

Patent and Trademark Bulletin for the District of Massachusetts

A reporter on recent patent and trademark opinions from the
United States District Court for the District of Massachusetts



May 2014

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FEDERAL CIRCUIT SPOTLIGHT

CAFC vacates contempt order entered by Judge Young with regard to injunction against infringement by a newly accused product

Proveris Scientific Corp. v. Innovasystems, Inc., 2013-1166, -1190 (Fed. Cir. Jan. 13, 2014) (appeal of 05-CV-12424 (D. Mass.) (Young, D.J.)) [Contempt; Permanent Injunctions; Claim Construction].

The Federal Circuit recently vacated a contempt order related to the enforcement of a permanent injunction entered by the U.S. District Court for the District of Massachusetts (Young, D.J.). The contempt order resulted from an alleged violation by Innovasystems, Inc. ("Innova") of a permanent injunction previously granted to Proveris Scientific Corporation ("Proveris"). The Federal Circuit vacated the contempt order because it determined that Judge Young should have engaged in claim construction for a previously undisputed claim as part of the determination regarding whether a newly accused product violated the injunction against continued infringement.

The Court had entered a permanent injunction prohibiting Innova from "making, using, selling, offering for sale or importing into or exporting out of the United States" a device known as the Optical Spray Analyzer ("OSA"). The OSA device and the patent at issue, U.S. Patent No. 6,785,400 (the "'400 patent"), relate to inhalers and nasal sprayers, and more specifically to triggering a spray plume and collecting data on the plume via an illumination device and an imaging device. The injunction issued after Innova conceded infringement of claims 3-10 and 13 of the '400 patent and lost its invalidity arguments related to those claims¹.

Innova then modified its OSA device and began selling a new device known as the Aerosol Drug Spray Analyzer ("ADSA"). Innova claimed that its ADSA device was significantly different than the OSA device and that the ADSA device did not infringe claim 3 of the '400 patent. Proveris disagreed, and filed a contempt motion based on Innova's manufacture and sale of the ADSA device. The Court agreed with Proveris and entered a contempt order against Innova. Innova appealed the contempt order and related sanctions, while Proveris cross-appealed certain aspects of the related sanctions ruling.

¹Innova successfully established that its device did not infringe claims 1 and 2, but that did not stop the permanent injunction from being entered.

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The Court engages in a two-step test to evaluate whether an injunction against continued infringement has been violated by a newly accused product. First, a party seeking to enforce the injunction must show that “the newly accused product is not more than colorably different from the product found to infringe.” That is, the Court must determine if the modification or removal of elements of the product previously found to be infringing is significant. If the newly accused product is colorably different from the product previously found to infringe, then the patent owner must bring a new infringement action. If it is not colorably different, then the second step—determining whether the newly accused product in fact infringes the relevant claims—is undertaken.

With respect to the first step of the two-step test, the Federal Circuit agreed with the District Court’s finding that the ADSA device was not colorably different from the OSA device, and in fact concluded that the two devices were functionally identical. However, the Federal Circuit departed from the District Court’s decision with respect to the second step of the test.

The second step dispute related to language in the preamble of claim 3. During the first litigation, infringement of claim 3 was conceded, and thus no terms of claim 3 were construed. However, now the parties dispute whether language in the preamble imported a limitation into the claim, and if so, whether that language resulted in non-infringement of the ‘400 patent.

Innova asserted that the portion of the claim 3 preamble reciting “An apparatus for producing image data representative of at least one sequential set of images of a spray plume...at a predetermined instant in time” imported limitations into the claim. It was Innova’s position that the OSA device was found to infringe this recitation because it allowed a user to identify what range of images he or she wanted to analyze *before* activating the spray plume, *i.e.*, “a predetermined instant in time,” but that the ADSA device did not infringe this limitation because the ADSA device requires that the user first activate the spray plume and then later determine what range of images to analyze.

The Federal Circuit disagreed with the District Court, which found that, because Innova could have raised claim construction issues in the underlying infringement action but did not, claim 3 should not be construed and could not have its preamble import a limitation into the claim. The Federal Circuit noted that in contempt

proceedings the District Court is bound by any prior claim constructions it performed, however, because there were no prior claim constructions for claim 3, the Court erred by failing to engage in a claim construction analysis. Further, the Federal Circuit agreed with Innova and found that the preamble imports a limitation into the claim both because it recites essential structure or steps, and because terms in the preamble are relied upon for antecedent basis.

