

2013 Eastern District of Virginia Intellectual Property Year in Review



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Introduction and Overview

The United States District Court for the Eastern District of Virginia (EDVA) remains a popular forum for litigating intellectual property cases, but has lost some of its “rocket” fuel. Though the divisions of the EDVA pride themselves on being able to try cases, including complex patent matters, within one year of filing, the EDVA has slowed down a bit. During the 12-month period ending September 30, 2013, the median time from filing to jury trial was 11.9 months, up 1.1 months from the prior 12-month period.¹

Here we review key decisions and findings resulting from intellectual property cases in the EDVA in 2013. In addition to summarizing important cases, we also look for emerging trends.

Patent Cases

Claim Construction

The Eastern District of Virginia remained true to established Federal Circuit precedent for claim construction decisions issued in 2013. As repeated by Judge Ellis in both of his claim construction opinions during the year:

Over the nearly two decades since *Markman*, claim construction has become well-plowed ground, although the plowed furrows have not always been straight lines. Nonetheless, the claim construction principles pertinent here are now well-settled.

Suffolk Tech. LLC v. AOL, Inc., 942 F. Supp. 2d 600, 605 (E.D. Va. April 18, 2013, T.S. Ellis, III); *N5 Tech. LLC v. Capital One N.A.*, No. 1:13-cv-386, 2013 U.S. Dist. LEXIS 155746, *6-7 (E.D. Va. Oct. 24, 2013, T.S. Ellis, III). Applying these principles in nine² decisions relating to claim construction, the courts largely split on whether the constructions favored patent owners or accused infringers. In several cases, the court adopted a hybrid construction of its own rather than accept either the patent owner’s proposed construction or the accused infringer’s proposal. See, e.g., *Virginia Innovation Sciences, Inc. v. Samsung Elecs. Co.*, No. 2:12-cv-548, 2103 WL 5410013 (E.D. Va. Sept. 25, 2013, M.S. Davis) (constructions generally favored plaintiff, but declined exemplary language proposed by plaintiff); *N5 Tech.*, 2013 U.S. Dist. LEXIS 155746, at *11-20 (adopting own construction of terms for method to authenticate users of mobile devices for sending information by text message primarily used for mobile banking apps; rejecting both parties’ additions from specification as “cardinal sin” of claim construction).

² In order of the decision dates, those nine decisions are: *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, No. 1:10-cv-910, 2013 U.S. Dist. LEXIS 9257 (E.D. Va. Jan. 22, 2013, L.M. Brinkema); *Suffolk Tech. LLC v. AOL, Inc.*, 942 F. Supp. 2d 600 (E.D. Va. April 18, 2013, T.S. Ellis, III); *Panchev v. Kappos*, No. 1:12-cv-641, 2013 U.S. Dist. LEXIS 89972 (E.D. Va. June 25, 2013, G.B. Lee); *Tax-Right, LLC v. SICPA Product Security, LLC*, No. 3:12-cv-657, 2013 U.S. Dist. LEXIS 100746 (E.D. Va. July 18, 2013, R.E. Payne); *CornScore, Inc. v. Moat, Inc.*, No. 2:12-cv-351, 2013 U.S. Dist. LEXIS 104617 (E.D. Va. July 22, 2013, H.C. Morgan, Jr.); *Baby Jogger, LLC v. Britax Child Safety, Inc.*, No. 2:12-cv-452, 2013 U.S. Dist. LEXIS 122048 (E.D. Va. Aug. 23, 2013, R.A. Jackson); *Virginia Innovation Sciences, Inc. v. Samsung Elecs. Co.*, No. 2:12-cv-548, 2013 WL 5410013 (E.D. Va. Sept. 25, 2013, M.S. Davis); *N5 Tech. LLC v. Capital One N.A.*, No. 1:13-cv-386, 2013 U.S. Dist. LEXIS 155746 (E.D. Va. Oct. 24, 2013, T.S. Ellis, III); *Media Rights Tech., Inc. v. Capital One Financial Corp.*, No. 1:13-cv-476, 2013 U.S. Dist. LEXIS 176475 (E.D. Va. Dec. 9, 2013, A.J. Trenga).

¹ See Judicial Business of the United States Courts Annual Report of the Director at Table T-3.

In addition to the “well-settled” bedrock principles described by Judge Ellis and virtually every other court in their recitations of the legal principles, Judge Morgan further identified 10 “canons of claim construction” that are to serve “merely as guideposts ... and are not immutable rules.” *ComScore, Inc. v. Moat, Inc.*, No. 2:12-cv-351, 2013 U.S. Dist. LEXIS 104617 (E.D. Va. July 22, 2013). Those 10 canons are: (1) the doctrine of claim differentiation, where different claims have different scope; (2) claims are not limited to preferred embodiments; (3) different words generally have different meanings; (4) the same word generally has the same meaning; (5) meaning should align with the purpose of the invention; (6) descriptive words should be given their full meaning; (7) constructions should preserve validity where possible; (8) numerical ranges are construed exactly as written; (9) method steps do not have a particular order; and (10) constructions should read literally on a preferred embodiment. *Id.* at *14-15 (citations omitted). Many of these canons, however, can be modified by express language within the patent where the patentee acts as his own lexicographer. *Id.*

Apparently following the fifth canon, Judge Brinkema relied heavily upon the specification of a patent for collecting and processing customer network usage data to conclude that “inherent in the invention is a distributed architecture,” which “means that network usage records are processed close to their sources before being transmitted

to a centralized manager.” *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, No. 1:10-cv-910, 2013 U.S. Dist. LEXIS 9257, at *29-30 (E.D. Va. Jan. 22, 2013). While this “inherent” feature of the invention resulted in claim constructions that were more similar to the patentee’s proposed constructions, it also resulted in summary judgment of noninfringement for the defendant because its accused software did not rely on such distributed architecture. Judge Ellis elaborated on the ninth canon in *N5 Technologies* in determining whether user verification steps should be performed in a particular order. “If neither logic or grammar nor the specification requires that the steps be performed in the order written, ‘the sequence in which [the] steps are written is not a requirement.’ ... Here, grammar, logic, and the specification all point persuasively to the conclusion that the steps of Claim 1 must be performed in the order stated.” *N5 Tech.*, 2013 U.S. Dist. LEXIS 155746, at *21 (checking whether data has been stored must come before cross-checking data for a match).

In *Media Rights Tech., Inc. v. Capital One Financial Corp.*, No. 1:13-cv-476, 2013 U.S. Dist. LEXIS 176475 (E.D. Va. Dec. 9, 2013), involving a patent for a method of controlling media recordings, Judge Trenga construed the term “compliance mechanism” as a means-plus-function term that did not have sufficient structure and was therefore indefinite. *Id.* at *10-12, *24-25. Although the plaintiff argued that the mechanism was a tangible “device”



that should not require means-plus-function analysis, the court determined that the “mechanism” was more akin to software, which does not qualify as a “device.” Language in the specification described generally how components fit together and perform functions, but neither described a particular device nor provided sufficiently definite structure. *Id.* at *10.

As always, a patentee is free to be his own lexicographer, but usually only where the patentee expressly modifies the ordinary meaning of a term for use in the patent claims. While it is possible for a patentee to implicitly modify the definition, “the ‘implied’ redefinition must be so clear that it equates to an explicit one.” *Suffolk Tech.*, 942 F. Supp. 2d at 610 (citations omitted). An inventor also may offer testimony as to a specific meaning of claim terms, but such testimony is suspect and often given little weight. *Tax-Right, LLC v. SICPA Product Security, LLC*, No. 3:12-cv-657, 2013 U.S. Dist. LEXIS 100746 (E.D. Va. July 18, 2013) (Judge Payne denied motion to strike inventor’s testimony but acknowledged potential bias and weakness of evidence).

