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2014  
Eastern District of Virginia  
Intellectual Property Year in Review

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## 2014 Eastern District of Virginia Intellectual Property Year in Review

Hunton & Williams' Intellectual Property lawyers keep pace with developments in innovation, law and policy to provide informed and comprehensive IP services. We counsel clients on patent, trademark, copyright and trade secret issues, including licensing, litigation, prosecution, procurement, opposition and cancellation proceedings, registration, enforcement, portfolio development, monetization and brand management and protection strategies. Our approach is holistic, applying technical experience and legal skill to address the specific business and strategic goals of each client.

Our attorneys and agents are resident throughout the firm's offices, and represent clients ranging from Fortune® 100 corporations to small start-ups, from diverse industries such as e-commerce, manufacturing, financial institutions, high-technology developers,

retailers, medical supplies, restaurants, telecommunications, tobacco, insurance and real estate development. Our attorneys have a comprehensive understanding of the business goals and legal challenges facing our clients and develop strategies that are tailored to each client's needs, focusing on excellence, cost-effectiveness and client service.

The practice and our attorneys have been recognized as leaders in the IP field by publications such as *Chambers USA: America's Leading Lawyers for Business*, *IP Law & Business magazine*, the *Benchmark Litigation guide*, *Legal 500*, *Super Lawyers®* and *Corporate Counsel* magazine. While we appreciate the rankings and honors bestowed upon us by outside sources, we are most proud of our consistent record of success on behalf of our clients.



## Introduction and Overview

Like other jurisdictions, the Eastern District of Virginia (E.D. Va.) saw almost half the patent cases filed in 2014 compared to 2013, likely the result of *Alice* and post-grant proceedings at the U.S. Patent & Trademark Office (“PTO”). There is no question the pendulum has swung away from the patent owner, toward the accused infringer. Patent cases are also more likely to be stayed or transferred, and more summary judgment motions are granted than in years past. By contrast, copyright cases filed in the E.D. Va. this year rose dramatically, due to many filings by the same plaintiff in the Alexandria Division. Malibu Media LLC, an adult film producer, filed 153 lawsuits against John Doe IP addresses purportedly illegally downloading adult films. The number of trademark causes of action filed in 2014 was relatively flat.

Perhaps partially due to decreased patent filings, the most recent report on the *Judicial Business of the United States Courts*, published by the Administrative Office of the U.S. Courts on behalf of the Federal Judiciary, reports that the Eastern District of Virginia is once again the fastest docket in the land, reporting a median time from filing to disposition of civil cases of 5.1 months.<sup>1</sup> Even cases ending in trial had a median time from filing to disposition of 11.9 months.<sup>2</sup> Thus, the rocket docket maintains its speed and accordingly its popularity with plaintiffs willing to litigate.

Below, we take a look at key decisions and findings resulting from intellectual property cases in the E.D. Va. in 2014. In addition to providing important case summaries, we also attempt to synthesize trends that emerged from these cases.

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<sup>1</sup> See *Judicial Business of the United States Courts Annual Report of the Director 2013* at Table C-5.

<sup>2</sup> *Id.*

# Patent

## Patent Cases

### Claim Construction

As in years past, the E.D. Va. stays true to Federal Circuit precedent when construing claims in *Markman* hearings. Based on a review of such hearings in the E.D. Va. in 2014, the Virginia courts appear to favor the patent owner's constructions. In general, the courts applied a presumption in favor of plain and ordinary meaning and refused to narrow constructions with unnecessary terms. However, in a few instances the court developed its own constructions and even those seemed to favor the patent owner.

### Plain and Ordinary Meaning

In determining the meaning of claim terms, the court starts with the claim language itself. When the claim terms are clear and easy to understand, no additional construction is needed. More often than not, the courts were willing to adopt a plain and ordinary meaning where advocated by one of the parties. In *Swimways Corp. v. Zuru, LLC*, Judge Davis reiterated that the plain and ordinary (or customary) meaning serves as an objective baseline from which to begin claim construction.<sup>3</sup> In *Promontory Interfinancial Network, LLC v. Anova Financial Corp.*, Judge Davis again adopted the plain and ordinary meaning for most of the claim terms in question because the court observed that a jury is more than capable of understanding everyday words that make up the construction.<sup>4</sup> Similarly, in *Certusview Technologies v. S&N Locating Services*, the court adopted the plain and ordinary meaning, or constructions based largely on that plain meaning, for most of the claim terms, while affirmatively rejecting the additional limitation proposed by defendants and any attempt to read in extraneous terms that would constrain the claim terms.<sup>5</sup>

Not surprisingly, a key motivating factor in adopting plain and ordinary meanings appeared to be to avoid reading additional, unwarranted limitations into the claims as proffered by the accused infringers. Generally, only where the patentee had acted as his own lexicographer, or otherwise given special meaning to the claims through intrinsic evidence, did a court construe claim terms to give them a definition beyond their ordinary meaning.

For example, in *Swimways*, Judge Davis adopted the plain and ordinary meaning — or a suitable alternative construction offered by the patent owner true to the plain and ordinary meaning — with respect to three of the four claims still in dispute

over the patent relating to a self-propelled swimming toy.<sup>6</sup> The court was unwilling to read additional limitations or alternative definitions into the claim meaning, except where the patentee had acted as his own lexicographer to define the “wave-like, whipping motion” that must be made by the figure.<sup>7</sup>

In *Certusview*, Judge Davis appeared even more reticent to import limitations that would alter the plain and ordinary meaning of the claim terms. In that case, the court adopted the plain and ordinary meaning — or a similar, suitable alternative — for seven of the ten claim terms relating to electronic documentation of a “locate operation” designed to discover utilities and other underground items prior to excavation.<sup>8</sup> For the first five claims, the court rejected the accused infringers’ attempt to narrow the plain and ordinary meaning of claim terms by requiring the inclusion of a mobile user device to perform many of the recited functions, and by requiring such functionality to occur in the area to be excavated. Because nothing in the claim language, the specification or any extrinsic evidence required such a limitation, and in many cases expressly contemplated other potential embodiments, the court adopted the broader, proper plain and ordinary meaning that could include those other embodiments.<sup>9</sup> Only in a few instances did the court find that the patent owner had expressly defined “the outer limits of the claim term” through the specification to require a narrower definition.<sup>10</sup>

Similarly, in *Promontory Interfinancial Network*, Judge Davis again adopted the plain and ordinary meaning for all four of the claim terms where that meaning was advanced by the patent owner.<sup>11</sup> In this case involving competing patents relating to financial transaction systems matching depositors with banks, the court generally sided with the patent owner’s proposed constructions. For most of the claim terms, the court declined to equate claim terms that were somewhat similar but clearly had different meanings when considered in the context of the claim language, the specification and common sense usage.<sup>12</sup> The court rejected proposed narrowing constructions where there was no clear or express disavowal of claim scope.<sup>13</sup>

### Specification

The E.D. Va. defers to express definitions set forth by the patent owner in the specification, but the court will not import limitations from the preferred embodiments absent a clear intent to so limit the scope of the invention.<sup>14</sup> In *Certusview*, for example, the

<sup>3</sup> See *Swimways Corp. v. Zuru, LLC*, Civ. No. 2:13-cv-334, 2014 US Dist. LEXIS 31571, at \*9-10 (E.D. Va. Mar. 10, 2014, M.S. Davis).

<sup>4</sup> *Promontory Interfinancial Network, LLC v. Anova Financial Corp.*, Civ. No. 2:13-cv-243, 2014 U.S. Dist. LEXIS 9745, at \*31 (E.D. Va. Jan. 24, 2014, M.S. Davis); see also *Certusview Tech., LLC v. S&N Locating Services, LLC*, Civ. No. 2:13-cv-346, 2014 U.S. Dist. LEXIS 69861, at \*40-41 (E.D. Va. May 15, 2014, M.S. Davis) (“the Court agrees with Plaintiff that the plain and ordinary meaning is appropriate for the disputed term, as claim construction regarding this term ‘involves little more than the application of the widely accepted meaning of commonly understood words.’”) (citing *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 805 (Fed. Cir. 2007) (quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc)).

<sup>5</sup> *Certusview*, 2014 U.S. Dist. LEXIS 69861, at \*33-35, 41.

<sup>6</sup> See *Swimways*, 2014 U.S. Dist. LEXIS 31571, at \*2-3.

<sup>7</sup> *Id.* at \*4.

<sup>8</sup> See *Certusview*, 2014 U.S. Dist. LEXIS 69861, at \*78.

<sup>9</sup> *Id.* at \*79-80.

<sup>10</sup> *Id.* at \*80.

<sup>11</sup> See *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*31.

<sup>12</sup> See, e.g., *id.* at \*8-9.

<sup>13</sup> *Id.* at \*8.

<sup>14</sup> Compare *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*16 (“Although such definition is not a model of clarity, it was authored and relied upon by the patentee in submitting the patent application, was reviewed by the PTO in advance of the patent’s issuance, and is consistent with the remainder of the specification and the claim terms.”) with *Id.* at \*25 (“Across the numerous embodiments of Promontory’s nine patents, the Court has no doubt that many, if

court refused to read into its constructions examples from the specification.<sup>15</sup> Because the examples did not appear to define the claim terms but were merely exemplary, the court found that it was not proper to include examples in the definitions of claim terms.<sup>16</sup> In fact, the court looked beyond the embodiments cited by the accused infringer, which required certain functionality to occur on or at the mobile user device, to note that the specification also expressly contemplated some functionality occurring at a central server or other device.

In *TomTom, Inc. v. AOT Systems GMBH*,<sup>17</sup> on the other hand, the court found that the specification had explicitly distinguished a “destination tracking system” from a “traffic control system” in a patent pertaining to personal navigation technologies using GPS systems. Judge Ellis relied on that distinction to include a limitation on the patented invention requiring a mobile unit to actually use the data it collects to generate information about a route.<sup>18</sup>

### Prosecution History

Similar to express definitions in the specification, a patent owner’s statements made during prosecution also can serve to narrow the claim scope when those statements amount to a clear disavowal of claim scope. In making this determination, the patent owner’s statements must be considered in their proper context rather than in a vacuum.<sup>19</sup>

In *Swimways*, the patentee made certain statements during prosecution that characterized the “flexible” nature of its invention. Nothing in that characterization, however, was inconsistent with or otherwise modified the plain and ordinary meaning of the terms. In fact, the characterization was made specifically to disabuse the examiner of an overly broad interpretation that would have changed the ordinary meaning. Accordingly, the court found no disavowal of scope by the patentee and declined to allow the prosecution history to modify the plain meaning of the claim terms.<sup>20</sup>

Moreover, a patent owner’s statements should be focused on the specific features that are sought to be incorporated into the claim construction in order to qualify a disclaimer. For example, the court in *Promontory* found that statements during prosecution history regarding the foreseeable benefits to banks and investors alike arising from pre-deposit pooling, without those benefits being referenced in the claims, did not qualify as an express relinquishment of claim scope to require all deposits to “earn a higher yield.”<sup>21</sup> In rejecting this position, the court noted that there is a “heavy presumption that claim terms carry their full ordinary and customary meaning,” and a mere explanation of potential benefits does not equate with clear disavowal.<sup>22</sup>

A patentee can make a clear disavowal of scope, however, by explicitly characterizing a particular aspect of his invention to overcome prior art. In *TomTom*, the patent owner argued that the prior art required an initial database of road data be loaded before additional data acquisition, whereas the patented invention could acquire and generate data without any such initial database. In this case, the argument served to narrow the scope of the claim.<sup>23</sup> The court noted that such representations made during the prosecution are part of the public record that competitors are entitled to rely on, and are therefore binding during claim construction.<sup>24</sup>

### Indefiniteness

As long as the specification provides sufficient notice to one skilled in the art of the claim scope, the Virginia courts generally will refuse to construe terms as indefinite and instead construe the terms in favor of the patent owner.