The Federal Circuit did not construe the meaning of any terms in the preamble because it did not have enough information on the record to resolve the issue in view of the fact that no *Markman* hearing had been conducted. Thus, the Federal Circuit vacated the contempt order and remanded the case back to the District Court for claim construction and infringement determinations. Regarding the other issues heard by the Federal Circuit on appeal, it determined that: (1) Innova was barred from presenting new invalidity arguments against claim 3 because it already had a full and fair opportunity to present such challenges; and (2) it was premature to address the issues raised in Proveris’s cross-appeal relating to sanctions, although the Federal Circuit indicated that it did not appear that the district court erred in its damage awards.

Epistar ordered to reveal identity of customers, manufactures, and suppliers

Trustees of Boston University v. Everlight Electronics Co., Ltd., C.A. No. 12-11935, -12326, -12330, Memorandum and Order on Plaintiff’s Motion to Compel Epistar to Produce Infringement Discovery (D. Mass. Jan. 16, 2014) (Boal, M.J.) [Discovery].

This is a patent infringement action in which Trustees of Boston University (“BU”) accuse defendants of infringing U.S. Patent No. 5,686,753, directed to light-emitting device (“LED”) technology. Despite a scheduling order which deferred damages discovery, the Court (Boal, M.J.) ordered defendants to answer interrogatories that, among other things, seek the identity of customers, manufacturers, and suppliers of the allegedly infringing products.

Defendants objected to eight interrogatories served by BU on the basis that they were directed to damages discovery. The Court, however, disagreed. First, the Court found that the interrogatories were directed to questions of infringement in that they sought information concerning the manufacture, use, offer for sale, or sale of allegedly infringing product. Second, the Court held that the information could be relevant to invalidity in that it

seeks information related to the question of commercial success. The Court was largely unsympathetic to defendants' concerns of confidentiality related to revealing the identity of its customers.

Tawainese LED manufacturer allowed to intervene in patent dispute over Google's Nexus tablet

Lexington Luminance LLC v. Google, Inc., C.A. No. 12-12218-GAO, 2014 WL 172203 (D. Mass. Jan. 16, 2014) (O'Toole, D.J.) [Motion to Intervene].

Plaintiff Lexington Luminance LLC ("Lexington") filed this action against Google, Inc., claiming that Google's Nexus 7 and 10 tablets infringes U.S. Patent No. 6,938,851 related to light-emitting devices ("LEDs"). The Court (O'Toole, D.J.) allowed Formosa Epitaxy, Inc. ("Forepi"), a Taiwanese manufacture, to intervene.

Forepi manufactured or supplied LEDs contained in the allegedly infringing products and agreed to indemnify Google. Accordingly, the Court found that permissive intervention under Fed. R. Civ. P. 24(a) was appropriate. Moreover, the Court found that intervention by Forepi will not cause undue delay or prejudice because the case is still in its infancy.

Court holds that testifying expert's previous role as a judicial technical advisor did not give rise to a conflict

Trustees of Boston University v. Everlight Electronics Co., Ltd., C.A. No. 12-11935, -12326, -12330, Order Re: Plaintiff's Motions to Disqualify Expert and to Disqualify Counsel (D. Mass. Jan. 17, 2014) (Saris, D.J.) [Disqualification].

In this patent infringement suit, Trustees of Boston University ("BU") moved to disqualify Dr. Joan Redwing as expert for defendants by arguing that her role as a judicial technical advisor in a separate case involving the same patent creates a conflict of interest. BU further sought to disqualify defendants' counsel, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, because the firm retained Dr. Redwing and, thus, ratified her ethical violations. The Court denied both motions.

In 2002, Dr. Redwing was appointed to act as a neutral technical advisor in connection with a *Markman* hearing involving the patent-in-suit in the Eastern District of North Carolina. In that role, Dr. Redwing did not testify, author reports, give deposition testimony, or communicate with any of the parties. Although Dr. Redwing did review documents in connection with her advising of the Court,

she does not recall the substance of the documents, all of which were destroyed when the case concluded in November 2002. In total, Dr. Redwing billed 61 hours of her time to the matter and she was paid from an escrow account funded by both parties.

Judge Saris acknowledges that "Federal courts have the inherent power to disqualify experts;" however, she found that disqualification was not warranted here. First, there was no evidence to suggest that a confidential relationship existed between the patent owner and Dr. Redwing. Indeed, Dr. Redwing never communicated or was deposed by plaintiff. She was not called as witness and, in fact, was barred from testifying. Second, BU failed to show that it disclosed any confidential information to Dr. Redwing during the course of the earlier lawsuit. Given that BU could not show a confidential relationship existed or that confidential information had previously been disclosed to Dr. Redwing, the Court denied BU's motion to disqualify.