Where the court declines to construe a term and instead adopts the “ordinary and customary meaning,” litigants generally do not have a chance to re-argue that meaning at trial. Recognizing a tendency to do so, however, Judge Jackson expressly cautioned the parties after the court declined proposed constructions for several terms relating to a collapsible baby stroller:

any attempt by the parties to introduce expert testimony to litigate or relitigate the district court’s claim construction, ... is ‘improper’ and ... ‘[t]he risk of confusing the jury is high when experts opine on claim construction before the jury even when, as here, the district court makes it clear to the jury that the district court’s claim constructions control.’ ... At trial, the Court will not allow any expert testimony that attempts to reconstrue or otherwise suggest to the jury constructions of this term that the Court now rejects.

Baby Jogger, LLC v. Britax Child Safety, Inc., No. 2:12-cv-452, 2013 U.S. Dist. LEXIS 122048, at *9-10 (E.D. Va. Aug. 23, 2013, R.A. Jackson).

During 2013, the court also faced claim construction issues in reviewing the patent office’s refusal of a patent application. In *Panchev v. Kappos*, No. 1:12-cv-641, 2013 U.S. Dist. LEXIS 89972 (E.D. Va. June 25, 2013), following a transfer from a different court, Judge Lee reminded the parties that the Eastern District of Virginia retains exclusive jurisdiction to review rejections under 35 U.S.C. §145. *Id.* at *17. The court then affirmed the USPTO’s rejection of a method to treat “malignant and benign tumors” because “tumors” was appropriately construed broadly based on the specification and extrinsic evidence as abnormal tissue that encompasses warts (which rendered the claims obvious). *Id.* at 40-44.



Transfer Motions

With litigants and the bench aware that the time to trial has increased, defendants routinely file motions to transfer venue. Five venue opinions were published.³ Three motions were granted; two denied.

Historically, great weight has been placed upon the plaintiff's choice of forum. Judge Davis, however, made it clear last year that the "weight given to plaintiffs' choice of forum varies with the significance of the contacts between the venue chosen by the plaintiff and the underlying cause of action." Put another way, the greater the connection between the plaintiff's chosen forum and the plaintiff's cause of action, the more weight a court will give to the plaintiff's choice of forum.

In *Certusview Technologies, LLC v. S & N Locating Services, LLC*, 2013 U.S. Dist. LEXIS 175339, the plaintiff's "home forum" was Florida, not the EDVA, causing the court to focus its inquiry on the connections between the cause of action and the Eastern District. Judge Davis found that connection to be significant, observing that the disputed technology involved electronic mapping of underground utilities in

Virginia. As a result, the plaintiff's choice of forum was entitled to great weight.

Judge Davis went on to examine the remaining two factors pertinent to any transfer motion: (1) convenience of the witnesses and parties; and (2) interest of justice. As to convenience, he observed that a party asserting inconvenience "has the burden to proffer, by affidavit or otherwise, sufficient details respecting the witnesses and their potential testimony to enable the court to assess the materiality of evidence and the degree of inconvenience." Citing *Koh v. Microtek Int'l, Inc.*, No. 3:02-cv-191, 250 F. Supp. 2d 627 (E.D. Va., March 5, 2003, R.E. Payne).

Assessing the defendant's proffered evidence, the court was critical of the defendants for their failure to offer sufficient details regarding the testimony of potential witnesses forced to travel to Virginia. Without that, Judge Davis observed, the court was unable to assess the materiality of the evidence and the potential effect of any inconvenience. As a result, while the court found that this prong of the analysis slightly favored the defendants, it did not trump the plaintiff's choice of forum.

Finally, Judge Davis observed that the "interest of justice" factor was intended to encompass all those factors bearing on transfer that are unrelated to the convenience of witnesses or parties. These factors included: (1) the pendency of a related action; (2) the court's familiarity with the applicable law;

³ *Certusview Technologies, LLC v. S & N Locating Services, LLC and S&N Communications, Inc.*, No. 2:13-cv-346, 2013 U.S. Dist. LEXIS, 175339 (E.D. Va., Dec. 12, 2013, M.S. Davis); *comScore, Inc. v. Integral Ad Science, Inc. v. Double Verify Inc., comScore, Inc. v. Moat, Inc.*, No. 2:12-cv-351 924 F.Supp.2d 677 (E.D.Va., Feb. 15, 2013, H.C. Morgan, Jr.); *DietGoal Innovations LLC v. Wegmans Food Markets, Inc.; Time, Inc.; Meredith Corporation; Hearst Communications; Dunkin' Brands Group, Inc.; Domino's Pizza, Inc.; Bravo Media LLC*; No. 2:13-cv-154, 2013 U.S. Dist. LEXIS 165874 (E.D. Va., Nov. 19, 2013, R.A. Jackson); *Intercarrier Communications, LLC v. GLYMPSE, Inc.*, No. 3:12-cv-767, 2013 U.S. Dist. LEXIS 113572 (E.D. Va., Aug. 12, 2013, J.A. Gibney, Jr.); *Virginia Innovation Sciences, Inc. v. Samsung Electronics Co., Ltd.*, No. 2:12-cv-548, 928 F. Supp. 2d 863, *866; 2013 U.S. Dist. LEXIS 31626, **3 (E.D. Va., March 6, 2013, M.S. Davis).



(3) docket conditions; (4) access to premises that might have to be viewed; (5) the possibility of an unfair trial; (6) the ability to join other parties; (7) the possibility of harassment; and (8) the interest of having local controversies decided at home.

In *Certusview Technologies*, the defendants advanced only one, arguing that there was a public interest in having this controversy decided in the state (North Carolina) that had a local interest. Again, Judge Davis was not persuaded, observing that though defendants may have been headquartered in North Carolina, the bulk of their alleged infringement took place in Virginia.

Assessing the three factors, (1) plaintiff's choice of forum; (2) the convenience of the witnesses and parties; and (3) the interest of justice, Judge Davis declined to grant the motion to transfer.

The lessons learned from this year's transfer cases are not new. The cases remain fact specific and good lawyering matters. It remains inadequate simply to argue conclusions, such as the mere resident status of a particular witness. What will the witness say? Is his/her testimony *sui generis*? Is it potentially case dispositive? Where is the infringing activity actually occurring, and what is the proffered evidence of that infringement?

Dispositive Motions

In the EDVA, courts have generally been reluctant to grant motions to dismiss challenges to the legal sufficiency of a complaint under *Twombly* and *Iqbal*. *Bell Atlantic Corp v. Twombly*, 550 U.S. 544, 555, 570 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662, 129 S. Ct. 1937, 1949 (2009). To survive a 12(b)(6) motion, "a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Iqbal* 129 S. Ct. at 1949 (quoting *Twombly*, 550 U.S. at 570). In assessing the merits of a Rule 12(b)(6) motion to dismiss, a district court "must accept as true all of the factual allegations contained in the complaint and draw all reasonable inferences in favor of the plaintiff. 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." *Virginia Innovation Sciences, Inc. v. Samsung Electronics*, Civ. No. 2:12-cv-548, 2013 WL 6053846 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)). The EDVA courts follow 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." *In re Bill of Lading Transmission &*



Processing Sys. Patent Litigation, 681 F.3d 1323, 1334 (Fed. Cir. 2012). This analysis applies only to direct infringement, not indirect or willful infringement claims, and the sufficiency of plaintiff's claim of indirect and willful infringement must be evaluated under the standard set forth in *Twombly* and *Iqbal* without reference to Form 18. *Virginia Innovation Sciences*, at *3. EDVA courts apply the plausibility standard in considering motions to dismiss plaintiff's willful infringement claim. *Id.* Accordingly, to survive a Rule 12(b)(6) motion to dismiss a willful infringement claim, the plaintiff must plausibly allege (1) infringement of the patent and (2) pre-filing knowledge of the patent by the defendant. *Id.* at *5.