In *TomTom, Inc. v. AOT Systems GMBH*, the court found that because the meaning of the claim is understandable by persons of ordinary skill in the art when read in light of the specification, the claim is not fatally indefinite.<sup>25</sup> If the meaning of the claim is discernible, “even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree,” a claim should not be held invalid on indefiniteness grounds.<sup>26</sup> Similarly, in *Promontory*, the court rejected several arguments by the plaintiff that the claim terms themselves were indefinite, or that the defendant’s proposed construction would render the claim terms indefinite.<sup>27</sup>

### Transfer Motions

Though the E.D. Va. is a forum beloved by plaintiffs, it is not available to plaintiffs with only tangential connections to the venue, and properly made transfer motions continue to be regularly granted.

In *Capital Security Systems, Inc. v. ABNB Federal Credit Union and Capital Security Systems, Inc. v. Capital One, N.A.*, the defendants sought to stay their cases and, in the alternative, to transfer their cases to the venue of a co-pending case brought by the plaintiff against the manufacturer of some of the accused products in the Northern District of Georgia (the “manufacturer suit”).<sup>28</sup> The patents-at-issue were directed to envelope-free check deposits at ATMs. The defendants were banks that used no-envelope ATMs, while the manufacturer suit involved the manufacturer of the no-envelope ATMs that were purchased by the defendants in the *Capital Security Systems* cases. Although the manufacturer suit was filed after this case, Judge Morgan granted the motion to transfer based on the “customer suit exception.”

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not most, embodiments would utilize an ‘automatic’ system, operated on computers, that is highly effective at allocating large deposits in a manner that all but guarantees that they are fully insured. That said, Anova has failed to demonstrate that the patents require such steps or results in all embodiments.”)

<sup>15</sup> See *Certusview*, 2014 U.S. Dist. LEXIS 69861, at \* 79 (It is well-settled that the court must “avoid importing limitations from the specification into the claims.”) (quoting *Phillips*, 415 F.3d at 1323).

<sup>16</sup> *Id.* at \*80.

<sup>17</sup> *TomTom, Inc. v. AOT Systems GMBH*, Civ. No. 1:12-cv-528, 2014 U.S. Dist. LEXIS 24632, at \*26 (E.D. Va. Feb. 25, 2014, T.S. Ellis, III).

<sup>18</sup> *Id.* at \*26-27.

<sup>19</sup> See *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*22-23 (the patent owner’s statement to the PTO, when considered in context, does not constitute a clear and unmistakable disavowal of claim scope. Accordingly, the court adopted the broad definition of “processor” set forth in the specification.).

<sup>20</sup> See *Swimways*, 2014 U.S. Dist. LEXIS 31571, at \*21-22.

<sup>21</sup> See *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*66.

<sup>22</sup> *Id.*, quoting *Epistar Corp. v. International Trade Comm’n*, 566 F.3d 1321, 1334 (Fed. Cir. 2009).

<sup>23</sup> See *TomTom*, 2014 U.S. Dist. LEXIS 24632, at \*28. The patentee also argued a narrow definition of “section data” during prosecution to distinguish his invention over the same prior art, thereby requiring a narrower construction by the court. *Id.* at \*27.

<sup>24</sup> *Id.* at \*29 (citing *Hockerson-Halberstadt, Inc. v. Avia Group Int’l, Inc.*, 222 F.3d 951, 957 (Fed. Cir. 2000)).

<sup>25</sup> See *TomTom*, 2014 US Dist. LEXIS 24632, at \*40 (“[A] claim is not indefinite merely because it poses a difficult issue of claim construction.”) (quoting *Bancorp Servs., LLC v. Hartford Life Ins. Co.*, 359 F.3d 1367, 1371 (Fed. Cir. 2004)).

<sup>26</sup> *Id.*, quoting *Exxon Research & Eng’g Co. v. United States*, 265 F.3d 1371, 1375 (Fed. Cir. 2001). See also *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*58-59, (Even though the proposed construction did not provide a narrowly delineated definition, the court found that one skilled in the art would have understood the terms as used in the claims.).

<sup>27</sup> See, e.g., *Promontory*, 2014 U.S. Dist. LEXIS 9745, at \*58 (“Although *Promontory* appears correct that Anova’s proposed construction does not provide a narrowly delineated definition such that any investment can be instantly classified as “stable” or “unstable,” such fact does not mean that one skilled in the art would not understand such term as used in the claims.”)

<sup>28</sup> *Capital Security Systems, Inc. v. ABNB Federal Credit Union and Capital Security Systems, Inc. v. Capital One, N.A.*, (Civ. Nos. 2:14-cv-265 and 2:14-cv-166, consolidated as 2014 U.S. Dist. LEXIS 148783) (E.D. Va. Oct. 17, 2014, H.C. Morgan, Jr.)



Traditionally, when evaluating motions to stay and/or transfer in view of a related case, courts give preference to the first-filed case under the “first filed-rule.” One exception to this is the customer suit exception, which permits a court in patent cases to give preference to a subsequently filed suit involving the manufacturer of the accused products.<sup>29</sup> In determining whether to apply the customer suit exception to stay or transfer the earlier-filed customer suit, the key question is whether the manufacturer’s case has the potential to resolve the “major issues” (e.g., validity, enforceability and infringement) concerning the claims against the customer, and whether applying the customer suit exception would promote efficiency and judicial economy.<sup>30</sup> Here, the bank defendants in the *Capital Security Systems* cases argued that because their cases involved the same patents and same accused products (no-envelope ATMs) as the manufacturer suit, the major issues were identical, and the court should either stay their cases pending resolution of the manufacturer suit, or transfer their cases to the venue of the manufacturer suit.

The plaintiff raised a number of arguments as to why the customer suit exception should not apply to these facts, but Judge Morgan rejected them all. First, Judge Morgan found that while the issues of damages and willfulness would be different in the customer suits versus the manufacturer suit, these were not “major issues” and could easily be dealt with after the manufacturer suit was resolved. Next, the plaintiff argued that the bank defendants made substantial modifications to the accused ATMs by installing third-party software platforms on the ATMs, but this argument was controverted by declarations from the customer defendants and rejected by the court. Finally, the plaintiff argued that the customer suits would be significantly delayed given the much longer average time to trial in the N.D. Ga. versus the E.D. Va.—a difference of nearly 12 months. Judge Morgan found that “docket conditions” were only a “minor consideration” and did not overcome the “balance of other factors” weighing in favor of permitting the manufacturer suit to predominate.

Once Judge Morgan found that the manufacturer suit should predominate under the customer suit exception, he determined that the principles of efficiency and judicial economy were best served by a transfer instead of a stay. Because the accused products were designed and manufactured in the Northern District of Georgia, this was the “nucleus of operative facts,” favoring transfer. By contrast, Judge Morgan noted that the E.D. Va. was neither the plaintiff’s home forum nor the nucleus of operative facts, and thus he accorded it less weight.<sup>31</sup> Judge Morgan also found that transfer minimized the possibility

of inconsistent judgments. Finally, Judge Morgan rejected plaintiff’s argument that one of the customer defendants was not subject to personal jurisdiction in Georgia. Judge Morgan noted that the defendant’s purchase of 13 allegedly infringing ATMs from the manufacturer, as well as its ongoing business relationship with the manufacturer, satisfied both the Georgia long-arm statute and the due process clause minimum contacts analysis. Therefore, Judge Morgan ordered the customer cases transferred to the Northern District of Georgia and denied the motions to stay.

In *Corning Optical Communications Wireless Ltd. v. Solid, Inc.*, the defendants moved to transfer venue to the Northern District of California, the principle place of business for one of the defendants. The patents-in-suit covered Distributed Antenna Systems (DAS) products.<sup>32</sup> The plaintiff, an Israeli-based company, manufactured DAS products, while the defendants included a Korea-based supplier and a California-based distributor of DAS products.

After determining that the suit could have been brought in the transferee district, Judge Hudson went on to evaluate the four transfer factors: (1) the plaintiff’s choice of forum; (2) convenience of the parties; (3) witness convenience and access to sources of proof; and (4) the interests of justice.<sup>33</sup> The plaintiff raised a number of arguments as to why its choice of forum should be given deference, but Judge Hudson rejected all of them. First, the plaintiff argued that its main distributor of its DAS products was based in Herndon, Virginia, making that its home forum. Judge Hudson disagreed, noted that plaintiff’s distributor was neither a party to the case, nor the owner of the patents-at-issue.<sup>34</sup> None of the parties were located in or near the E.D. Va. Judge Hudson noted that a significant portion of the alleged infringing activity occurred in California, given that the allegedly infringing components were shipped to the distributor defendant’s facilities.

Next, plaintiff argued that many of the infringing DAS products were ultimately tested and approved by a third party in Reston, Virginia. However, Judge Hudson found that the independent choice of a non-party did not constitute a substantial connection between the cause of action and the district. The testing of DAS products was unrelated to the making, use, offer for sale, sale and/or import by the defendants of the allegedly infringing DAS products. Finally, Judge Hudson noted that whether the defendants sold the infringing DAS products in the E.D. Va. was not enough to establish a substantial connection with the forum, given that the sales took place all over the country and were not concentrated in the E.D. Va. Accordingly, Judge Hudson determined that the plaintiff’s choice of forum was not entitled to any deference.

Because one of the defendants operated out of California, Judge Hudson determined that the location of parties, witnesses and sources of proof favored the N.D. Ca., given that the bulk of the relevant evidence in a patent infringement case usually comes from the accused infringer.<sup>35</sup> Finally, Judge Hudson determined that the interests of justice did not tip the scales in the plaintiff’s favor, as the N.D. Ca. was the only district with

<sup>29</sup> *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459 (Fed. Cir. 1990).

<sup>30</sup> *Spread Spectrum Screening LLC v. Eastman Kodak Co.*, 657 F.3d 1349 (Fed. Cir. 2011).

<sup>31</sup> *Samsung Elecs. Co. v. Rambus, Inc.*, 386 F. Supp. 2d 708, 716 (E.D. Va. 2005).

<sup>32</sup> *Corning Optical Communications Wireless Ltd. v. Solid, Inc.*, Civ. No. 3:14-cv-367, 2014 U.S. Dist. LEXIS 114876, (E.D. Va. Aug. 18, 2014, H.E. Hudson)

<sup>33</sup> *Koh v. Microtek Int'l, Inc.*, 250 F.Supp.2d 627 (E.D. Va. 2003).

<sup>34</sup> *Saint-Gobain Calmar v. Nat'l Prods. Corp.*, 230 F.Supp.2d 655 (E.D. Pa. 2002).

<sup>35</sup> *Jaffe v. LSI Corp.*, 874 F.Supp.2d 499 (E.D. Va. 2012).

a strong connection to the parties, and any advantages in docket conditions in the E.D. Va. was entitled to little weight. Accordingly, Judge Hudson ordered the case transferred to the Northern District of California.

In *Global Tel\*Link Corp. v. Securus Tech., Inc.*,<sup>36</sup> Judge Spencer granted defendant's motion to transfer the case to the Northern District of Texas. While Judge Spencer determined that the E.D. Va. was the plaintiff's home forum, the other transfer factors strongly weighed in favor of a transfer.

