ Irreparable harm
  - ▶ Balance of the hardships
  - ▶ Public interest
  
- ▶ Presumption of Irreparable Harm in Trademark Cases Pre-eBay

# Injunctive Relief Post-eBay - Do we presume irreparable harm?

- ▶ That depends – what Circuit are you in?
- ▶ Continue to apply presumption of irreparable harm
  - ▶ District Courts in the Fourth Circuit
  - ▶ Fifth Circuit
  - ▶ Sixth Circuit
  - ▶ Eleventh Circuit
- ▶ No Presumption of Irreparable Harm
  - ▶ Third Circuit
  - ▶ Ninth Circuit
- ▶ Undecided
  - ▶ Remaining Circuits

# Injunctive Relief Post-eBay – Should we presume irreparable harm in trademark cases?

- ▶ Reasons to continue applying a presumption:
  - ▶ Trademark law is about consumer protection and protecting the goodwill and reputation of a business
  - ▶ Injunctions have been considered the “usual and normal” remedy for trademark infringement
  - ▶ Trademark law does not require actual confusion or actual dilution
- ▶ If we should clarify eBay, the question is how?

# Trademark Remedies – Attorney's Fees after *Octane Fitness*

- ▶ “An exceptional case is simply one that stands out from others with respect to the substantive strength of the party's litigating position.”
- ▶ Preponderance of the evidence
- ▶ Factors to Consider include frivolousness, Motivation, objective unreasonableness, degree of success obtained, and need for compensation and deterrence
- ▶ Patent Act's fee-shifting provision is identical to the Lanham Act's provision