Applying this standard, the EDVA courts are more inclined to grant motions to dismiss willful infringement when the pre-filing knowledge of the patent is not plausible or far removed. In the *Virginia Innovation Sciences* case, the court found that the plaintiff pled sufficient facts to create a plausible inference that the defendant knew of one of the patents at issue (the parent patent). However, for the subsequent continuation patents, the court found that the plaintiff failed to allege any facts that would plausibly support the inference that defendant's knowledge of one patent would extend to knowledge of subsequent patents as well. On the facts alleged, this inference would only be plausible if the defendant had an affirmative duty to continue to monitor the related applications.

Because there is no such duty, the court found that even viewing the facts in the light most favorable to the plaintiff, knowledge of one patent would not plausibly entail knowledge of any related patents. *See also Rembrandt Social Media, LP v. Facebook, Inc.*, Civ. No. 1:13-cv-158, 2013 WL 2950342 at *6 (E.D. Va. June 12, 2013, T.S. Ellis, III) (Defendant at most pled facts that make it conceivable that plaintiff might have learned about the patents in issue but did not plead sufficient facts to invite the plausible inference that defendant had the requisite pre-suit knowledge of any of the patents. Accordingly, the EDVA court dismissed claims for willful infringement.)

The EDVA courts exhibit a similar reluctance to grant case dispositive summary judgment motions. *See Baby Jogger, LLC v. Britax Child Safety, Inc.*, Civ. No. 2:12-cv-452, 2013 U.S. Dist. LEXIS 166464 (E.D. Va. Nov. 19, 2013, R.A. Jackson) (the court found no clear and convincing evidence of anticipation or obviousness, and, although the court found no literal infringement, the court declined to dismiss under doctrine of equivalents because there was a genuine issue of material fact, thereby keeping the case alive). However, in *Mitile, LTD v. Hasbro, Inc.*, the EDVA court granted summary judgment of no literal infringement and no doctrine of equivalents infringement. Plaintiff offered expert testimony in support of its equivalence claim. However, the expert's conclusion was based on an interpretation of a claim



term that was specifically rejected by the court. In this instance, the EDVA court found that there was no genuine issue of material fact as to equivalence because the expert's statements rested on an incorrect claim term interpretation. Civ. No. 1:13-cv-451, 2013 U.S. Dist. LEXIS 155963 (E.D. Va. Oct. 30, 2013, G.B. Lee).



In two cases with the same plaintiff but different defendants, the EDVA court dismissed both cases for lack of personal jurisdiction on nearly the same grounds. The court found that plaintiff's claims of personal jurisdiction appeared attenuated and based on nothing more than bare allegations. Specifically, plaintiff's assertions regarding jurisdiction were premised on the logic that over 50 million users use the accused product so some of those users must use the product within the EDVA. Accordingly, the EDVA court found it unreasonable to exercise jurisdiction in these cases. See *Intercarrier Communications. LLC v. Kik Interactive*, Civ. No. 3:12-cv-771, 2013 U.S. Dist. LEXIS 112715 (E.D. Va. August 9, 2013, J.A. Gibney); *Intercarrier Communications LLC v. WhatsApp Inc.*, Civ. No. 3:12-cv-776, 2013 U.S. Dist. LEXIS 131318 (E.D. Va. Sept. 13, 2013, J.A. Gibney).

Patent Term Adjustment

A patent's term is generally 20 years from filing, and time spent to prosecute the application is often extended because of "PTO delay." 35 U.S.C. §154(b)(1)(B) provides for "no more than 3-year application pendency" between an application's

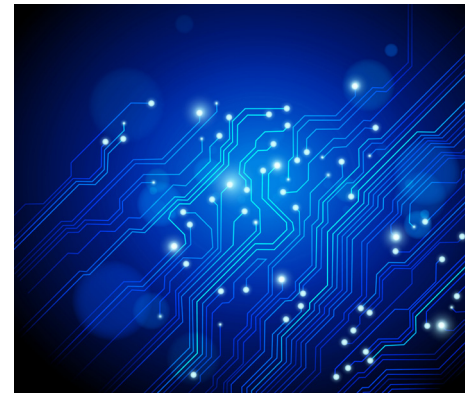
filing date and issuance of the patent; otherwise a patent's term may be adjusted. This three-year guarantee does not include "(i) any time consumed by continued examination of the application requested by applicant under section 132(b)," which includes requests for continued examination (RCEs). 35 U.S.C. §154(b)(1)(B)(i). In *Gilead Sciences, Inc. v. Rea*, No. 1:12-cv-1090, 2013 WL 5504370 (E.D. Va. Oct. 3, 2013, L. O'Grady), the EDVA court considered whether filing a supplemental IDS after submitting a reply to an Office Action (including a Restriction Requirement) constitutes failure "to engage in reasonable efforts to conclude prosecution of the application," thereby reducing the amount of PTA available. *Id.* at *3. 35 U.S.C. §154(b)(1)(A)(ii) provides for patent term adjustment when the PTO fails to "respond to a reply" from an applicant "within 4 months after the date on which the reply was filed... ." In effect, §154 extends patent term if the patent examiner fails to respond to an applicant's reply within four months. *Gilead Sciences* held that supplemental filings by the applicant after the applicant's initial reply resets the four-month clock for measuring the so-called "A-Delay," but only if the applicant could have submitted that supplemental filing earlier. *Gilead Sciences*, No. 1:12-cv-1090 at *5. "[T]here is no PTA reduction when an applicant promptly provides an IDS containing information recently acquired through communication from the USPTO or a foreign patent office." *Id.*

Terminal Disclaimers

In *Japanese Foundation for Cancer Research v. Teresa Stanek Rea*, No. 1:13-cv-412, 2013 U.S. Dist. LEXIS 105104 (E.D. Va. July 26, 2013) Judge Anthony J. Trenga considered a terminal disclaimer that was filed without authorization of the patent owner and plaintiff (the “Foundation”). The Foundation licensed the patent to a Japanese licensee and through a series of miscommunications involving the Japanese licensee’s in-house counsel, Japanese outside counsel and US counsel, US counsel filed a terminal disclaimer before payment of the next maintenance fee. *Id.* at *6. The Foundation and the Japanese licensee learned of the unauthorized filing and through a series of petitions attempted to withdraw and annul the terminal disclaimer. *Id.* at *7. The PTO argued that the Foundation is bound by its US counsel’s filing of the disclaimer, regardless of whether or not it was authorized, intentional or necessary. *Id.* at *15. Judge Trenga held that “while clients are bound by the procedural, tactical or case management decisions of their counsel, clients are not bound by the unauthorized acts of their counsel concerning decisions pertaining to their fundamental rights over which they retain final and sole authority,” including such matters as “whether to file suit, dismiss an action, release claims and settle a dispute,” and now the unauthorized filing of a terminal disclaimer that “essentially waived and released the Foundation’s legal rights and entitlements with respect

to a valuable asset.” *Id.* at *17-18. Accordingly, the PTO’s refusal to withdraw the unauthorized terminal disclaimer was arbitrary, capricious and an abuse of discretion, and the PTO was ordered to withdraw the terminal disclaimer. *Id.* at *34.