After determining that the action could have been brought in the transferee district, Judge Spencer moved to the four factors for evaluating a transfer motion: (1) plaintiff's choice of forum; (2) convenience of the parties; (3) convenience for witnesses and access to evidence; and (4) interests of justice. Addressing the first factor, Judge Spencer determined that the E.D. Va. was the plaintiff's principal place of business, given that multiple high-level executives lived, conducted meetings, planned business and executed contracts there. The E.D. Va. acted as the plaintiff's nerve center, and thus Judge Spencer determined that the E.D. Va. was the plaintiff's home forum. However, Judge Spencer went on to find that despite this fact, there was only a weak connection between the E.D. Va. and the plaintiff's cause of action, giving this factor little weight.<sup>37</sup> While the plaintiff sold the disputed technology in the E.D. Va., the sales activity was no different than in other districts, and more importantly, the technology was not developed in the E.D. Va. Accordingly, Judge Spencer determined that plaintiff's choice of forum was entitled to "less deference than usual," and thus "a great weight tipping the scales against transfer has been removed."<sup>38</sup>

Judge Spencer then determined that the remaining transfer factors weighed in favor of a transfer. The defendant was headquartered in the Northern District of Texas and developed the allegedly infringing technology there. The majority of the documentary evidence relevant to the defendant's alleged infringement was based there. By contrast, while transfer would be inconvenient for the plaintiff, Judge Spencer determined that the ease of access to witnesses and records related to infringement in the N.D. Tex. strongly favored transfer. Finally, in evaluating the interests of justice prong, Judge Spencer rejected plaintiff's argument that the relative docket speed of the E.D. Va. disfavored transfer, noting that this was a minor consideration given the lawsuit's minimal connections to this district. Additionally, the defendant had a patent infringement case pending against the plaintiff in the N.D. Tex. over several patents directed to the same technology as the patents-at-issue here. Thus, Judge Spencer determined that judicial economy would be best achieved by a transfer to the district where the court was already familiar with the underlying technology. Accordingly, Judge Spencer determined that the convenience of parties and interests of justice factor weighed strongly in favor of a transfer, while the choice of forum and non-party witness convenience weighed only slightly in favor of the E.D. Va.

## Dispositive Motions

### Twombly-Iqbal

In 2014, the E.D. Va. called into question the sufficiency of a patent infringement pleading modeled after Form 18 of the Appendix to the Federal Rules of Civil Procedure. Previously, the

E.D. Va. held that in order to sufficiently plead infringement of a patent, the "patentee" need only plead facts sufficient to place the alleged infringer on notice as to what he must defend.<sup>39</sup> Moreover, the E.D. Va. courts followed the Federal Circuit's holding that "to the extent the parties argue that *Twombly* and its progeny conflict with the forms and create differing pleading requirements, the forms control," and, therefore, the sufficiency of a claim for "direct infringement is to be measured by the specificity required by Form 18."<sup>40</sup>

However, according to Judge Payne in *Macronix Int'l Co. v. Spansion Inc.*, "[t]he threshold problem with *McZeal* and *Bill of Lading* is that they accord no force to either the text or teaching of *Twombly* and *Iqbal* which require more to plead a legally sufficient claim than is set out in Form 18."<sup>41</sup> Consequently, under Judge Payne's interpretation, "the viability of the form must be measured against the new standard [introduced by *Twombly* and *Iqbal*], even if the effect of doing so is to nullify the form."<sup>42</sup> In finding that the pleadings presented in Form 18 did not satisfy the requirements of *Twombly* and *Iqbal*, Judge Payne noted that "it is high time that counsel in patent cases do all of that work before filing a complaint," to avoid weak or baseless claims and "protect defendants from the need to prepare defenses for the many claims that inevitably fall by the way side in patent cases."<sup>43</sup>

Although Judge Payne concluded that the complaint fails the test of *Twombly* and *Iqbal*, the plaintiff was given leave to amend the complaint and the case was then transferred out of the E.D. Va. Moreover, there was no other discussion of this pleading standard in the E.D. Va. throughout the year. Hopefully 2015 will shed additional light on this interpretation of pleading standards with respect to Form 18 in the E.D. Va.

### Non-Statutory Subject Matter: Applying Alice

In addition to new rulings on pleading standards, patent law saw sweeping changes with respect to the application of 35 U.S.C. § 101 in light of the *Alice* decision.<sup>44</sup> *Alice* provided a two-step process for determining whether a claim was directed to patent-eligible subject matter.<sup>45</sup> First, one must "determine whether the claims at issue are directed to a patent-ineligible concept." *Id.* If so, a court "search[es] for an inventive concept — i.e., an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself."<sup>46</sup> Among other concerns, *Alice* illuminated the concern of preemption in patenting an abstract idea. For example, because "[l]aws of nature, natural phenomena, and abstract ideas are the basic tools of scientific and technological work . . . [m]onopolization of those tools through the grant of a patent might tend to impede innovation more than it would tend to promote it, thereby thwarting the primary object of the patent laws."<sup>47</sup>

<sup>36</sup> *Global Tel\*Link Corp. v. Securus Tech., Inc.*, Civ. No. 3:13-cv-713, 2014 U.S. Dist. LEXIS 28773 (E.D. Va. March 5, 2014, J.R. Spencer).

<sup>37</sup> *Koh v. Microtek Int'l, Inc.* 250 F.Supp.2d 627 (E.D. Va. 2003).

<sup>38</sup> *Bluestone Innovations, LLC v. LG Elecs., Inc.*, 940 F.Supp.2d 310, 315-316 (E.D. Va. 2013).

<sup>39</sup> *Virginia Innovation Sciences, Inc. v. Samsung Electronics*, Civ. No. 2:12-cv-548, 2013 U.S. Dist. LEXIS 163738 at \*3 (E.D. Va. November 15, 2013, M.S. Davis) (citing *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1357 (Fed. Cir. 2007)).

<sup>40</sup> *In re Bill of Lading Transmission & Processing Sys. Patent Litigation*, 681 F.3d 1323, 1334 (Fed. Cir. 2012).

<sup>41</sup> *Macronix Int'l Co. v. Spansion Inc.*, Civ. No. 3:13-cv-679, 2014 U.S. Dist. LEXIS 31465, \*\*1 (E.D. Va. March 10, 2014, R.E. Payne).

<sup>42</sup> *Macronix*, 2014 U.S. Dist. LEXIS 31465 at \*13.

<sup>43</sup> *Id.* at \*17.

<sup>44</sup> *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

<sup>45</sup> *See Alice*, 134 S.Ct. at 2355.

<sup>46</sup> *Alice*, 134 S.Ct. at 2355 (internal quotation marks omitted).

<sup>47</sup> *Alice*, 134 S.Ct. at 2354 (internal quotation marks omitted).

The E.D. Va. was no stranger to these changes and concerns. In fact, the E.D. Va. granted a motion for judgment on the pleadings and a motion for summary judgment based on patent-ineligible subject matter under § 101.<sup>48</sup> The E.D. Va. has even acknowledged that “a court may invalidate patent claims directed to non-eligible subject matter on the pleadings,” because “Section 101 patent eligibility is a question of law.”<sup>49</sup>

In addition to these findings of patent ineligible material by the E.D. Va., the E.D. Va. also granted a number of motions for summary judgment based on invalidity under anticipation or obviousness. As an overall trend in 2014, the E.D. Va. appeared to find in favor of defendants more often than not in dispositive motions when it came to invalidity.<sup>50</sup>

## Post Verdict Motions and Remedies

### The Colorable Variation Doctrine

In *I/P Engine, Inc. v. AOL Inc.*, the court discussed the colorable variation doctrine in which a “party seeking to include a new product version in post-verdict relief must prove that the new version is not more than colorably different from the product found to infringe, and that the newly accused product actually infringes.”<sup>51</sup> The court explained that the defendants must have modified the new product in such a way that “affects” the plaintiff’s theory of infringement with respect to the old products.<sup>52</sup> “[T]he colorable-differences standard focuses on how the patentee in fact proved infringement.”<sup>53</sup> Finding no such colorable differences, the court found that the plaintiff was entitled to ongoing royalties for use of the modified product.

In a related opinion handed down one week later, the same court further explained that “[a] post-verdict royalty is fundamentally different from a pre-verdict royalty,” because “prior to judgment, liability for infringement, as well as the validity of the patent, is uncertain, and damages are determined in the context of that uncertainty.”<sup>54</sup> Once a judgment of validity and infringement has been entered, however, the calculus is markedly different because different economic factors are involved.<sup>55</sup> The district court noted that courts frequently find that a post-verdict ongoing royalty rate should be higher than that found at trial because “a jury verdict of infringement reduces the bargaining power of the infringer in a hypothetical negotiation *vis-à-vis* the patentee.”<sup>56</sup> The post-verdict ongoing

royalty rate is generally increased even further because “[f]ollowing a jury verdict and entry of judgment of infringement and no [in]validity, a defendant’s continued infringement will be willful absent very unusual circumstances.”<sup>57</sup> Accordingly, the district court found that the royalty rate should be increased by an additional 40 percent to account for the fact that the defendants are now willful infringers.<sup>58</sup>

## Motions to Stay

This year, the E.D. Va. addressed two AIA Section 18 motions to stay, pending PTO review of a covered business method patent. Section 18 of the AIA provides the relevant standard for determining if a stay is warranted when a party has filed for PTO review of a covered business method patent.<sup>59</sup> Congress intended to place a “thumb on the scales in favor of a stay.”<sup>60</sup> In fact, the legislative history states that a stay “should only be denied in extremely rare instances.”<sup>61</sup> However, courts in the Eastern District of Virginia have consistently noted that the stay is not automatic.<sup>62</sup>

In *Segin Sys. v. Stewart Title Guar. Co.*, Judge Jackson initially denied a request for a stay filed after defendants petitioned the PTO for a review of the patent at issue, but before the PTO initiated review. While recognizing that the Section 18 test favors the granting of stays, the court found “uncertainty surrounding whether or not the PTAB will review the disputed patent.”<sup>63</sup> However, once the PTAB granted review, the defendants’ renewed motion to stay was granted.<sup>64</sup> But while the court stayed the patent counts, it refused to stay the plaintiff’s breach of contract claims.<sup>65</sup> However, in *buySAFE*, Judge Hudson held that a partial stay was warranted even before the PTAB determined whether or not to review the patent.<sup>66</sup>

Notably, in an unrelated decision on a motion for reconsideration of a summary judgment ruling, Judge Davis admonished counsel for failing to advise the court that an IPR petition had been filed.<sup>67</sup> Thus, even if no party seeks to stay proceedings, it is advisable to keep the court informed as to any IPR proceedings.

<sup>48</sup> See *Amdocs Ltd. v. Openet Telecom, Inc.*, Civ. No. 1:10-cv-910, 2014 U.S. Dist. LEXIS 152447 (E.D. Va. October 24, 2014, L. M. Brinkema); *Intellectual Ventures LLC v. Capital One Financial Corp.*, Civ. No. 1:13-cv-740, 2014 U.S. Dist. LEXIS 53001 (E.D. Va. April 16, 2014, A. J. Trenga).

<sup>49</sup> *Amdocs*, 2014 U.S. Dist. LEXIS 152447 at \*3 (citing *In re Roslin Institute (Edinburgh)*, 750 F.3d 1333, 1335 (Fed. Cir. 2014); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014)).

<sup>50</sup> See e.g., *Delorme Publishing Co., Inc. v. BriarTek IP, Inc.*, Civ. No. 1:13-cv-640, 2014 U.S. Dist. LEXIS 162197 (E.D. Va. November 19, 2014, L. M. Brinkema); *G.D. Searle LLC v. Lupin Pharma, Inc.*, Civ. No. 2:13-cv-121, 2014 U.S. Dist. LEXIS 133900 (E.D. Va. March 12, 2014, A. L. Wright Allen); *Swimways Corp. v. Zuru, LLC*, Civ. No. 2:13-cv-334, 2014 U.S. Dist. LEXIS 98092 (E.D. Va. July 18, 2014, M. S. Davis).