Similarly, Judge Saris denied BU's motion to disqualify counsel as that motion was premised on Dr. Redwing's alleged underlying conflict of interest.

Sanctions against Amphastar Pharmaceuticals for discovery misconduct stand

Momenta Pharma., Inc. v. Amphastar Pharma., Inc., C.A. No. 11-11681 (D. Mass. Jan. 22, 2014) (Gorton, D.J.) [Discovery; Sanctions].

Plaintiffs Momenta Pharmaceuticals, Inc. and Sandoz, Inc. (collectively, "Momenta") brought an action against Defendants Amphastar Pharmaceuticals, Inc., International Medication Systems, Ltd., Actavis, Inc., and Watson Pharma, Inc. (collectively, "Amphastar") alleging infringement of U.S. Patent No. 7,575,886, directed toward manufacturing methods of generic enoxaparin, an anticoagulant. The District Court (Gorton, D.J.) affirmed the order of Magistrate Judge Collings granting, in part, Momenta's motion for contempt and sanctions in the wake of discovery.

Momenta first moved for a finding of contempt and sanctions on July 9, 2012, when Amphastar—after orders from the magistrate judge on June 12 and June 27, 2012—failed to produce documents that included communications with the FDA, amendments to an Abbreviated New Drug Application ("ANDA"), and documents related to enoxaparin testing. In April 2013, Magistrate Judge Collings ordered Amphastar to make

certain documents available for inspection in order to resolve the parties' dispute over the meaning of "amendments" to the ANDA.

On July 19, 2013, the District Court (Gorton, D.J.) allowed Amphastar's motion for summary judgment as to infringement. However, because Momenta's motion for sanctions for noncompliance with discovery orders was pending before the magistrate judge, the Court did not enter a final judgment.

In December, Judge Collings granted Momenta's motion for sanctions in part, and awarded Plaintiffs their expenses and legal fees pursuant to Fed.R.Civ.P. 37(b). However, the judge did not grant Momenta's request to issue a recommendation for an infringement finding. Amphastar objected to the award, and the District Court reviewed the magistrate judge's order for clear error.

The Court first found, as to the production of enoxaparin testing records, that there was no error in the sanctions imposed. In short, the Court noted that Amphastar had the documents requested but failed to produce them following the magistrate judge's orders.

The Court grappled more with the order to produce unredacted ANDA documents. Amphastar argued that it satisfied the magistrate judge's order by making the documents available for inspection in California. But the District Court found that sanctions were not in error because Amphastar had previously produced the ANDA documents in redacted form, so "it was no excuse" to assert that the unredacted files were available only in California.

Finally, the Court upheld the magistrate judge's determination that defendants failed to properly produce ANDA amendments. The relevant order required Amphastar to produce complete documents as well as copies with its desired redactions. Amphastar provided only "unredacted transmittal letters" and therefore disobeyed the order. Accordingly, the Court overruled Amphastar's objections.

District Court dismisses invalidity counterclaims where questions of infringement were decided by the Court or by agreement

Inline Plastics Corp. v. EasyPak, LLC, C.A. No. 11-1147-TSH, 2014 WL 297224 (D. Mass. Jan. 24, 2014) (Hillman, D.J.) [Declaratory Judgment Counterclaims].

Plaintiff Inline Plastics Corp. ("Inline") filed suit against EasyPak, LLC ("EasyPak"), alleging infringement of two patents. EasyPak answered the complaint and asserted declaratory judgment counterclaims of invalidity. After the *Markman* order issued, the parties agreed that, under the Court's present claim constructions, EasyPak does not infringe either patent. Inline granted EasyPak, its customers, and distributors, a covenant not to sue with respect to U.S. Patent No. 7,073,680. As a result of that covenant, it asked the Court to dismiss EasyPak's counterclaim with respect to that patent. It also requested that the Court immediately enter judgment of non-infringement in favor of EasyPak with respect to U.S. Patent No. 7,118,003. There, too, it asked the Court to dismiss EasyPak's invalidity counterclaim so that it could immediately seek review of the *Markman* order at the Federal Circuit. In both instances, the Court agreed and dismissed EasyPak's counterclaims.