Patent prosecutors may recognize that patent examiners often do not state on the record that a double patenting rejection is withdrawn based on the filing of a terminal disclaimer. So patent prosecutors who believe that an examiner did not rely on an intentionally filed terminal disclaimer should seek clarification or attempt to withdraw the terminal disclaimer. In *President and Fellows of Harvard College, E.I. Du Pont De Nemours and Co. v. Teresa Stanek Rea*, No. 1:12-cv-1034, 2013 U.S. Dist. LEXIS 69789 (E.D. Va. May 15, 2013, L. O’Grady), a terminal disclaimer came back to bite a child application of Harvard 20 years after filing the disclaimer. The record was inconclusive as to whether the examiner relied on the terminal disclaimer or even whether the terminal disclaimer was effectively recorded by the USPTO. The district court upheld the precedent that “the validity of the disclaimer ‘is not dependent upon actions taken by the PTO,’ and that nothing in the statutes or regulations requires any action by the USPTO in order for a disclaimer to be effectively recorded.” *Id.* at *13 (quoting *Vectra Fitness, Inc., v. TNWK Corp.*, 162 F.3d 1379 (Fed. Cir. 1998)).



Additionally, patent prosecutors may be served well by using the PTO's standard forms. In *Harvard College*, the applicant-drafted terminal disclaimer filed by Harvard required more than the USPTO's standard terminal disclaimer form — specifically, Harvard disclaimed “any portion of any patent granted on the [then-pending] application **or any application which is entitled to the benefit of the filing date of the [then-pending] application.**” *Id.* at *3 (emphasis added). Thus, even a valuable child application assigned to the other plaintiff — E.I. Du Pont — expired earlier than necessary.

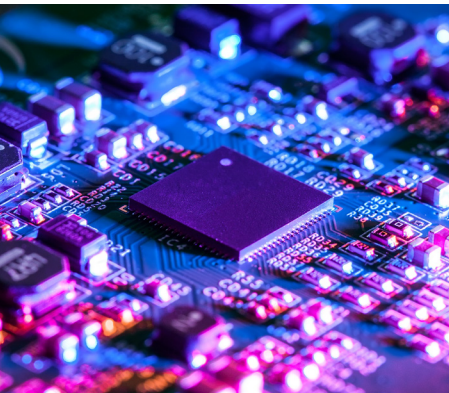
Section 145 Proceedings

35 U.S.C. §145 authorizes civil actions in which “the Court [has] the power to set aside any ruling refusing a patent and determin[ing] patentability de novo.” The United States District Court for the District of Columbia originally had exclusive jurisdiction over these actions; however, the Leahy-Smith America Invents Act transferred that jurisdiction to the United States District Court for the Eastern District of Virginia, effective September 16, 2011. See Pub. L. No. 112-29 §9, 125 Stat. 284, 316. The Eastern District of Virginia courts issued two decisions in 2013 on §145 cases, and sided with the PTO in both cases. In *Disney Enterprises, Inc. v. Rea*, No. 1:12-cv-687, 940 F.Supp.2d 288 (E.D. Va. Apr. 11, 2013, L.M. Brinkema), the court held a bench trial and concluded that the plaintiff patentee had not carried its burden of proof that it was entitled to a

reissue patent. In a similar vein, in *Johnston v. Rea*, No. 1:12-cv-440, 2013 U.S. Dist. LEXIS 52454, the court granted summary judgment in favor of the PTO, finding that the court need undertake *de novo* review only if **new evidence** is submitted. Finding no new evidence, the court held that under the Administrative Procedure Act (“APA”), the “USPTO’s actions may be set aside only if the Court[] determines that they were arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.” *Id.* at *5. Thus, the court again sided with the PTO.

Antitrust Counterclaims, *Noerr-Pennington* and Patent Misuse

Like other jurisdictions, the EDVA continues to see patent infringement allegations made by nonpracticing entities, or “patent trolls,” and the EDVA hears defendants’ attempts to level the playing field by asserting counterclaims, including antitrust claims. In *Intellectual Ventures I LLC v. Capital One Financial Corporation*, No. 1:13-cv-00740, 2013 U.S. Dist. LEXIS 177836 (E.D. Va. Dec. 18, 2013, A.J. Trenga), the court considered whether Capital One’s allegations of patent misuse stated a plausible claim for a violation of the Sherman Act and the Clayton Act based on Intellectual Venture’s (“IV”) collection of royalties from invalid patents and unlawful monopolization. Capital One alleged that IV’s licensing strategy “is not based on the licensing of valuable patent rights, rather on the threat of asserting thousands of patents



in a never-ending series of costly and disruptive patent infringement lawsuits — pummeling its victims into submission.” However, the court found that IV’s lawsuits are shielded from antitrust liability under the *Noerr-Pennington* doctrine, and dismissed Capital One’s counterclaims and patent misuse defense.

Post-Verdict Motions and Remedies

In 2013 the EDVA made clear in two separate rulings that pre- and postjudgment interest as well as supplemental damages are available for the successful patent infringement plaintiff. See *I/P Engine, Inc. v. AOL Inc.*, 2:11CV512, 2013 WL 3991472 (E.D. Va. Aug. 1, 2013, R.A. Jackson); *Morpho Detection, Inc. v. Smiths Detection Inc.*, 2:11CV498, 2013 WL 5701522 (E.D. Va. Oct. 17, 2013, M.S. Davis). In *I/P Engine*, the court found that supplemental damages, covering infringement occurring between the date of the jury’s verdict and the date of the judgment, are appropriate as a compensatory measure because the “patentee is entitled to damages for the entire period of infringement and should therefore be awarded supplemental damages for any periods of infringement not covered by the jury verdict.” *Id.* at *8 (citing *TiVo, Inc. v. Echostar Communications Corp.*, 2006 U.S. Dist. LEXIS 64291, at *6 (E.D. Tex. Aug. 17, 2006)).

In both cases, the court assessed prejudgment interest from the date of infringement to the date of judgment,

finding it “necessary to ensure that the patent owner is placed in as good a position as he would have been in had the infringer entered into a reasonable royalty agreement.” *I/P Engine* at *11 (citing *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655-56, 103 S. Ct. 2058, 76 L. Ed. 2d 211 (1983)); see also *Morpho Detection* at *2–3.

In *ePlus Inc. v. Lawson Software, Inc.*, 946 F. Supp. 2d 449 (E.D. Va. 2013, R.E. Payne), the parties disagreed as to whether disgorgement of profits was an available remedy in a civil contempt proceeding based on violation of an injunction prohibiting further infringement of a patent. The court stated that “[i]n civil contempt proceedings, the chosen remedy must serve either or both of two purposes: ‘to coerce the contemnor into complying in the future with the court’s order, or to compensate the complainant for losses resulting from the contemnor’s past noncompliance.’” *Id.* at 453 (citing *The Colonial Williamsburg Found. v. The Kittinger Co.*, 792 F.Supp. 1397, 1407 (E.D.Va.1992), *aff’d* 38 F.3d 133 (4th Cir.1994)). Disgorgement, while not necessarily an appropriate coercive remedy, is an appropriate compensatory relief for civil contempt. See *id.* (citing *Leman v. Krentler–Arnold Hinge Last Co.*, 284 U.S. 448, 52 S.Ct. 238, 76 L.Ed. 389 (1932)). Furthermore, the court held that “[t]he nature of the underlying action does not dictate the remedy for violation of court orders.” *Id.* at 457. So even though the 1946 amendments to the Patent Act



eliminate disgorgement as a remedy for infringement, disgorgement remains available for contempt based on violation of an injunction prohibiting further infringement of a patent.

Subsequent to finding disgorgement an appropriate remedy for civil contempt, the *ePlus* court considered the test for civil contempt based on violation of an injunction prohibiting further infringement of a patent. *ePlus Inc. v. Lawson Software, Inc.*, 946 F.Supp.2d 472 (E.D. Va. 2013, R.E. Payne). The court relied heavily on *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed.Cir. 2011), which laid out a two-part contempt analysis: (1) “the party seeking to enforce the injunction must prove that the newly accused product is not more than colorably different from the product found to infringe”; and (2) “the newly accused product actually infringes.” *Id.* at 882.