<sup>51</sup> *I/P Engine, Inc. v. AOL Inc.*, et al., Civ. No. 2:11-cv-512, 2014 U.S. Dist. LEXIS 7876, at \*11 (E.D. Va. January 21, 2014, R.A. Jackson).

<sup>52</sup> See *id.* at 15.

<sup>53</sup> *Id.* at 16.

<sup>54</sup> *I/P Engine, Inc. v. AOL Inc., et al.*, Civ. No. 2:11-cv-512, 2014 U.S. Dist. LEXIS 10533, at \*11 (E.D. Va. January 28, 2014, R.A. Jackson) (quoting *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 (Fed. Cir. 2008) and *Boston Scientific Corp. v. Cordis Corp.*, 838 F. Supp. 2d 259, 275 (D. Del. 2012)).

<sup>55</sup> *Id.*

<sup>56</sup> *Id.* at \*12.

<sup>57</sup> *Id.* at \*16 (quoting *Affinity Labs of Tex., LLC v. BMW N. Am., LLC*, 783 F. Supp. 2d 891, 899 (E.D. Tex. 2011)).

<sup>58</sup> *Id.* at \*17.

<sup>59</sup> Leahy-Smith America Invents Act, PL 112-29, September 16, 2011, 125 Stat 284 (2011).

<sup>60</sup> See, e.g., *Segin Sys. v. Stewart Title Guar. Co.*, Civ. No. 2:13-cv-190, 2014 U.S. Dist. LEXIS 45595, \*7 (E.D. Va. Mar. 31, 2014, R.A. Jackson) (citing *Versata Software, Inc. v. Volusion, Inc.*, No. A-12-CA-893, 2013 U.S. Dist. LEXIS 182842, at \*2 (W.D. Tex. June 20, 2013)).

<sup>61</sup> 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

<sup>62</sup> See, e.g., *Segin Sys.*, 2014 U.S. Dist. LEXIS 45595 at \*8 (“[A]lthough it easily could have done so, Congress did not provide for an automatic stay in the statutory text. And the statute does not, for example, use language that directs courts to grant a stay unless a specific condition or conditions were satisfied. The Court therefore declines to rely on statements in the legislative history emphasized by Defendants that state that a stay should almost always be granted, as such sentiments are not reflected in the statutory text.”); *buySAFE, Inc. v. Google, Inc.*, No. 3:13-cv-781, 2014 U.S. Dist. LEXIS 83139, at \*5 (E.D. Va. June 16, 2014, H.E. Hudson) (“Congress could have created an automatic stay of litigation pending CBM Review, but did not”) (citing *Segin Sys. v. Stewart Title Guar. Co.*, 2014 U.S. Dist. LEXIS 45595 (E.D. Va. Mar. 31, 2014)).

<sup>63</sup> See *Segin*, 2014 U.S. Dist. LEXIS 45595 at \*22 (“Defendants’ Motion to Stay is simply premature.”).

<sup>64</sup> See *Segin Sys., Inc. v. Stewart Title Guar. Co.*, Civ. No. 2:13-cv-190, 2014 U.S. Dist. LEXIS 100563 (E.D. Va. July 23, 2014, R.A. Jackson).

<sup>65</sup> See *Segin Sys., Inc. v. Stewart Title Guar. Co.*, Civ. No. 2:13-cv-190, 2014 U.S. Dist. LEXIS 109968 (E.D. Va. Aug. 7, 2014, R.A. Jackson).

<sup>66</sup> The *buySAFE* court granted a stay of the patent claims, but did not stay discovery or settlement discussions. See *buySAFE, Inc.*, 2014 U.S. Dist. LEXIS 83139, at \*9.

<sup>67</sup> *Virginia Innovation Sciences, Inc. v. Samsung Electronics Co., Ltd.*, Civ. No. 2:12-cv-548, 983 F. Supp.2d 713, 760 (E.D. Va. May 2, 2014, M.S. Davis) (“By not notifying the Court, counsel have, at the very least, failed to comply with their general duty of candor and good faith to this Court because the IPR proceeding was clearly a ‘development which may conceivably affect the outcome of the litigation.’ . . .”).

## Patent Miscellaneous

### E.D. Va. Does Not Have Subject Matter Jurisdiction over USPTO's Decision to Institute IPR Proceedings

In 2014 the Eastern District of Virginia considered two cases that posited whether subject matter jurisdiction exists for a judicial review by a district court of USPTO decisions regarding *inter partes* review (“IPR”) proceedings. Although the cases assessed different statutes involving IPR proceedings, in both instances the court determined that subject matter jurisdiction was lacking and dismissed the cases.

In *Dominion Dealer Soln., LLC v. Lee*,<sup>68</sup> the plaintiff filed an action appealing several USPTO decisions which denied IPR proceedings of five patents. The plaintiff alleged that these decisions were arbitrary, capricious, an abuse of discretion and contrary to law, in violation of 5 U.S.C. §706(2)(A), and in excess of statutory authority, in violation of 5 U.S.C. §706(2)(C). The court’s analysis focused on whether 35 U.S.C. §314(d) precludes judicial review of USPTO decisions whether to institute IPR proceedings.<sup>69</sup> Section 314(d) of the America Invents Act states that “[t]he determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable.” In interpreting this statute, the court determined that the clear express language of the statute, the structure of the statutory scheme, its objectives, and its legislative history indicate that 35 U.S.C. §314(d) precludes any judicial review of USPTO decisions whether to institute IPR proceedings.<sup>70</sup> The court granted defendant’s motion to dismiss the case.

In *Synopsys, Inc. v. Lee*,<sup>71</sup> the plaintiff filed a declaratory judgment action pursuant to the Administrative Procedure Act (“APA”). The plaintiff had filed an *inter partes* petition challenging the validity of a patent.<sup>72</sup> The USPTO granted plaintiff’s petition for *inter partes* review of a patent but only as to some claims of the patent.<sup>73</sup> Plaintiff claimed that the USPTO’s “Director exceeded the statutory authority prescribed by Congress in 35 U.S.C. §314(a), §318(a) when she promulgated 37 C.F.R. §42.108 which authorizes the Board to institute *inter partes* review on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.”<sup>74</sup> The court held that the plain language and the legislative history of those statutes shows by clear and convincing evidence that Congress intended to vest the Federal Circuit with exclusive jurisdiction over judicial review of *inter partes* proceedings under the APA.<sup>75</sup> The court granted defendant’s motion to dismiss the case.

### Consent Judgment Is Not Final Decision Under 35 U.S.C. §317(b)

In *Automated Merchandising Systems, Inc. v. Rea*,<sup>76</sup> the court determined that a consent judgment that dismissed all claims with prejudice and only referenced the parties’ stipulation that a patent is valid does not constitute a “final decision that the alleged infringer did not sustain its burden that the patents were



invalid” as required by 35 U.S.C. §317(b). Plaintiff sued the USPTO, seeking an order to compel the USPTO to terminate four *inter partes* reexaminations (“IPR”) of its patents based on a consent judgment filed in a litigation. The USPTO refused to terminate the IPR proceedings because they determined that the consent judgment failed to satisfy the requirements of 35 U.S.C. §317(b).<sup>77</sup> The standard for setting aside an agency’s decision is high as the court would have to find “that the agency action is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.”<sup>78</sup> The consent judgment was entered as part of a settlement of a litigation in which the parties stipulated that the patents were valid.<sup>79</sup> The court determined that the consent judgment ended the litigation before either party could prove their claims and defenses, thus there was no final decision that the alleged infringer did not sustain its burden that the patents were invalid as required by 35 U.S.C. §317(b).<sup>80</sup> Since the court found the USPTO’s interpretation of the statute to be reasonable it deferred to this interpretation and granted the motion to dismiss the action.

### Divisional Patents Are Not Entitled to PTA That Arises In a Parent Application

In *Mohsenzadeh v. Lee*,<sup>81</sup> the court held that under 35 U.S.C. §154 divisional patents are not entitled to the patent term adjustment (“PTA”) that arose in the parent patent’s application processing due to a delay by the USPTO. Plaintiff filed a patent application in July 2001 (the “Parent Application”) which received a restriction requirement in September 2006. The restriction requirement divided the application’s claims into four groups. When the Parent Application was issued as a patent it received a PTA of 1,476 days due to the delay in receiving the restriction requirement in accordance with 35 U.S.C. §154. Upon allowance of the Parent Application, Plaintiff filed several divisional patent applications containing the non-elected claim groups from the Parent Application. When the divisional applications issued into patents, the Plaintiff claimed that these patents were entitled to the same PTA of 1,476 days as the Parent Application due to the delayed restriction requirement. The USPTO denied this adjustment under its interpretation of 35 U.S.C. §154 which applies PTA to only one application. The standard for setting aside an agency’s decision is high as the court would have to find “that the agency action is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.”<sup>82</sup> The court held that the language of the statute was clear that PTA applies to only one patent application and not the family of applications arising from a

<sup>68</sup> *Dominion Dealer Soln., LLC v. Lee*, Civ. No. 3:13-cv-699, 2014 U.S. Dist. LEXIS 54350 (E.D. Va. April 18, 2014, R.E. Payne).

<sup>69</sup> *Id.* at \*6-7.

<sup>70</sup> *Id.* at \*8 and \*19.

<sup>71</sup> *Synopsys, Inc. v. Lee*, Civ. No. 1:14-cv-674, 2014 U.S. Dist. LEXIS 144089 (E.D. Va. Oct. 9, 2014, J.C. Cacheris)

<sup>72</sup> *Id.* at \*3.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.* at \*5 (internal citations omitted).

<sup>75</sup> *Id.* at \*11 and 22.

<sup>76</sup> *Automated Merchandising Systems, Inc. v. Rea*, Civ. No. 1:13-cv-1289, 2014 U.S. Dist. LEXIS 132848, \*12 (E.D. Va. Aug. 6, 2014, A.J. Trenga)

<sup>77</sup> *Id.* at \*6.

<sup>78</sup> *Id.* at \*8.

<sup>79</sup> *Id.* at \*4.

<sup>80</sup> *Id.* at \*14.

<sup>81</sup> *Mohsenzadeh v. Lee*, Civ. No. 1:13-cv-824, 2014 U.S. Dist. LEXIS 38666 (E.D. Va. 2014, G.B. Lee)

<sup>82</sup> *Id.* at \*21.

parent application.<sup>83</sup> Furthermore, the court determined that the USPTO's consistent application of 35 U.S.C. §154 for over a decade favored giving deference to the USPTO's interpretation of the statute.<sup>84</sup>

### Preliminary Injunctions

In *Hill-Rom Co., Inc. v. General Electric Co.*,<sup>85</sup> the court denied a preliminary injunction because the plaintiff failed to show irreparable harm and a likelihood of success on the merits. A preliminary injunction is a "drastic and extraordinary remedy" that courts are reluctant to employ.<sup>86</sup> The court looks to four factors when determining whether to grant a preliminary injunction: (1) likelihood of success on the merits; (2) irreparable harm; (3) the balance of hardships; and (4) the public interest.<sup>87</sup> Hill-Rom filed a motion for preliminary injunction because the parties were direct competitors in providing hand-hygiene systems to hospitals in order to decrease the number of hospital-borne infections by monitoring and reporting the frequency of hand-washing events by health care providers. In making its determination, the court stated that the most important factors to consider for a preliminary injunction are the likelihood of success on the merits and irreparable harm.<sup>88</sup> Finding that plaintiff failed to meet its burden to show irreparable harm and a likelihood of success on the merits, the court denied the motion for preliminary injunction.