# **Hot Topics in Copyright Damages**

**Michael Heinlen  
Thomson & Knight, LLP**

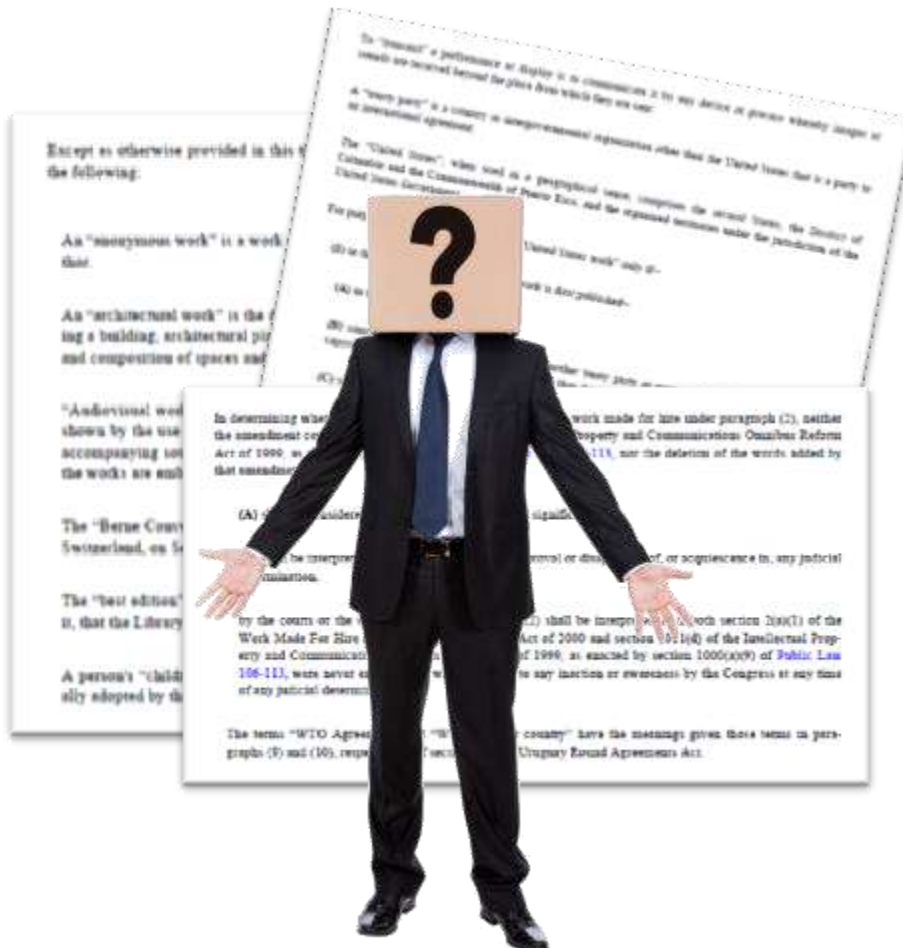




# Statutory Damages



# Burdensome





# Small-Claims Tribunal



# Venue



# Voluntary



# **Subject Matter**

**Claims**

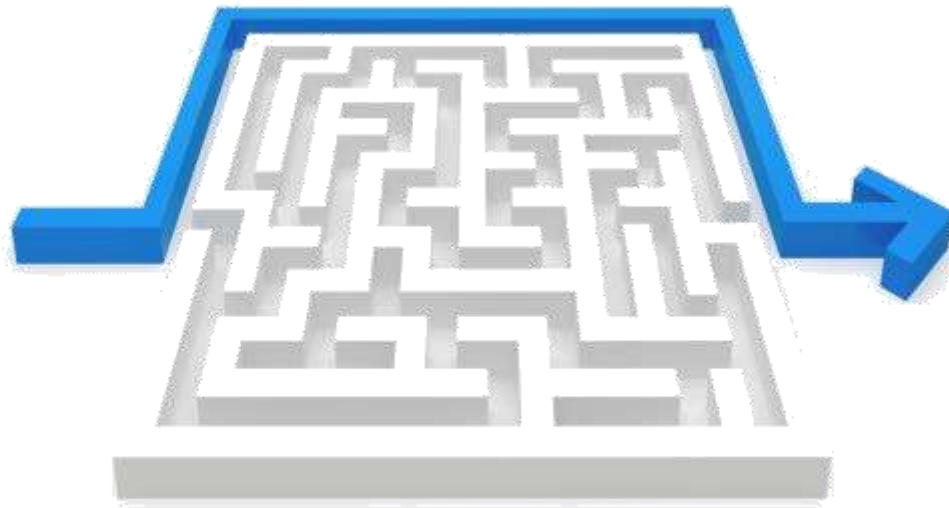
**Defenses/Counterclaims**

**Registration**

# Remedies



# Procedure



# Judgment/Enforcement





# HOT TOPICS IN PATENT DAMAGES:

## The Fall of the Forward Citation Analysis

Jason F. Hoffman  
Baker & Hostetler LLP



# *Forward Citation Analysis*

The basic premise of the forward citation analysis is that a potential indication of value of the patent is how many times later patents cite the patent-in-suit.

Some academic literature suggests that that there is a correlation between the value of a patent and number of citations to that patent.

As expected, other academic literature has questioned the connection, referring to forward citation analysis as “fatally flawed” and stating that “the relationship between citations and patents is not only non-linear, it is not even monotonic.”

## United States Patent [19]

Endo et al.

[11] Patent Number: 4,723,129

[45] Date of Patent: Feb. 2, 1988

[54] BUBBLE JET RECORDING METHOD AND APPARATUS IN WHICH A HEATING ELEMENT GENERATES BUBBLES IN A LIQUID FLOW PATH TO PROJECT DROPLETS

[75] Inventors: Ichiro Endo, Yokohama; Yasushi Sato, Kawasaki; Seiji Saito, Yokohama; Takashi Nakagiri; Shigeru Ohno, both of Tokyo, all of Japan

[73] Assignee: Canon Kabushiki Kaisha, Tokyo, Japan

[21] Appl. No.: 827,489

[22] Filed: Feb. 6, 1986

### Related U.S. Application Data

[63] Continuation of Ser. No. 716,614, Mar. 28, 1985, abandoned, which is a continuation of Ser. No. 262,604, May 11, 1981, abandoned, which is a continuation of Ser. No. 948,236, Oct. 3, 1978, abandoned.