“The Federal Circuit has emphasized that the ‘not more than colorably different’ test should not be guided by the question of whether the new product actually infringes the patent. Rather, the focus must be on ‘the differences between the features relied upon to establish infringement and the modified features of the newly accused products.’” *ePlus*, 946 F.Supp.2d at 478 (internal citations omitted). “At the most basic level, a product is not more than colorably different from another product if it ‘performs substantially the same function in substantially the same way with substantially the same result.’” *Id.* at 479. The court

held that while this test required comparison of the elements of the infringing product with the elements of the new product, it did not allow the court “independently to examine the underlying trial evidence in an effort to determine exactly what the jury found.” *Id.* at 480. Such an analysis would violate the jurisprudential principle that the court determines questions of law and juries determine questions of fact. *Id.* at 481. If it is determined that the newly designed and infringing products are no more than colorably different, it is necessary to ‘evaluate the modified elements of the newly accused product against the asserted claim, on a limitation by limitation basis, to ensure that each limitation continues to be met.’” *Id.* at 488.

Trademark Cases

ACPA Enforcement Actions

As in prior years, the Alexandria Division continued in 2013 to handle a number of cybersquatting cases under the *in rem* provisions of the Anticybersquatting Consumer Protection Act (“ACPA”), part of the Lanham Act. 15 U.S.C. §1125(d). The ACPA allows a trademark owner to proceed *in rem* against a registered domain name itself — rather than the person who registered the domain name — where the domain name violates the trademark owner’s rights and either (1) the trademark owner cannot obtain personal jurisdiction over the domain name registrant (e.g., because the registrant is outside the US) or (2) the trademark



owner cannot find the domain name registrant, despite its due diligence, including sending the registrant postal and electronic notice of both the alleged violation and the trademark owner's intent to sue (e.g., because the registrant has given fictitious registration information). 15 U.S.C. §1125(d)(2)(A); *3M Co. v. thailand3m.net*, No. 1:11-cv-627, 2013 U.S. Dist. LEXIS 126871 at *5 (E.D. Va. Apr. 1, 2013, J.F. Anderson). Many of these cases are filed in Alexandria because "venue for an *in rem* ACPA action [lies] in the judicial district in which the domain name's registrar, registry, or other domain name authority that registered or assigned the domain name is located," 15 U.S.C. §1125(d)(2)(C)(i); *3M Co.*, 2013 U.S. Dist. LEXIS 126871 at *20, and many registries and registrars — including VeriSign (registry for .com, .net, .name, .cc and .tv), Public Interest Registry (registry for .org) and Neustar (registry for .biz and .us) — are located in the Alexandria Division. To prevail in an ACPA cybersquatting case, the plaintiff must demonstrate (1) that it owns a valid and protectable trademark; (2) that the defendant's domain name(s) at issue are confusingly similar to the plaintiff's trademark; and (3) that the defendant had a bad faith intent to profit from the plaintiff's trademark. 15 U.S.C. §1125(d)(1); *Montblanc-Simplo GmbH v. buymontblancpensca.net*, No. 1:13-cv-1137, 2013 U.S. Dist. LEXIS 183721 at *9 (E.D. Va. Dec. 11, 2013, T.C. Buchanan).

In all the Eastern District of Virginia *in rem* cases in 2013, the trademark owners obtained from the presiding Alexandria magistrate judges reports and findings recommending default judgments against the defendant domain names and recommending that the defendant domain names be transferred to the trademark owners. *Hughes Systique Corp. v. hsc.com*, No. 1:12-cv-1498, 2013 U.S. Dist. LEXIS 49085 (E.D. Va. Feb. 25, 2013, J.F. Anderson); *3M Co.*, 2013 U.S. Dist. LEXIS 126871; *Avalere Health, LLC v. avalere.org*, No. 1:12-cv-997, 2013 U.S. Dist. LEXIS 61246 (E.D. Va. Apr. 10, 2013, I.D. Davis); *Square, Inc. v. squareup.com*, No. 1:13-cv-549, 2013 U.S. Dist. LEXIS 114235 (E.D. Va. Jul. 15, 2013, J.F. Anderson); *Montblanc-Simplo GmbH*, 2013 U.S. Dist. LEXIS 183721; *Montblanc-Simplo GmbH v. montblancmagasin.com, et al.*, No. 1:13-cv-1215, 2013 U.S. Dist. LEXIS 184914 (E.D. Va. Dec. 12, 2013, T.C. Buchanan).

Trademark and Cybersquatting Action Dismissed for Lack of Personal Jurisdiction

In *People Express Airlines, Inc. v. 200 Kelsey Associates, LLC*, No. 4:12-cv-61, 922 F. Supp. 2d 536 (E.D. Va. Feb. 5, 2013, M.S. Davis), PEOPLEExpress, based in Newport News, Virginia, filed suit against 200 Kelsey Associates, a New Jersey corporation based in New York, seeking a declaration that PEOPLEExpress owned rights in the PEOPLE EXPRESS trademark and that 200 Kelsey had engaged in cybersquatting when it registered the domain names peopleexpressairline.



com and peopleexpressair.com. PEOPLEExpress had formed in 2011, and it sought to establish an airline passenger service in Virginia using the PEOPLE EXPRESS mark that another, unrelated airline had used from 1981 to 1987, when it ceased service after being absorbed by a different airline. PEOPLEExpress filed an intent-to-use application to register the PEOPLE EXPRESS mark with the U.S. Patent & Trademark Office, but its application was blocked by 200 Kelsey's prior pending federal intent-to-use application for the same mark. PEOPLEExpress also learned that, in 2005 and 2009, 200 Kelsey had registered the two "peopleexpress" domain names. PEOPLEExpress alleged that 200 Kelsey had a practice of filing intent-to-use trademark applications for marks that it did not have a *bona fide* intent to use, in order to "extort" license fees from other entities that might later want to use and register the same marks. The Newport News Division did not reach the merits of PEOPLEExpress's trademark and domain name claims because it granted 200 Kelsey's Rule 12(b)(2) motion to dismiss for lack of personal jurisdiction. The court noted that 200 Kelsey had no operations, offices, locations, facilities, property, bank accounts, mailing addresses, employees or agents in Virginia; did not advertise in Virginia; and was not engaged in significant or long-term business activities in Virginia. PEOPLEExpress argued that the court could exercise specific personal jurisdiction over 200 Kelsey in Virginia because

200 Kelsey had "demanded" that PEOPLEExpress (a Virginia company) purchase a license for the PEOPLE EXPRESS mark and had offered to sell the two "peopleexpress" domain names to PEOPLEExpress. But the court found that neither of these activities was sufficient to constitute "purposeful availment" in Virginia, primarily because PEOPLEExpress had reached outside Virginia to initiate contact with 200 Kelsey about the trademark and domain names, because all the contacts about the trademark and domain names occurred outside Virginia and because no agreement was ultimately reached regarding the trademark or domain names.