### Limiting Number of Patent Claims Asserted and Invalidity Arguments

In *Certusview Tech., LLC v. S&N Locating Services, LLC*,<sup>89</sup> the court stated that a district court has the authority to limit the number of asserted patent claims and invalidity arguments. Certusview alleged infringement of five patents and asserted 68 claims against defendants.<sup>90</sup> Previously, the court denied a motion to limit the number of asserted claims as premature because the case was at an early stage and sufficient discovery had not yet occurred.<sup>91</sup> Several months after the issuance of the *Markman* decision, and after sufficient discovery, defendants renewed their motion seeking to limit the number of claims being asserted.<sup>92</sup> Certusview then filed a cross-motion to limit the number of invalidity arguments that could be asserted.<sup>93</sup> Reasoning that the case had reached a "sufficient stage in the discovery process to allow Certusview to make an informed decision about which claims to pursue" the court held that Certusview was limited to asserting 15 patent claims.<sup>94</sup> However,

the court would allow Certusview to move for leave to assert additional claims upon a showing of good cause.<sup>95</sup> In order to allow additional claims Certusview would have to show that the additional claims present unique issues with respect to liability or damages.<sup>96</sup> The court also held that defendants were limited to 25 prior art references but could move the court for leave to assert other prior art references upon a showing of good cause.<sup>97</sup>

### Depositions of Foreign Parties

In *Swimways Corp. v. Zuru, Inc.*,<sup>98</sup> the court held that a foreign corporate defendant/compulsory counterclaimant could not be compelled to appear for a Rule 30(b)(6) deposition within the court's jurisdiction. Swimways filed a patent infringement suit against Zuru, a company with its principal place of business in mainland China. In its answer Zuru counterclaimed for patent invalidity and non-infringement of the patents-in-suit, thus becoming a compulsory counterclaimant.<sup>99</sup> Under E.D. Va. Local Civil Rule 30(A) a defendant who becomes a counterclaimant "shall be considered as having filed an action in this Court" and is required to submit to a deposition at a designated place within the court's jurisdiction.<sup>100</sup> However, when the defendant is a compulsory counterclaimant the party "remains entitled to protection from deposition anywhere but his or her residence or business location."<sup>101</sup> The court can still require Zuru to appear in its jurisdiction if Swimways could show unique or distinctive circumstances demonstrating that taking the deposition in China would be unduly burdensome or that due to Zuru's regular course of activity in the jurisdiction the burden on Zuru would be minimal and the savings to Swimways would be substantial.<sup>102</sup> Under Chinese law, a Rule 30(b)(6) deposition cannot take place without permission of the Chinese government and the US State Department has stated that there is a "risk of arrest, detention or deportation of the American attorneys and other participants."<sup>103</sup> However, Zuru proposed Hong Kong as an alternative location for the deposition since it is a jurisdiction that allows for such depositions without the associated risks involved in taking a deposition on mainland China.<sup>104</sup> The court held that Zuru cannot be compelled to appear in its jurisdiction for a Rule 30(b)(6) deposition and that the deposition should be held in Hong Kong.

<sup>83</sup> *Id.* at \*27-29.

<sup>84</sup> *Id.* at \*37-40.

<sup>85</sup> *Hill-Rom Co., Inc. v. General Electric Co.*, Civ. No. 2:14-cv-187, 2014 U.S. Dist. LEXIS 96258 (E.D. Va. July 15, 2014, R.G. Doumar)

<sup>86</sup> *Id.* at \*2.

<sup>87</sup> *Id.*

<sup>88</sup> *Id.* at \*3-5.

<sup>89</sup> *Certusview Tech., LLC v. S&N Locating Services, LLC*, Civ. No. 2:13-cv-346, 2014 U.S. Dist. LEXIS 141013 (E.D. Va. Sept. 30, 2014, M. S. Davis)

<sup>90</sup> *Id.* at \*2.

<sup>91</sup> *Id.* at \*3.

<sup>92</sup> *Id.* at \*4.

<sup>93</sup> *Id.* at \*6.

<sup>94</sup> *Id.* at \*12-13.

<sup>95</sup> *Id.*

<sup>96</sup> *Id.* at \*13.

<sup>97</sup> *Id.* at \*17.

<sup>98</sup> *Swimways Corp. v. Zuru, Inc.*, Civ. No. 2:13-cv-334, 2014 U.S. Dist. LEXIS 101713 (E.D. Va. June 6, 2014, L.R. Leonard)

<sup>99</sup> *Id.* at \*4.

<sup>100</sup> *Id.* at \*3.

<sup>101</sup> *Id.*

<sup>102</sup> *Id.* at \*5.

<sup>103</sup> *Id.* at \*6.

<sup>104</sup> *Id.* at \*7.



## Trademark Cases

### **“All Expenses” Includes Attorney Fees under 15 U.S.C. § 1071(b)**

In a case of first impression, U.S. District Court Judge T.S. Ellis, III held that the term “all expenses” under 15 U.S.C. § 1071(b)(3) included the allocated salaries of the attorneys and paralegals of the United States Patent and Trademark Office (“PTO”).<sup>105</sup>

The plaintiff, Milo Shammas, attempted to register the mark PROBIOTIC for fertilizers. The Trademark Trial and Appeal Board (“TTAB”) denied the application, concluding that the mark was generic with respect to fertilizers or, alternatively, that the term was descriptive, but lacked secondary meaning. Per 15 U.S.C. § 1071(b)(3), Shammas elected not to appeal to the Court of Appeals for the Federal Circuit, but instead filed an action before the district court. After the close of discovery, and upon a motion for summary judgment by the PTO, the district court held in favor of the PTO, concluding that the term PROBIOTIC was generic and that Shammas’ new evidence did not alter that conclusion.

The PTO subsequently moved for an award of all expenses, including attorney fees, under 15 U.S.C. § 1071(b)(3). Shammas objected, arguing that attorney fees were not covered by the statute. Judge Ellis disagreed:

The question whether “all expenses of the proceeding” includes attorney’s fees appears to be one of first impression, as the parties have cited no published decision addressing this issue, nor has any been found. In any event, the question is not difficult to resolve; it is a straightforward case of statutory interpretation with the analysis beginning and ending with the plain language of the statute ... Thus, the plain meaning of the term “expenses,” by itself, would clearly seem to include attorney’s fees. But if any doubt remains about the inclusion, it is removed by Congress’s addition of the word “all” to clarify the breadth of the term “expenses.” When the word “expenses” is prefaced with the word “all,” it is pellucidly clear Congress intended that the plaintiff in such an action pay for all the resources expended by the PTO during the litigation, including attorney’s fees.<sup>106</sup>

In addition to resolving whether the statute includes attorney’s fees, the opinion is also noteworthy for addressing the manner in which attorney’s fees for the PTO are to be determined, i.e., salaries versus market rates. In awarding attorney’s fees under the “all expenses” language of 15 U.S.C. § 1071, the district court allocated the relevant portion of the attorney and paralegal salaries. But when fees were also awarded based upon a discovery violation, the average market rate governed.

Although the parties have cited no published decision, and none has been found, that squarely addresses the proper methodology to be used in calculating attorney’s fees for government attorneys under § 1071(b) or Rule 37(b)(2)(C), Fed.R.Civ.P., the cases—read as a whole—appear to suggest that attorney’s fees should be calculated using prevailing market rates where the entitlement to attorney’s fees in a statute or rule is cast in terms of “reasonable” attorney’s fees, but attorney’s fees should be calculated using actual salaries of the government attorneys where the entitlement to attorney’s fees in a statute or rule is cast in terms of expenses or “actual” expenses.<sup>107</sup>

### **TTAB Procedure: What is Good for the Goose is Good for the Gander**

The dispute over the REDSKINS trademark before the Trademark Trial and Appeal Board has a long history. In *Pro-Football, Inc. v. Blackhorse*, this particular chapter addresses whether the parties to a successful petition to cancel a federal registration are proper parties to an appeal of that cancellation decision under 15 U.S.C. § 1071(b).<sup>108</sup>

On June 18, 2014, the TTAB held that the Redskins trademark should be cancelled because a “substantial composite of Native Americans found the term REDSKINS to be disparaging” during the requisite time frame. On August 8, 2014, Pro-Football, the owner of the cancelled Redskins registration, filed a complaint seeking a *de novo* review of the TTAB’s decision. The defendants, all petitioners below, moved to dismiss, advancing two primary arguments: (i) there is no “case or controversy” as Pro-Football’s dispute is with the PTO, not them; and (ii) the defendants are not proper parties because they have not used the Redskins trademark. United States District Court Gerald B. Lee rejected both of these arguments.

While conceding that 15 U.S.C. § 1071(b) afforded the district court with statutory jurisdiction, defendants nonetheless maintained that there was no “case or controversy” for the court to exercise jurisdiction under Article III of the Constitution. In rejecting this argument, the court stressed two points. First, having demonstrated standing to bring the petition to cancel before the TTAB, it necessarily follows that standing exists to review the TTAB’s decision on appeal.<sup>109</sup> Second, despite their protests to the contrary, the defendants do have an interest in this case. “The TTAB’s recognition of Defendants’ standing necessarily means that Defendants sufficiently demonstrated that they have a real interest in the outcome of the case and a reasonable belief that the mark has caused them harm. Because sufficient standing before the TTAB implicates sufficient Article III standing of an appeal or review of a TTAB’s determination, this

<sup>105</sup> *Shammas v. Focarino*, Civ. No. 1:12-cv-1462, 2014 U.S. Dist. LEXIS 583 (E.D. Va. 2014), T.S. Ellis, III).

<sup>106</sup> *Id.* at \*9.

<sup>107</sup> *Id.* at \*14 (citations omitted).

<sup>108</sup> *Pro-Football, Inc. v. Blackhorse*, Civ. No. 1:14-cv-1043, 2014 U.S. Dist. LEXIS 166889 (E.D. Va. Nov. 25, 2014, G.B. Lee).

<sup>109</sup> *Id.* at \*5.

Court finds that Pro-Football has standing before this Court to review the TTAB's cancellation of its REDSKINS marks."<sup>110</sup>

The defendants' next argument stressed that their lack of use of the disputed trademarks prevents them from being a proper party. The court quickly dismissed this argument, stressing that (i) defendants were the "sole representatives on behalf of the petition for cancellation"; (ii) defendants were listed as adverse parties and heavily involved in the cancellation proceedings; and (iii) defendants "produced discovery, sat for depositions, participated in the TTAB conferences, submitted more than 7,000 pages of purported evidence."<sup>111</sup> Equally important, the court observed that a "party in interest does not have to demonstrate proprietary interests in the mark; it must only demonstrate a direct and personal stake in the outcome," an element easily satisfied here as "Defendants' claim of disparagement before the TTAB constitutes a direct and personal stake in the outcome of the appeal before this Court."<sup>112</sup>

### Tacking: a Defense to Trademark Abandonment

In defending against a trademark infringement claim brought by the makers of "Reynolds Wrap," Handi-Foil argued trademark abandonment based upon the undisputed fact "that the Reynolds Wrap box currently used is not identical to Reynolds' registered marks."<sup>113</sup> Reynolds responded that since the changes were minor, the legal doctrine of "tacking" served as a defense to Handi-Foil's abandonment claim.

Before ultimately agreeing with Reynolds, United States District Court Judge Liam O-Grady noted three issues must first be resolved: (i) whether tacking is a question of law or fact, (ii) who bears the burden of proving tacking, (iii) what evidence is relevant in considering tacking — what marks should be compared and what must the comparison establish.