### [30] Foreign Application Priority Data

Oct. 3, 1977 [JP] Japan ..... 52-118798  
Oct. 19, 1977 [JP] Japan ..... 52-125406  
Aug. 18, 1978 [JP] Japan ..... 53-101188  
Aug. 18, 1978 [JP] Japan ..... 53-101189

[51] Int. Cl.<sup>4</sup> ..... G01D 15/16

[52] U.S. Cl. ..... 346/1.1; 60/531;  
346/140 R; 417/52; 417/207

[58] Field of Search ..... 346/1.1, 75, 140;  
417/207-209, 52; 60/531; 165/104.29, 133

### [56] References Cited

#### U.S. PATENT DOCUMENTS

2,556,550 6/1951 Murray ..... 346/140 X  
3,087,438 4/1963 Ciesielski ..... 417/207  
3,179,042 4/1965 Naiman ..... 346/140 X  
3,478,191 11/1969 Johnson ..... 346/76 PH X  
3,683,212 8/1972 Zoltan ..... 346/140 X  
3,747,120 7/1973 Stemme ..... 346/140 X

3,790,703 2/1974 Carley ..... 346/140 X  
3,798,365 3/1974 Browning ..... 346/140 X  
3,878,519 4/1975 Eaton ..... 346/140 X  
4,050,507 9/1977 Chu ..... 165/133 X  
4,104,507 8/1978 Tisone ..... 60/531 X  
4,189,734 2/1980 Kyser ..... 346/140 X  
4,275,290 6/1981 Cielo ..... 346/140 X  
4,381,818 5/1983 Sachar ..... 165/133

### OTHER PUBLICATIONS

Holman, J. P., Heat Transfer, McGraw-Hill Book Co., New York, 1968, pp. 279-287.

Primary Examiner—Joseph W. Hartary  
Attorney, Agent, or Firm—Fitzpatrick, Cella, Harper & Scinto

### [57] ABSTRACT

A liquid jet recording process comprises the step of providing a continuous passageway defining a path through which liquid can flow. The passageway has an inlet thereto and an outlet orifice therefrom and further defines a thermal chamber portion located directly in the path intermediate the inlet and the outlet orifice and spaced upstream from the outlet orifice. Liquid is supplied to the passageway to fill it and an input signal is generated each time it is desired to produce a liquid droplet. The liquid in the thermal chamber portion is heated in response to each input signal and heating is sufficient instantaneously to cause a change of state of the liquid in the thermal portion chamber sufficient to produce a force acting on liquid filling the passageway between the thermal chamber portion and the orifice that overcomes the surface tension of liquid at the orifice and thereby projects a droplet of liquid from the orifice. After projection of the droplet of liquid and with attenuation of the change of state and the force produced thereby, the liquid chamber portion is replenished with liquid.

Apparatus for performing the liquid jet recording process is also disclosed.

9 Claims, 34 Drawing Figures

# Most Forward Cited Patent?

# 1849

as of 2008\*

# 2524

as of Today\*\*

\*H. Kretschmer & F. Havemann (Eds.):  
Proceedings of WIS 2008, Berlin Fourth  
International Conference on  
Webometrics, Informetrics and  
Scientometrics & Ninth COLLNET  
Meeting Humboldt-Universität zu  
Berlin, Institute for Library and  
Information Science (IBI)

\*\*Google Patent Search

## *Uniloc USA v. Microsoft*



**The rule of thumb – that the licensee pay a royalty rate of 25% of expected profits – is based upon general observations of commercial licensees.**

**There must be “a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation,” and that the rule of thumb does not satisfy this test.**



## *Uniloc USA v. Microsoft*



The rule of thumb (1) “fails to account for the unique relationship between the patent and the accused product;” (2) “fails to account for the unique relationship between the parties; and (3) is “essentially arbitrary.”