Preliminary Injunction Denied Against *Pro Se* Former Employee Accused of Trademark Infringement and Cybersquatting

In *Pro-Concepts, LLC v. Resh*, No. 2:12-cv-573, 2013 U.S. Dist. LEXIS 151714 (E.D. Va. Oct. 21, 2013, M.S. Davis), a trademark case with an unusual setting (employer, Pro-Concepts, against former employee, Resh, who refused to give up employer-related website and domain name without compensation), the Norfolk Division denied the plaintiff's motion for preliminary injunction based on claims of trademark infringement, cybersquatting, breach of contract and conversion. The decision is notable for the exacting scrutiny that it placed upon a trademark plaintiff seeking a preliminary injunction, particularly a mandatory preliminary injunction. Thus, the court prefaced its analysis by noting that "[t]he



Fourth Circuit has ... reiterated the Supreme Court's rejection [in *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008)] of a preliminary injunction standard which 'allowed the plaintiff to demonstrate only a "possibility" of irreparable harm' as 'inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.' " *Id.* at *9-10 (quoting *Real Truth About Obama, Inc. v. Fed. Election Com'n*, 575 F.3d 342, 346-47 (4th Cir. 2009), vacated on other grounds, 559 U.S. 1089 (2010)). And the court noted that "[t]he demanding standard outlined above becomes even more exacting when a plaintiff seeks a preliminary injunction that mandates action, as contrasted with the typical form of preliminary injunction that merely preserves the status quo pending trial." *Id.* at *10. (The court viewed the request that Resh be preliminarily enjoined from continuing to use Pro-Concepts' asserted mark as prohibitory, but it viewed the request that Resh be preliminarily required to assign domain names to Pro-Concepts as mandatory.) The court also held that, in light of the Supreme Court's decision in *Winter*, "it is unlikely that the presumption alleged in the context of trademark infringement [i.e., a presumption of irreparable harm where the court finds a likelihood of confusion] remains viable." *Id.* at *61. The court engaged in a lengthy analysis of preliminary injunction factors, trademark infringement and likelihood of confusion elements,

ruling that Pro-Concepts had not demonstrated entitlement to a preliminary injunction, due in large part to the fact that the defendant did not appear to be using the allegedly infringing mark commercially.

Default Judgment for Plaintiff on Various Federal and State Trademark and Unfair Competition Claims, but Not on Federal Misappropriation or VCPA Claims

In a rather unremarkable decision, *Portfolio Recovery Associates, Inc. v. Portfolio Recovery Group, LLC*, No. 2:12-cv-649, 2013 U.S. Dist. LEXIS 150998 (E.D. Va. Oct. 18, 2013, M.S. Davis), the Norfolk Division awarded judgment to the plaintiff against a defaulting defendant on a number of federal and state trademark and unfair competition claims, specifically, federal trademark infringement, unfair competition and cyberpiracy claims under the Lanham Act, 15 U.S.C. §§1114, 1125(a) and 1125(d) (1), and Virginia false advertising claims under Va. Code. §§18.1-216 and 59.1-68.3. But the court denied the plaintiff's add-on claim for federal misappropriation, noting that the 1918 Supreme Court case upon which the plaintiff relied for this, *International News Service v. Associated Press*, 248 U.S. 215 (1918), was no longer good law. And the court denied the plaintiff's add-on claim for violation of the Virginia Consumer Protection Act, Va. Code §59.1-200, holding that the VCPA provides a statutory remedy for members of the consuming public, but not for competitors.

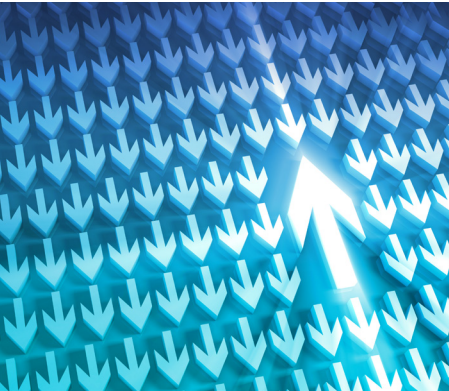


Rulings For and Against Plaintiffs on Counterfeiting Claims

The Alexandria Division ruled on Lanham Act counterfeiting claims in two different cases, finding for the plaintiff in one and the defendant in the other. In *Match.Com, LLC v. Fiesta Catering International, Inc.*, No. 1:12-cv-363, 2013 U.S. Dist. LEXIS 14099 (E.D. Va. Jan. 31, 2013, A.J. Trenga), the plaintiff, Match.Com, which used the MATCH.COM trademark and other MATCH marks in connection with “the largest online dating, relationship, singles, and personals service in the world,” *id.* at *3, sued defendants in Barbados, Anguilla, Cyprus and California for offering online “adult dating” services under the names and marks XXXMATCH.COM and EROTICMATCH.COM. Match.com asserted a number of federal trademark claims, including a Lanham Act counterfeiting claim under 15 U.S.C. §1116(d). The federal trademark statute provides remedies against a counterfeit mark beyond what a successful plaintiff can obtain against an infringing mark, but a defendant’s mark is counterfeit only if it is “ ‘a spurious mark which is identical with, or substantially indistinguishable from’ the plaintiff’s mark.” *Id.* at *21 (quoting 15 U.S.C. §1127). The defendants argued that their XXXMATCH.COM and EROTICMATCH.COM marks were not close enough to MATCH.COM to meet the “identical” or “substantially indistinguishable” standards, but the court rejected this argument,

at least at the motion to dismiss stage, noting that “ ‘a mark does not have to be an exact replica of a registered trademark to be deemed a counterfeit,’ as such a requirement ‘would allow counterfeiters to escape liability by modifying the registered trademarks in trivial ways.’ ” *Id.* (quoting *United States v. Chong Lam*, 677 F.3d 190, 199 (4th Cir. 2007)).

In *Associated General Contractors of America v. Stokes*, No. 1:11-cv-795 2013 U.S. Dist LEXIS 38680 (E.D. Va. Mar. 18, 2013, G.B. Lee), the plaintiff, owner of a number of federally registered AGC marks, sued the defendant for sending to AGC members various advertisements for trade directories, which advertisements used AGC marks in various ways and apparently caused actual confusion. The court awarded default judgment to the plaintiff on its federal trademark infringement claims, but not on its federal counterfeiting claims. The court noted that “a finding of counterfeit is a higher threshold than a finding of ‘colorable imitation’ in a traditional trademark infringement case.” *Id.* at *14. And it found that the defendant’s advertisement as a whole was sufficiently distinguishable to avoid counterfeiting because (1) it displayed the mark as A.G.C. (with periods) rather than AGC; (2) it displayed a distinct circular logo next to the A.G.C. lettering; and (3) it displayed the defendant’s American General Construction Association name next to the A.G.C. lettering.



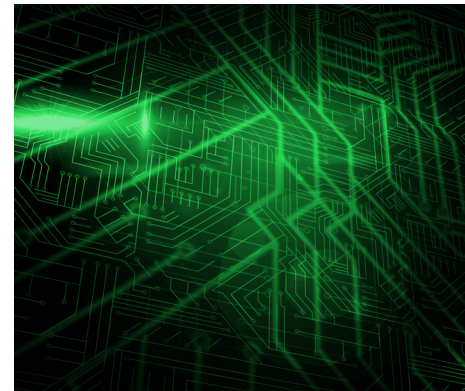
Appeals from Trademark Trial and Appeal Decisions Rejecting Applied-For Marks on Grounds of Genericness and Descriptiveness

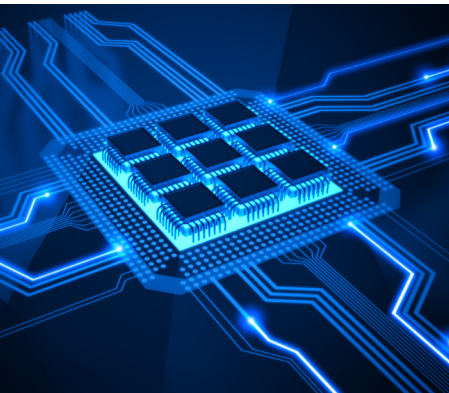
The Alexandria Division decided two appeals from refusals by the Patent & Trademark Office's Trademark Trial and Appeal Board (TTAB) to register applicants' trademarks. Under 15 U.S.C. §1071, a trademark applicant dissatisfied with a TTAB decision can either appeal to the Federal Circuit or file an action in federal district court. When an applicant files in district court, the plaintiff (the applicant) and the defendant (the PTO) can submit new evidence, and the district court " 'sits in a dual capacity,' serving on one hand as the finder of fact with respect to new evidence presented by the parties, and on the other as an appellate reviewer of facts found by the TTAB." *Shammas v. Rea*, No. 1:13-cv-1462, 2013 WL 5672404 at *2 (E.D. Va. Oct. 15, 2013, T.S. Ellis, III) (quoting *Glendale Intern. Corp. v. U.S. Patent & Trademark Office*, 374 F. Supp. 2d 479, 485 (E.D. Va. 2005)).