The court quickly dispatched the first two issues, concluding that tacking was a question of law, the burden of which fell on Reynolds. Reynolds carried this burden because it was asserting tacking in defense of its admission of trademark abandonment.

Reynolds has admitted that the marks currently in use are not the same as the marks as registered and that it has no intention of returning the former marks to use. This admission concedes the key elements of an abandonment claim. In response to this concession, however, Reynolds seeks to utilize tacking as a defense to Handi-Foil's abandonment counterclaim. Given this posture, the Court finds that the burden for proving tacking lies with Reynolds. *See Adventis*, 2006 WL 1134129 at n. 10 (agreeing that "[t]he party seeking to tack bears the burden of proof").<sup>114</sup>

The court then analyzed the evidentiary issue: which marks should be compared and what must the comparison reveal? The court concluded that the marks to be compared were the one currently used by Reynolds and the one as registered, more specifically the last specimen submitted at renewal.<sup>115</sup> The court next concluded that this comparison must create a "continuing commercial impression."<sup>116</sup> Based upon sight alone, the court then concluded there was no doubt as to the continuing

commercial impression and, therefore, awarded summary judgment in favor of Reynolds on the trademark abandonment counterclaim.

### Parody Defense Rejected

In a trademark infringement action brought by the NAACP against a pro-life organization, United States District Court Judge Raymond A. Jackson rejected a parody defense.<sup>117</sup> The lawsuit arose when The Radiance Foundation, Inc. ("RF") made critical statements about the NAACP's stance on abortion by using certain trademarks, including the NAACP® trademark. Specifically, in an article regarding the NAACP's Annual Image Awards, RF featured a headline stating, "NAACP: National Association for the Abortion of Colored People." After a three-day bench trial, Judge Jackson issued a written opinion in favor of the NAACP. Judge Jackson found that RF made use of the NAACP trademarks in connection with the offering for sale of its pro-life social commentary services, that the use of the marks was confusingly similar and that the use did not qualify as parody.

In rejecting the defense of parody, Judge Jackson stressed four points. First, the two marks were almost identical.

National Association for the Abortion of Colored People" is almost identical to "National Association for the Advancement of Colored People" except for the change of one word. Unlike the "Chewy Vuiton" mark that used different words from the "Louis Vuitton" mark, "National Association for the Abortion of Colored People" and "National Association for the Advancement of Colored People" only have a difference of one word and can both be abbreviated by "NAACP." Consequently, almost the entire trademark is appropriated.<sup>118</sup>

Next, the substitution of the word "Abortion" for "Advancement" did "not create a satire of the NAACP, its services or its consumers." Instead, that change created "source confusion because it is used next to the famous and unaltered acronym for the original mark," thereby creating the impression that the National Association for Abortion of Colored People "appears to be a name of a real organization."<sup>119</sup> As Judge Jackson stated, RF's use of the NAACP mark and substitution of the term "Abortion" for "Advancement" "signifies that the NAACP's name is something that it is not."<sup>120</sup>

Third, "the article simply criticizes the NAACP without pretending to be the NAACP."<sup>121</sup> In other words, "the article implies that 'NAACP' stands for 'National Association for the Abortion of Colored People' without satire or irreverent representation."

Finally, Judge Jackson stressed that even if the article is assumed to be parody, the defense would fail due to the initial interest confusion suffered by Internet users.

Furthermore, even if the January 2013 Article title itself is assumed to be a parody, a likelihood of confusion nonetheless exists because Internet users looking for webpages related to or sponsored by the NAACP may initially encounter Plaintiffs' website and article by mistake upon entering "NAACP" into a Google search.<sup>122</sup>

<sup>110</sup> *Id.* at \*6.

<sup>111</sup> *Id.* at \*7.

<sup>112</sup> *Id.* at \*9.

<sup>113</sup> *Reynolds Consumer Products, Inc. v. Handi-Foil Corp.*, Civ. No. 1:13-cv-214, 2014 U.S. Dist. LEXIS 26932 (E.D. Va. Feb. 27, 2014, L. O'Grady).

<sup>114</sup> *Id.* at \*4.

<sup>115</sup> *Id.* at \*4.

<sup>116</sup> *Id.*

<sup>117</sup> *The Radiance Foundation, Inc. v. National Association for the Advancement of Colored People*, Civ. No. 2:13-cv-53, 2014 U.S. Dist. LEXIS 57431 (E.D. Va. June 10, 2014, R.A. Jackson).

<sup>118</sup> *Id.* at \*60.

<sup>119</sup> *Id.* at \*61.

<sup>120</sup> *Id.*

<sup>121</sup> *Id.* at \*62.

<sup>122</sup> *Id.*



## Copyright Cases

### Architectural Works

*Humphreys & Partners Architects, L.P. v. Lessard Design, Inc.*, addresses copyright protection under the Architectural Works Copyright Protection Act (“AWCPA”), which extended copyright protection to architectural works in 1990.<sup>123</sup> The case involved an allegation of copyright infringement regarding a residential high-rise building constructed in McLean, Virginia, in 2012. The plaintiff, Humphreys, alleged that numerous defendants, including the designer, the developer, the financier, the construction company and the owner, all infringed Humphreys’ copyright covering a residential high-rise building constructed in Minneapolis, Minnesota, in 2004. The defendants denied any copying and challenged the validity of the copyright. One of the defendants also counterclaimed with an allegation of copyright infringement regarding Humphreys’ residential high-rise building in Minneapolis.

Ruling on multiple summary judgment motions, the court disposed of the case ruling in favor of the defendants on most issues. The decision is significant in that it summarizes the state of copyright protection for architectural designs and the applicable legal standards under Fourth Circuit precedent. The court’s opinion addressed the two main elements to establish copyright infringement: the validity of the copyright and copying of the design by the accused infringer.<sup>124</sup> In cases where direct evidence of copying is lacking, like the instant case, the plaintiff must establish that (i) the defendant had “access” to the copyrighted work; and (ii) that the defendants’ design is “substantially similar” to the protected work.

Regarding validity, the court denied Humphreys’ motion for summary judgment of validity of its copyright. Under the AWCPA, plaintiff’s design is entitled to a presumption of copyright protection because Humphreys registered the copyright and obtained a certificate of registration. But under Fourth Circuit law, “this presumption is fairly easy to rebut because the Copyright Office tends toward cursory issuance of registrations.”<sup>125</sup> The court explained that under the AWCPA, copyright protection does not extend to “individual standard features” such as windows, doors, and other staple building components or “standard configurations of spaces” and design elements that are functionally required.<sup>126</sup> Even if specific elements are not individually protectable, however, copyright protection can extend to “the overall form as well as the arrangement and composition of spaces and elements in the design.”<sup>127</sup> Thus, to prevail on summary judgment of validity, Humphreys needed to show that the features of its design were “conceptually separate” from the “utilitarian aspects” of the

design.<sup>128</sup> On the record, Humphreys failed to carry its burden that the individual features were not utilitarian in nature. In denying summary judgment on the issue, the court noted that this was not a finding that the copyright was invalid.

The court next considered whether the defendants copied the design alleged to be protected by a copyright in connection with the parties’ summary judgment motions for infringement and non-infringement. On the issue of whether each defendant had access to Humphreys’ design, the court separately addressed the factual record with respect to each defendant. Access can be established if a party had an opportunity to view the protected material.<sup>129</sup> Several defendants did not dispute that they had access to the copyrighted design and the court concluded that factual disputes precluded summary judgment of lack of access for all other defendants except the builder.<sup>130</sup> The court also granted Humphreys’ motion for summary judgment of no access on one of the defendant’s counterclaim of copyright infringement, concluding that there was insufficient evidence that Humphreys ever had an opportunity to view the defendant’s design.

The court then turned to the issue of substantial similarity between Humphreys’ design and the Virginia building. The test for substantial similarity requires analysis of “extrinsic similarity,” which is an objective analysis, and “intrinsic similarity,” which is a subjective inquiry viewed from the perspective of the intended audience of the protected work.<sup>131</sup> For external similarity, the court concluded that the Fourth Circuit requires that the individual features of the design be “disaggregated” and analyzed for similarity and then, if necessary, the overall arrangement of the individual elements should be analyzed for similarity.<sup>132</sup>

Humphreys identified the nine individual features of its design: a high-rise residential building; two elevator cores connected by a fire or service corridor; direct access from the residential units to an elevator lobby; a barbell-shaped floor plan; a mechanical/electrical room space at one end of the service corridor and a trash chute at the other end; exit stairwells adjacent to the elevators; corner units with diagonal entry access; alternating vertical elements; and projecting elements at the cornice of the roof line. Analyzing each feature separately, the court concluded that none of the features were individually protectable under the AWCPA and that no reasonable juror could find that none of the features was substantially similar to the features present in the accused building.<sup>133</sup> The court also concluded that to the extent

<sup>123</sup> *Humphreys & Partners Architects, L.P. v. Lessard Design, Inc.*, Civ. No. 1:13-cv-433, 2014 U.S. Dist. LEXIS 124305 (E.D. Va. Sept. 2, 2014, T.S. Ellis, III).

<sup>124</sup> *Id.* at \*21 citing *Bldg. Graphics, Inc. v. Lemar Corp.*, 708 F.3d 573, 578 (4th Cir. 2013).

<sup>125</sup> *Id.* at \*27 (quoting *Universal Furniture Int’l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417, 430 (4th Cir. 2010)).

<sup>126</sup> *Id.* at \*21.

<sup>127</sup> *Id.* at \*27 (quoting 17 U.S.C. Sec 101).

<sup>128</sup> *Id.* at \*28.

<sup>129</sup> *Id.* at \*31.

<sup>130</sup> *Id.* at \*33-39.

<sup>131</sup> *Universal Furniture*, 618 F.3d at 426-27.

<sup>132</sup> *Id.* at \*51-52.

<sup>133</sup> *Id.* at \*53-70.

the overall arrangement of the individual features is potentially protected under the AWCPA, no reasonable jury could find that the overall designs of the two buildings were substantially similar.

The court also commented on the alleged intrinsic similarity, even though it was not required to do so since it concluded that Humphreys could not establish extrinsic similarity. Regarding intrinsic similarity the court noted the parties' differing positions on the relevant audience and explained that intrinsic similarity is typically not suitable for resolution on summary judgment and is instead "typically the province of the jury."<sup>134</sup> Accordingly, the court granted summary judgment of no infringement in favor of all defendants.

In another case involving alleged copyright infringement of an architectural design, Judge Robert G. Doumar reaffirmed his earlier decision declining the defendant's request for attorney's fees under plaintiff's Federal Copyright Act claim but awarding attorney's fees under plaintiff's claim under the Digital Millennium Copyright Act. In *Charles W. Ross Builder, Inc. v. Olsen Fine Home Building, LLC*, the court considered whether to exercise its discretion and award attorneys' fees to the defendant in connection with Ross's allegation that Georgian-style homes built in Williamsburg, Virginia, infringed Ross's copyright.<sup>135</sup> The court initially ruled in the defendant's favor on summary judgment on all claims, but the Fourth Circuit remanded the case for the district court to apply a different standard addressing Ross's copyright claim. On remand, the court concluded that Ross's copyright claim failed because it failed to raise a genuine issue of material fact that the defendant had access to Ross's protected design.