The rule of thumb is a “fundamentally flawed tool” for determining a baseline royalty rate.

2014 | Federal Circuit



## *VirnetX v. Cisco*

The Federal Circuit rejected similar use of the Nash Bargaining Solution for providing a starting place of a 50/50 profit split in a hypothetical negotiation.

The Nash Bargaining Solution teaches that when two persons bargain over a matter, the “solution” to the negotiating “problem” is that “each bargainer get[s] the same money profit.”

The Federal Circuit did not challenge the Nobel prize-winning theorem—only that to use the theorem, a damages expert must tie the premises of the theorem to the facts of the case.

Sept. 21, 2015 | Federal Circuit



## *Summit 6, LLC v. Samsung*

Plaintiff's expert, "Mr. Benoit[,]" cited three academic articles and the Nash Bargaining Solution to support his theory of an even split."

"On appeal, Samsung does not challenge Mr. Benoit's use of Nash Bargaining."



Sept. 16, 2011 | E.D. Va.

## *Triangle Software LLC v. Garmin*

- The earliest decision involving the forward citation analysis occurred in 2011 – eight months after the *Uniloc* decision.
- Triangle Software's damages expert determined that the patents-in-suit were of "higher quality" than other allegedly comparable patents by using a forward citation analysis.
- The Court, in a one page decision, denied the motion stating only that the "challenges pertain to the weight to be given to Triangle's damages expert's methods, rather than to admissibility."

March 15, 2012 | N.D. Cal.

## *Oracle v. Google*

- Using the forward citation analysis, Google's expert opined that a patent-in-suit was ranked 17<sup>th</sup> among a group of 22 patents.
- The expert had determined that the patent-in-suit had only 3 forward citations. The Court found that the expert failed to account for the fact that the remaining patent was re-issued twice; this resulted in a failure to count the citations to two predecessor patents that shared the same specification of the remaining patent.
- This amounted to 74 predecessor citations, which would have ranked the patent 1<sup>st</sup> among the group of 22 patents.

March 15, 2012 | N.D. Cal.

## *Oracle v. Google*

- “Patents are not cited for their claim language; instead, patents are cited if they disclose important ideas material to a later application’s patentability. That is why the citations are to the entire patent, which is largely composed of specifications and drawings, not claims. The predecessor patents to the ’104 patent had the same specifications and drawings. Not counting citations to these predecessor patents is error.”
- Notably, the Court did not throw out the forward citation analysis as unreliable – only that the expert had not performed the correct calculation.



July 14, 2015 | N.D. Cal.

## *Finjan v. Blue Coast Systems*

- **Finjan's damages expert examined the number of forward citations for each of the six patents-in-suit.**
- **Then the expert established the value of each patent relative to the other five patents by calculating a percentage based upon the relative number of forward citations for each patent, where the combined value of the six patents-in-suit totaled 100%.**
- **The forward citation percentage was then applied to the royalty base (the revenue of the accused products) to determine a reasonable royalty for each of the patents-in-suit.**

July 14, 2015 | N.D. Cal.

## *Finjan v. Blue Coast Systems*

- The Court identified that Finjan's damages expert offered no explanation as to why using the forward citation analysis was a proper measure of the value of the patents.
- “Without facts tying her analysis to the facts ... [her] reliance on a methodology in empirical economics literature has little more probative value than the ‘25 percent rule of thumb’ and Nash Bargaining Solution analyses that the Federal Circuit rejected in *Uniloc* and *VirnetX*.”

July 14, 2015 | N.D. Cal.

## *Finjan v. Blue Coast Systems*

- Further, this approach “does not account for the value of the accused features as a portion of the accused products, but rather demonstrates only the value of each patent-in-suit relative to each other.”
- The Court ultimately found that the forward citation analysis “does not demonstrate the value of the asserted patents in the marketplace in relation to other patents or potentially cover the infringing and non-infringing features of the accused products.”



THANK YOU