In *Shammas*, the applicant took issue with the PTO's refusal to register its applied-for PROBIOTIC mark in connection with fertilizer. The Alexandria Division upheld the refusal to register, ruling that PROBIOTIC was generic for a fertilizer using probiotic technology, and that even if PROBIOTIC were descriptive rather than generic, it had not acquired secondary meaning. In its genericness ruling, the court noted that the Fourth Circuit has

held that "a term may be generic if the relevant public uses the term to identify the genus of the goods or services at issue, or if it names a 'distinctive characteristic' of that genus of goods or services." *Id.* at *5 (quoting *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 464 n.10 (4th Cir. 1996)). Based on the PTO's evidence — including dictionary definitions, patents, scholarly articles, news articles and third-party websites using or referring to the term "probiotic" — the court had no trouble finding that PROBIOTIC was generic, noting that the applicant's evidence of the supposed success and popularity of its product was not relevant to the genericness inquiry, as it could not transform a generic word into a nongeneric mark. The court also found that even if PROBIOTIC were descriptive, the applicant had not met the "vigorous evidentiary requirements" for proving secondary meaning, noting that the applicant had not placed the sales and advertising figures for its relevant products in context and had not shown that they had created any secondary meaning for its product name in the minds of consumers.

In *Timex Group USA, Inc. v. Focarino*, No. 1:12-cv-1080, 2013 U.S. Dist, LEXIS 177835 (E.D. Va. Dec. 17, 2013, T.S. Ellis, III), the court overturned the TTAB's refusal to register the applicant's INTELLIGENT QUARTZ mark for watches, agreeing with the applicant that the mark was suggestive rather than merely descriptive. The court found that the TTAB's ruling that





INTELLIGENT QUARTZ was merely descriptive of the applicant's watches was based on "the erroneous factual finding that 'the watch contains a quartz component controlled by a computer chip,'" *id.* at * 21, when in reality, the quartz in the applicant's watches functioned without the aid of any computer chip. As a result, INTELLIGENT could not be descriptive of the QUARTZ in the applicant's watches, and INTELLIGENT was instead suggestive of the other "smart" elements of the applicant's watches pursuant to both (1) the imagination test, "under which a mark is deemed suggestive if 'it stands for an idea which requires some operation of the imagination to connect it with the goods,'" *id.* at *28 (quoting *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1528 (4th Cir. 1984)); and (2) the competitors' need test, under which "the 'descriptive information conveyed by the mark [is] so remote and subtle that it is [un]likely to be needed by competitive sellers to describe their goods or services[.]'" *Id.* at *39 (quoting J. McCarthy, 2 *McCarthy on Trademarks and Unfair Competition* §11.68).

Dismissal of Trademark Claims on Subject Matter Jurisdiction and Contributory Infringement Grounds

Finally, in *Schreiber v. Dunabin*, No. 1:12-cv-852, 938 F. Supp. 2d 587 (E.D Va. March 29, 2013, G.B. Lee), the Alexandria Division dealt with a strange case in which a *pro se* plaintiff who operated a motor home rental business under the

LANDCRUISE trademark *in Canada* asserted Lanham Act claims against a *pro se* UK defendant who used the LANDCRUISE trademark and landcruise.uk.com domain name in connection with a motor home rental business *in the UK*. Not surprisingly, the court ruled that it lacked subject matter jurisdiction over this Canada-UK trademark dispute, based on its application of the *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952) factors for extraterritorial application of the Lanham Act: "whether: (1) the defendant's conduct has a significant effect on United States commerce; (2) the defendant is a citizen of the United States; and (3) issuance of an injunction would interfere with trademark rights under the relevant foreign law, making issuance of the injunction inappropriate in light of international comity concerns." *Schreiber*, 938 F. Supp. 2d at 596. The court also dismissed the plaintiff's contributory infringement claims against various registries and registrars involved with the defendant's registration of her landcruise.uk.com domain name. The court held that the plaintiff's contributory infringement claims failed because of the dismissal of his direct infringement claims. The court also noted that these defendants were insulated by the Lanham Act's safe harbor provisions for "domain name registration authorities" because there were no allegations that any of these registration authorities acted with any bad faith intent to profit from registering the landcruise.uk.com domain name. *Id.* at 601; 15 U.S.C. §1114(2)(D).

Copyright Cases

In *Charles W. Ross Builder, Inc. v. Olsen Fine Home Building, et al.*, No. 4:10-cv-129, 2013 WL 5461841 (E.D. Va. Sept. 30, 2013, R.G. Doumar), the district court explained that the Fourth Circuit's "substantial similarity" test developed in *Universal Furniture International, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417 (4th Cir. 2010), which involved copyright infringement with respect to furniture design, extends to architectural works. *Charles W. Ross Builder, Inc. v. Olsen Fine Home Building, et al.*, No. 4:10-cv-129 at *2. However, similarities that stem from a common architectural style (e.g., a classical Georgian-style home), or "standard configurations of spaces," or even "design elements that are functionally required," such as bathrooms, doors and windows are not accounted for when determining the extent of similarity. *Id.* at *21. In this manner, the Copyright Act affords protection to architectural design elements *only* insofar as they reflect the architect's creativity. *Id.* at *22. Further, the district court found it "essential to highlight the difference between patents and copyrights." *Id.* at *10. Unlike a patent examiner determining novelty and nonobviousness of an invention prior to issuance of a patent, to obtain a copyright certificate, "one merely needs to file his or her copyright" and "[t]here is no originality analysis prior to issuance of a copyright certificate." *Id.* Accordingly, "the presumption of originality which rides on the coattails of a copyright certificate is fairly easy to rebut." *Id.* (citing *Universal Furniture*, 618 F.3d at 430).

Additional Cases of Interest

Trade Secrets

In *Jacqueline D. Marsteller v. ECS Federal, Inc.*, No. 1:13-cv-593, 2013 U.S. Dist. LEXIS 126927 (E.D. Va. Sept. 5, 2013, J.C. Cacheris), ECS

Federal brought claims against a former executive, Ms. Marsteller, for (1) violation of the Virginia Uniform Trade Secrets Act (VUTSA); (2) violation of the Virginia Computer Crimes Act (VCCA); (3) breach of contract; (4) conversion; (5) breach of fiduciary duty; and (6) unjust enrichment. Marsteller sought dismissal of each of these claims under Fed. R. Civ. Pr. 12(b)(6).

ECS Federal's claim under the VUTSA fairly plead that much of the information taken by Marsteller is a trade secret because its claim included sufficient factual support indicating that the information provides the company with independent economic value, sufficient factual support that such information is not readily ascertainable by proper means, and some explanation of the reasonable steps taken to protect the information, consistent with the statutory definition of a trade secret. *ECS Federal, Inc.*, No. 1:13-cv-593 at *11-12. Moreover, "[u]nder the VUTSA, improper acquisition of a trade secret, even in the absence of allegations of use or disclosure, is sufficient to state a claim." *Id.* at *14 (citing Va. Code Ann. §59.1-336).

ECS Federal's claim under the VCCA was not preempted by the VUTSA. The district court explained that the VUTSA precludes "only those common law claims that are premised *entirely* on a claim for the misappropriation of a trade secret." *Id.* at *17 (quoting *Smithfield Ham and Product Co., Inc. v. Portion Pac, Inc.*, 905 F. Supp. 346, 348 (E.D. Va. 1995) (emphasis in original)).