In determining whether Ross's pursuit of its copyright claim warranted an award of fees, the court needed to consider (1) the motivation of the parties, (2) the objective reasonableness of the party's legal and factual positions, (3) considerations of compensation and deterrence and (4) other relevant factors. After concluding that the lawsuit had not been brought in bad faith, the court analyzed the strength of Ross's legal and factual positions.<sup>136</sup> The court concluded that Ross's claim was not frivolous and that its reliance on an inference of intermediate access to the protected design — although unsuccessful — was not objectively unreasonable. The court also concluded that neither the interests of compensation and deterrence nor other relevant factors justified an award of attorneys' fees to the defendant. Interestingly, the court noted that Ross's pursuit of its claim was not in bad faith given the Architectural Works Protection Act's "broad yet vague statutory regime" and lack "of guiding principles as to what constitutes infringement."<sup>137</sup>

<sup>134</sup> *Id.* at \*77-78.

<sup>135</sup> *Charles W. Ross Builder, Inc. v. Olsen Fine Home Building, LLC*, Civ. No. 4:10-cv-129, 2014 U.S. Dist. LEXIS 36268 (E.D. Va. March 18, 2014, R.G. Doumar).

<sup>136</sup> *Id.* at \*9.

<sup>137</sup> *Id.* at \*18.

## Expert Witness Resume

The case of *Devil's Advocate, LLC v. Zurich Am. Ins. Co.* involved a dispute between an expert witness and an insurance company. The insurance company, Zurich, contacted Devil's Advocate ("DA") to engage John Toothman as an expert witness in connection with litigation pending in Texas state court. The parties exchanged proposals regarding the terms of engagement but never executed a definitive consulting agreement. Despite the lack of a definitive agreement, Zurich identified Toothman as an expert in the case and submitted Toothman's resume in a court filing. After Zurich decided not to engage Toothman and de-designated Toothman as its expert in the case, Toothman filed suit in the Eastern District of Virginia alleging breach of contract, conversion and copyright infringement.<sup>138</sup>

Plaintiff's copyright claim alleged that Toothman's resume was subject to copyright protection and that Zurich's service of the resume to opposing counsel and its submission to the court violated DA's copyright.<sup>139</sup> The court's analysis of the copyright claim focused on the issue of whether the resume was actually protected under DA's copyright certificate. Zurich argued that DA's complaint identified only DA's confidential work proposal and agreements (Exhibits A & B to the complaint) as "original copyrighted works," and did not identify the resume (Exhibit C to the complaint) as a copyrighted work.<sup>140</sup> The court noted that the copyright certificate does not mention the resume and only refers to "Devil's Advocate Confidential Proposal."<sup>141</sup> Accordingly, the court stated that the record suggests that DA may not have submitted the resume in its copyright application and that if this is the case, DA's copyright claim would fail on summary judgment.<sup>142</sup> The court deferred ruling on the issue and ordered the parties to submit additional evidence on the issue of whether the resume was protected under DA's copyright certificate.

On December 16, 2014, the court issued its supplemental opinion on the issue of whether the resume was protected under DA's copyright certificate.<sup>143</sup> Pursuant to the court's order, DA provided the court with evidence that it did in fact include the resume in its submission to the Copyright Office and that the Confidential Proposal states that the resume is attached to the Confidential Proposal.<sup>144</sup> Accordingly, the court concluded that the resume enjoyed a presumption of validity afforded to the certificate.<sup>145</sup>

<sup>138</sup> *Devil's Advocate, LLC v. Zurich Am. Ins. Co.*, Civ. No. 1:13-cv-1246, 2014 U.S. Dist. LEXIS 146449 (E.D. Va. Oct. 10, 2014, T.S. Ellis, III).

<sup>139</sup> *Id.* at \*31.

<sup>140</sup> *Id.*

<sup>141</sup> *Id.* at \*32.

<sup>142</sup> *Id.* at \*32-33.

<sup>143</sup> *Devil's Advocate, LLC v. Zurich Am. Ins. Co.*, 2014 U.S. Dist. LEXIS 174309 (E.D. Va. Dec. 16, 2014).

<sup>144</sup> *Id.* at \*6.

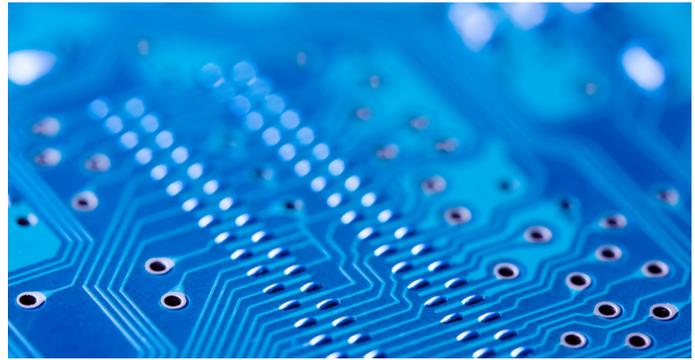
<sup>145</sup> *Id.* at \*7.

The court then addressed defendant's assertion that the infringement claim was barred due to DA's consent. The court disagreed. In contrast to the conversion claim that the court rejected due to clear consent, the court found no evidence in the record that DA was aware that Zurich submitted or intended to submit the resume to opposing counsel or the court.<sup>146</sup> The court then addressed that DA's copyright infringement claim was barred under the doctrine of fair use. The doctrine of fair use is an equitable rule that allows for the use of protected works in a reasonable manner without the owner's consent.<sup>147</sup> The Copyright Act identifies four factors for consideration of a fair use defense: (1) the purpose and character of the use, including whether the use is of a commercial nature or for nonprofit educational purposes; (2) the nature of the protected work; (3) the amount and substantiality of the portion used in relation to the work as a whole; and (4) the effect of the use on the potential market for the work. 17 U.S.C. §107. The inquiry is case-specific and all four factors should be explored.<sup>148</sup>

Regarding the first factor (the purpose and character of the use), the court concluded that this factor weighed in favor of fair use. The court relied on Professor Nimmer's copyright treatise, which states that the use of copyrighted material in a judicial proceeding does not constitute infringement unless the use harms the potential market for the document.<sup>149</sup> The court also relied on the Fourth Circuit's decision in *Bond v. Blum*, 317 F.3d 385 (4th Cir. 2003), as well as other cases, which have held that the nature of the use in a court proceeding weighed heavily against a finding of infringement.<sup>150</sup> Further, the court held that DA did not demonstrate that the use of the resume in the Texas case harmed any potential market for the resume.<sup>151</sup> Regarding the second factor (the nature of the protected work), the court concluded that the resume was more factual than creative in nature, also weight toward a finding of fair use. Regarding the third factor (amount of the portion used), the court noted that while the entire resume was used, the use "served an important purpose" and "did not stifle any incentive for creativity."<sup>152</sup> Accordingly, the third factor also favored defendant's fair use. Finally, the court found that the fourth, most important factor (the effect of the use on the potential market for the work) also weighed in favor of fair use. The court noted that there had been no showing that there was any market for the resume and that "plaintiffs have not identified a single adverse market consequence" attributable to the use.<sup>153</sup> Accordingly, the court held that defendants' use of the market constituted fair use precluding infringement.

## Computer Software

In another decision authored by Judge T.S. Ellis, III, the court addressed several copyright issues in the context of the use of computer software used for processing electronic payments. In *Princeton Payment Solutions, LLC v. ACI Worldwide, Inc.*, the court addressed the plaintiff copyright allegations and the



defendants' defenses on summary judgment.<sup>154</sup> The plaintiff, Princeton Payment Solutions, LLC ("PPS"), had been providing ACI and ACI's predecessors in interest (Princeton eCom Corp. ("PeCom") and Online Resources Co. ("ORCC")) with electronic bill payment software systems since 2003.<sup>155</sup> Over the course of 10 years, PPS and its independent contractor authored customized software programs for PeCom and ORCC and installed various updates on PeCom's and ORCC's servers pursuant to more than a dozen statements of work.<sup>156</sup> During this time period, ACI's predecessors paid PPS roughly \$200,000 per year for the software, services and support.<sup>157</sup>

In 2012, PPS notified ORCC's predecessor that it would be discontinuing the software systems it was providing to ORCC and that it was introducing a new system in 2013.<sup>158</sup> Although ORCC initially indicated that it would migrate to PPS's new system, ORCC was acquired by ACI in March 2013, and ACI elected to move to a different system. PPS informed ORCC/ACI that ORCC had no rights to use PPS software from 2006-2012 because PeCom had never obtained PPS's written authorization to assign its rights for the software to ORCC when ORCC acquired PeCom.<sup>159</sup> PPS then "demanded that ORCC agree to a seven-year commitment to [PPS new platform] for a yearly price that was nearly 20 times what ORCC had been paying PPS."<sup>160</sup> ACI declined. PPS then filed 11 copyright applications for different versions of the electronic bill payment software programs that it had been providing to PeCom and ORCC. Five days after filing its copyright applications, PPS filed its lawsuit against ACI alleging copyright infringement.

ACI raised several defenses. First, it argued that PPS lacked standing to bring suit because it was undisputed that PPS's independent contractor created the asserted software programs and the contractor never assigned her rights in the works to PPS until after the lawsuit was initiated. Further, ACI argued that any copying of the code by ACI's predecessors did not constitute infringement because such copying was an "essential step" that was protected under 17 U.S.C. §117(a). Finally, ACI argued that the 2003 statement of work that PPS was relying on for its anti-assignment provision was expired and that ORCC has a

<sup>146</sup> *Id.* at \*8.

<sup>147</sup> *Id.* at \*9-10.

<sup>148</sup> *Id.* at \*10-11.

<sup>149</sup> *Id.* at \*12 (quoting Nimmer on Copyright §1305[D][2]).

<sup>150</sup> *Id.* at \*13.

<sup>151</sup> *Id.* at \*15.

<sup>152</sup> *Id.* at \*19.

<sup>153</sup> *Id.* at \*19-20.

<sup>154</sup> *Princeton Payment Solutions, LLC v. ACI Worldwide, Inc.*, Civ. No. 1:13-cv-852, 2014 U.S. Dist. LEXIS 114865 (E.D. Va. Aug. 15, 2014, T.S. Ellis, III).

<sup>155</sup> *Id.* at \*3-4.

<sup>156</sup> *Id.* at \*4-6.

<sup>157</sup> *Id.* at \*5.

<sup>158</sup> *Id.* at \*6-7.

<sup>159</sup> *Id.* at \*7-8.

<sup>160</sup> *Id.* at \*8.

right to use PPS's software pursuant to numerous subsequent statements of work entered into and paid for by ORCC. The court addressed each of defendant's arguments in turn.<sup>161</sup>

The court agreed with ACI that the record showed that PPS's independent contractor created the software in question and that ownership of copyrights resides with the creator when the author is an independent contractor absent an assignment agreement.<sup>162</sup> Apparently recognizing this issue, PPS attempted to have the independent contractor retroactively assign her rights to PPS in a "Confirmatory *Nunc Pro Tunc* Assignment."<sup>163</sup> The court held that PPS's attempt to have its contractor retroactively assign rights to PPS could not cure the standing deficiency. The court noted that standing "may not be retroactively created."<sup>164</sup> The court also relied on the Federal Circuit's decision in the patent context in *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093-94 (Fed. Cir. 1998) in which the court concluded that *nunc pro tunc* assignments could not operate to confer retroactive standing. The court agreed with PPS, however, that a 2012 consulting agreement between PPS and its contractor did provide PPS with ownership rights for one of the 11 copyrights asserted in the case.