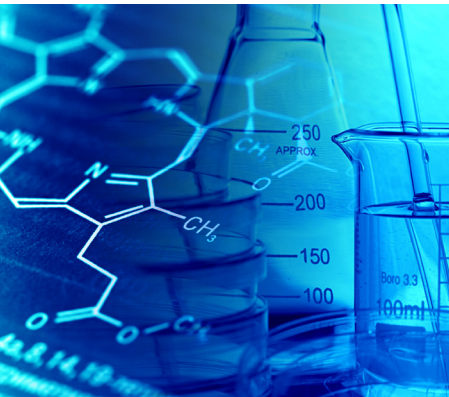


Because ECS Federal alleged that Marsteller wrongfully took some documents for which ECS Federal did *not* claim trade secret status, the VCCA claim was not premised *entirely* on misappropriation of a trade secret, and hence survived Marsteller's dismissal motion. *Id.* However, as noted in *Alliance Technology Group, LLC v. Achieve 1, LLC*, No. 3:12-cv-701, 2013 U.S. Dist. LEXIS 4708 (E.D. Va. Jan. 11, 2013), an argument that the VUTSA preempts other related tort, restitutionary or misappropriation of trade secret claims "may ultimately have merit, but [such an argument] is not an appropriate vehicle for dismissal pursuant to Fed. R. Civ. P. 12(b)(6)." *Alliance Technology Group, LLC*, No. 3:12-cv-701 at *19-20.

Although conversion generally applies to tangible property, ECS Federal's conversion claim survived Marsteller's motion to dismiss because "it appears that the purloining of copies of documents would constitute conversion because such action is an act of 'dominion' inconsistent with the true owner's property rights." *ECS Federal, Inc.*, No. 1:13-cv-593 at *24 (*quoting E.I. DuPont de Nemours & Co.*, 688 F.Supp.2d 443, 454 (E.D. Va. 2009)).

Autopartsource, LLC v. Stephen C. Bruton, et al., No. 3:13-cv-54, 2013 U.S. Dist. LEXIS 99396 (E.D. Va. July 16, 2013, H.E. Hudson) involved two rogue employees who misappropriated numerous Autopartsource trade secrets, deleted Autopartsource's databases containing those trade

secrets and set up a company in China to compete with the Virginia-based Autopartsource. *Autopartsource, LLC*, No. 3:13-cv-54 at *1. The district court found, through a default judgment, that the defendants willfully and maliciously misappropriated trade secrets in violation of the VUTSA, and the district court was not reluctant to award all sorts of damages. The court awarded (A) compensatory damages including: (1) lost profits; (2) the cost to recreate the destroyed data; (3) unjust enrichment damages equal to the defendants' salary for the duration of time that the defendants developed the misappropriated (and destroyed) trade secrets; (4) unjust enrichment damages equal to the defendants' salary for the duration of defendants' wrongdoing while at Autopartsource; and (5) damages equal to the amount defendants paid to another employee of Autopartsource to induce that employee to breach her contract with Autopartsource. *Id.* at *48. The district court also awarded (B) punitive damages; (C) attorneys' fees; (D) litigation costs; (E) a permanent injunction from using the misappropriated trade secrets; and (F) a three-year injunction (in the markets of China and the US) from sourcing any products that were distributed by Autopartsource during defendants' tenure at Autopartsource. *Id.* *Alliance Technology Group, LLC v. Achieve 1, LLC*, No. 3:12-cv-701, 2013 U.S. Dist. LEXIS 4708 (E.D. Va. Jan. 11, 2013, H.E. Hudson), involved misappropriation of trade secrets from a former employer (Alliance) to a new employer



(Achieve 1) by a cohort of former employees. *Alliance* is notable because one of the defendants “did not need to actually use the confidential information himself” for a claim of aiding and abetting breach of fiduciary duty to survive a Rule 12(b)(6) dismissal motion. The district court explained that “it is sufficient that he knew that his new employer, Achieve 1, was using such confidential information to the benefit of its employees, including [the particular defendant] himself.” *Id.* at *17.

Expert Testimony

Several 2013 cases highlight the challenges in presenting reliable expert evidence of damages suffered as the result of infringement. In *Rembrandt Social Media, LP v. Facebook, Inc.*, Civ. No. 1:13-cv-158, 2013 U.S. Dist. LEXIS 171127 (E.D. Va. Dec. 3, 2013, T.S. Ellis, III), the court found that the testimony of the plaintiff’s damages testimony was unreliable under *Daubert* and must be excluded for two reasons. The court found that the damages expert did not properly apportion the royalty base **and** the revenue stream used to calculate the reasonable royalty to the infringing features. Instead the plaintiff’s damages expert included features that could have been used without infringing the patents at issue. Thus, the court excluded his opinion and testimony as unreliable evidence of what the parties would have agreed to in a hypothetical negotiation. Similarly, in *Suffolk Technologies LLC v. AOL, Inc., et al.*, Civ. No. 1:12-cv-625, 2013 U.S. Dist. LEXIS 64630 (E.D.

Va. April 12, 2013, T.S. Ellis, III), the court excluded the testimony and opinion of the plaintiff’s damages expert because it was improperly based on a “rule of thumb,” applying *Uniloc USA*, 632 F.3d 1292 (Fed. Cir. 2011). The *Uniloc* court held that a reasonable royalty determined by applying a 25 percent rule of thumb, then applying the *Georgia-Pacific* factors was unreliable under *Daubert*. In *Suffolk Technologies*, Judge Ellis held that a damages analysis conducted by reversing the order, and applying a rule of thumb after a *Georgia-Pacific* factors analysis will suffer a similar fate: exclusion.

Conclusion

In spite of the slightly diminished speed and quantity of intellectual property cases filed this year in the Eastern District of Virginia, it remains a preferred forum for plaintiffs filing these complex cases. Perhaps aware of these trends, the court is willing to transfer cases that should not be in the Eastern District of Virginia, and is also willing to consider summary judgment motions and other defensive strategies. But it remains good practice to focus on those motions that are likely to succeed. Serial motion practice may persuade the court that the defendant is simply trying to slow the pace of the litigation, rather than reaching a correct and just resolution.

We look forward to continued practice and reporting on these types of intellectual property cases in the next year.



Supplemental Information

The chart below summarizes the number of intellectual property cases filed in the Eastern District of Virginia in 2013 by judge.

Judge	Division	Patent	Trademark	Copyright	Total
Rebecca Beach Smith (Chief)	Norfolk/ Newport News	1	2	0	3
Arenda Wright Allen	Norfolk/ Newport News	8	0	2	10
Leonie M. Brinkema	Alexandria	19	7	3	29
James C. Cacheris	Alexandria	0	0	0	0
Mark S. Davis	Norfolk/ Newport News	7	3	1	11
Robert G. Doumar	Norfolk/ Newport News	0	0	0	0
T.S. Ellis, III	Alexandria	15	12	4	31
John A. Gibney, Jr.	Richmond	0	4	0	4
Claude M. Hilton	Alexandria	20	7	0	27
Henry E. Hudson	Richmond	5	2	2	9
Raymond A. Jackson	Norfolk/ Newport News	11	2	2	15
Gerald Bruce Lee	Alexandria	17	12	1	30
Henry Coke Morgan, Jr.	Norfolk/ Newport News	3	1	0	4
Liam O'Grady	Alexandria	19	9	1	29
Robert E. Payne	Richmond	4	2	0	6
James R. Spencer	Richmond	8	0	0	8
Anthony J. Trenga	Alexandria	27	8	1	36
TOTAL		164	71	17	252

Hunton & Williams LLP's intellectual property lawyers keep pace with developments in innovation, law and policy to provide informed and comprehensive IP services to clients. 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, finance, high technology, retail, 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.

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