Addressing ACI's second defense under 17 U.S.C. §117(a), the court noted that the Fourth Circuit had not definitively addressed the issue of whether copying portions of code in random access memory as part of running the software program constituted essential steps under §117(a) and precluded infringement. Relying primarily on a decision from the Second Circuit, the court concluded that when temporary RAM copies of a program are necessarily made in order to run and use the software, such copies should be considered "essential steps" under §117(a).<sup>165</sup> The court also agreed with the Krause court that the software user (in this case ORCC) actually owned the copy of the software that PPS had installed on ORCC's servers, so the only issue was whether the temporary RAM copies potentially infringed.<sup>166</sup>

Finally, the court rejected the PPS's assertion that ORCC had no rights to use the PPS software from 2006-2013 because the 2003 agreement was not assigned from PeCom to ORCC. The court noted that PPS and ORCC executed over a dozen statements of work, that PPS created custom software versions for ORCC and that ORCC paid PPS for each version. "The notion that defendants must now prove that ORCC had the right to use the software for which it paid PPS substantial consideration is meritless."<sup>167</sup> Accordingly, the court granted summary judgment in favor of the defendants.

## Preemption

In *Maxient, LLC v. Symplicity Corp., et al.* Judge Anthony J. Trenga addressed whether plaintiff's state law claims for misappropriation of trade secrets and computer fraud were preempted by the Federal Copyright Act.<sup>168</sup> Maxient and Symplicity are competitors that provide Web-based software to

educational institutions. In 2010 and 2011, defendants falsely posed as Maxient customers and accessed Maxient's protected servers using the login credentials of some of defendant's former customers. Defendants accessed proprietary information and copied various information related to Maxient's software products and planned upgrades. Following a federal criminal investigation, the defendants pled guilty to violating the Computer Fraud and Abuse Act, 18 U.S.C. §1030.

In August 2104, Maxient filed a complaint in the Circuit Court for Arlington County. Defendant filed a Notice of Removal to Federal Court, asserting that the Federal Copyright Act preempted four state law claims and asked that the court exercise supplemental jurisdiction pursuant to 28 U.S.C. §1367 of the one claim not alleged to be preempted. Under Fourth Circuit precedent, state law claims are preempted if the elements of the causes of action are equivalent.<sup>169</sup> State claims are not preempted by the Copyright Act when the state law violation requires an extra element instead of, or in addition to, the elements of the federal cause of action such that the extra element "changes the 'nature of the action so that it is qualitatively different from a copyright infringement claim.'"<sup>170</sup>

Applying this standard, the court concluded that plaintiff's claims under Va. Code 18.2-152.3(3) (computer fraud) and 18.2-152.4(6) (computer trespass) were preempted. Va. Code 18.2-152.3(3) essentially codifies conversion of intellectual property and that the only element of the state law claim that was not present in a copyright infringement claim was that "a computer is used 'without authorization.'"<sup>171</sup> Relying on *Rosciszewski*, the court concluded that this element does not add a qualitatively different element because "the core focus of the Copyright Act, necessarily requires the use of the computer to be 'without authority.'"<sup>172</sup> Similar reasoning supported a finding of preemption for the claim under Va. Code 18.2-152.4(6), which makes unlawful use of a computer to copy computer data or programs with malicious intent.<sup>173</sup> Again relying on *Rosciszewski*, the court concluded that the additional element of malicious intent "may alter the scope of the claim beyond that limited by a general intent requirement, but it does not alter its nature."<sup>174</sup> Accordingly, this claim was also preempted.

In contrast, plaintiff's claims under Va. Code 18.2-152.3(1) (computer fraud) and 18.2-152.15 (use of encryption to further criminal activity) were not preempted. Va. Code 18.2-152.3(1) makes unauthorized use of a computer and obtaining property by false pretenses unlawful.<sup>175</sup> The court held that the additional requirement of proof of false pretenses beyond that required to prove copyright infringement adds an element that qualitatively changes the nature of the claim and is not preempted by the Copyright Act.<sup>176</sup> Va. Code 18.2-152.15 makes it illegal to willfully use encryption to further any criminal activity. The court held that the additional element of encryption similarly was a "nature changing element" beyond that required for copyright infringement claim and found that state law claim was not preempted.<sup>177</sup>

<sup>161</sup> *Id.* at \*10-11.

<sup>162</sup> *Id.* at \*15-16.

<sup>163</sup> *Id.* at \*16-17.

<sup>164</sup> *Id.* at \*19 (quoting *Splitfish AG v. Bannco Corp.*, 2010 U.S. Dist. LEXIS 146204 (E.D. Va. July 8, 2010)).

<sup>165</sup> *Id.* at \*26-27 (relying on *Krause v. Titleserve, Inc.*, 402 F.3d 119, 122 (2d Cir. 2005)).

<sup>166</sup> See *Id.* at \*25 ("it seems anomalous for a user whose degree of ownership of a copy is so complete that he may lawfully use it and keep it forever, or if so disposed, throw it in the trash, to be nonetheless unauthorized to modify or copy the software if necessary to make the software useable." (quoting *Krause* at 123.))

<sup>167</sup> *Id.* at \*30.

<sup>168</sup> *Maxient, LLC v. Symplicity Corp., et al.*, Civ. No. 1:14-cv-1184, 2014 U.S. Dist. LEXIS 150542 (E.D. Va. Oct. 23, 2014, A.J. Trenga).

<sup>169</sup> *Id.* at \*7.

<sup>170</sup> *Id.* at \*7 (quoting *Rosciszewski v. Arete Associates, Inc.*, 1 F.3d 225, 229-30 (4th Cir. 1993) and *Computer Assocs., Int'l. v. Altai, Inc.*, 982 F.2d 693, 716 (2d Cir. 1992)).

<sup>171</sup> *Id.* at \*16.

<sup>172</sup> *Id.* at \*16.

<sup>173</sup> *Id.* at \*16-17.

<sup>174</sup> *Id.* at \*18.

<sup>175</sup> *Id.* at \*12.

<sup>176</sup> *Id.* at \*12.

<sup>177</sup> *Id.* at \*19.



## Trade Secret Cases

In *Audio-Video Group, LLC v. C. Green*,<sup>178</sup> the plaintiff sought a temporary restraining order and preliminary injunction against a former employee, alleging violations of the Virginia Uniform Trade Secrets Act (“VUTSA”), among other claims. This case highlights the advance preparation necessary to properly prove the elements necessary to obtain a temporary restraining order or preliminary injunction: a likelihood of success on the merits, irreparable harm and balancing of the equities. As to the merits of a violation of the VUTSA, the plaintiff must show the existence of a trade secret, and the improper acquisition, disclosure or use of that trade secret.<sup>179</sup> The plaintiff had a confidentiality agreement with defendant, which covered “all data, materials, products, technology, computer programs, specifications, manuals, business plans, software, marketing plans, financial information and other information disclosed . . . to [employee] by [employer].”<sup>180</sup> Moreover, the plaintiff was able to prove via the defendant employee’s laptop that “at the time [he] was terminated he was in the process of quoting 29 separate projects to existing or potential customers.”<sup>181</sup> However, the defendant employee returned only six of those files.<sup>182</sup> The plaintiff employer also provided invoices found on defendant’s laptop for work done by a competitor for some of defendant’s 29 identified potential customers.<sup>183</sup>

Accordingly, the court found that the plaintiff was likely to succeed on the merits of its trade secret claim and would suffer irreparable harm, and that the balance of the equities favored an injunction.<sup>184</sup>

Finally, we revisit *E.I. DuPont de Nemours and Co. v. Kolon Industries, Inc.*,<sup>185</sup> In 2011, a jury returned a verdict for \$919,900,000.00 on DuPont’s claims that Kolon Industries, Inc., violated the VUTSA by obtaining confidential information regarding the manufacture of Kevlar® fibers.<sup>186</sup> In February 2014, Judge Payne awarded DuPont an additional \$18,334,175.41 in attorney’s fees, sanctions and costs, finding counsel’s work on the case necessary, efficient and reasonable.<sup>187</sup> But in April the Fourth Circuit vacated the verdict and attorney’s fees award and remanded, finding that the district court abused its discretion and acted arbitrarily in excluding at trial as irrelevant evidence that DuPont had previously disclosed its purported trade secrets in prior litigation.<sup>188</sup> Interestingly, although the Fourth Circuit dismissed as belated Kolon’s motion to disqualify Judge Payne because he was a partner in a law firm representing DuPont in the litigation, the Fourth Circuit directed that the case be reassigned to another judge on remand.<sup>189</sup> The case was subsequently reassigned to Judge Trenga.

<sup>178</sup> *Audio-Video Group, LLC v. C. Green*, 1:14-cv-169 (E.D. Va. 2014, J. Cacheris).

<sup>179</sup> *Id.* at 12.

<sup>180</sup> *Id.* at 2-3.

<sup>181</sup> *Id.* at 3.

<sup>182</sup> *Id.* at 3.

<sup>183</sup> *Id.* at 8.

<sup>184</sup> *Id.* at 14-17.

<sup>185</sup> *E.I. DuPont de Nemours and Co. v. Kolon Industries, Inc.*, 3:09-cv-058 (E.D. Va. 2009) (R. E. Payne).

<sup>186</sup> *Id.*

<sup>187</sup> *E.I. DuPont de Nemours and Co. v. Kolon Industries* (E.D. Va. Feb. 24, 2014).

<sup>188</sup> *E.I. DuPont de Nemours and Co. v. Kolon Industries, Inc.*, 564 Fed. Appx. 710, 715 (4th Cir. 2014).

<sup>189</sup> *Id.* at 716.



The E.D. Va. remains a popular venue for intellectual property cases. The expertise of the judiciary and the local bar combined with the speedy resolution of cases make the E.D. Va. a top choice among plaintiffs. However, these cases highlight the value of experienced intellectual property litigators who help the judges maintain their schedules and can handle these complex cases in an efficient manner.

In the next year, we'll look for more guidance from the district courts and the Federal Circuit applying *Alice*. In addition, as difficult and expensive as patent infringement is to litigate, we will be watching to see if parties rely more on alternative forms of intellectual property to protect their investments and create barriers for competitors.

## Supplemental Information

The chart below summarizes the number of intellectual property cases filed in the E.D. Va. in 2014 by judge.

Judge	Division	Patent	Trademark	Copyright	Total
Rebecca Beach Smith (Chief)	Norfolk/ Newport News	0	0	0	0
Arenda Wright Allen	Norfolk/ Newport News	3	2	0	5
Leonie M. Brinkema	Alexandria	5	6	31	42
James C. Cacheris	Alexandria	0	1	0	1
Mark S. Davis	Norfolk/ Newport News	7	1	0	8
Robert G. Doumar	Norfolk/ Newport News	4	1	0	5
T.S. Ellis, III	Alexandria	20	7	28	55
John A. Gibney, Jr.	Richmond	0	3	0	3
Claude M. Hilton	Alexandria	6	8	25	39
Henry E. Hudson	Richmond	8	2	1	11
Raymond A. Jackson	Norfolk/ Newport News	6	0	0	6
M. Hannah Lauck	Richmond	0	1	0	1
Gerald Bruce Lee	Alexandria	6	7	28	41
Henry Coke Morgan, Jr.	Norfolk/ Newport News	6	1	0	7
Liam O'Grady	Alexandria	1	15	27	43
Robert E. Payne	Richmond	8	3	0	11
James R. Spencer	Richmond	0	2	1	3
Anthony J. Trenga	Alexandria	5	8	26	39
<b>TOTAL</b>		<b>85</b>	<b>68</b>	<b>167</b>	<b>320</b>

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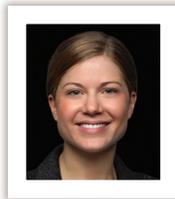
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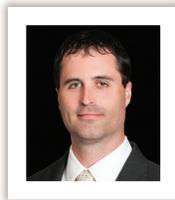
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