With respect to the '003 patent, EasyPak argued that the Court should proceed on its invalidity counterclaim despite Inline's request for judgment of non-infringement. The Court rejected this argument. It found that because the invalidity of the '003 patent was not "plainly evident," it is best and most efficient to have the Federal Circuit hear Inline's appeal of the claim construction order before questions of invalidity are reviewed.

The Court also dismissed EasyPak's invalidity counterclaim concerning the '680 patent, finding that no case or controversy existed after the entry of the covenant not to sue. Judge Hillman distinguished the present facts from that in *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294 (Fed. Cir. 2009). In particular, the Court noted that the covenant is so broad as to protect EasyPak from both past and future actions for any infringement of the '680 patent. Accordingly, subject matter jurisdiction no longer exists for the declaratory judgment counterclaim.

In pair of patent cases, District Court splits as to whether to dismiss claims with or without prejudice

Momenta Pharmaceuticals, Inc. v. Teva Pharmaceuticals USA, Inc., C.A. No. 10-12079-NMG, Memorandum and Order on Final Judgment (D. Mass. Jan. 24, 2014) (Gorton, D.J.).

Momenta Pharmaceuticals, Inc. v. Amphastar Pharmaceuticals, Inc., C.A. No. 11-11681-NMG, Memorandum and Order on Final Judgment (D. Mass. Jan. 24, 2014) (Gorton, D.J.).

On January 24, 2014, Judge Gorton issued a Memorandum and Order entering a final judgment in each of two suits filed by Momenta Pharmaceuticals, Inc., and Sandoz, Inc. ("Momenta"). The two suits were filed against Teva Pharmaceuticals USA, Inc., and Amphastar Pharmaceuticals, Inc. (along with International Medication Systems, Ltd., Actavis, Inc., and Watson Pharma, Inc.), respectively, and concern infringement of U.S. Patent Nos. 7,575,886 ("the '886 patent") and 7,790,466 ("the '466 patent").

The suits were filed in late 2010 (Teva) and 2011 (Amphastar), and include procedural histories that are not reviewed in detail here. In each suit, evidence produced during discovery led Momenta to decide that it no longer wanted to assert claims of the '466 patent. By the time this decision was made, however, the deadline for amending pleadings under the Federal Rules of Civil Procedure had passed, the defendant had already filed a motion for summary judgment, and significant expense had been incurred in litigating claims of the '466 patent. In entering a final judgment for these suits, the question presently before the Court is whether to dismiss Momenta's claims with respect to the '466 patent with or without prejudice.

Judge Gorton ultimately found differently in each suit, dismissing the claims in the Teva suit with prejudice and dismissing the claims in the Amphastar suit without prejudice. The decision in each case was based on Momenta's ability to justify its delay in withdrawing the '466 patent allegations.

In the Teva suit, for example, Momenta informed opposing counsel that they were no longer asserting the '466 patent in February 2013, and stated that its decision was based on deposition testimony. That testimony, however, had been elicited more than six months earlier and Momenta offered no specific reason for waiting so long.

In contrast, in the Amphastar suit, Momenta informed opposing counsel that they were no longer asserting the '466 patent in May 2013 based on documents produced about a month earlier. Furthermore, Amphastar was found to have delayed in producing testing records that Momenta needed to evaluate its infringement theories regarding the '466 patent. These facts convinced Judge Gorton to dismiss Momenta's claims under the '466 patent without prejudice despite Momenta's long delay in taking action, the significant expense incurred by Amphastar, and the existence of a summary judgment motion—all factors that can support dismissing claims with prejudice.

D. Mass. addresses pleading standard in patent cases

Zond, Inc. v. Fujitsu Semiconductor Ltd., C.A. No. 12-11634, 2014 WL 69035 (D. Mass. Jan. 9, 2014) (Young, D.J.) [Pleading Standard].

Zond, Inc. v. SK Hynix Inc., C.A. No. 13-11591, Memorandum and Order on Defendants' Motion to Dismiss the Amended Complaints (D. Mass. Jan. 31, 2014) (Stearns, D.J.) [Pleading Standard].

The District of Massachusetts recently addressed patent infringement pleading standards in granting in part and denying in part Rule 12(b)(6) motions to dismiss in two related cases. In both cases, Zond, Inc. ("Zond") alleged claims of direct infringement, induced infringement, contributory infringement, and willful infringement of seven patents concerning plasma discharge technology intended for use in manufacturing processes for semiconductor chips.

In *Fujitsu*, Judge Young made clear that Form 18 of the Federal Rules of Civil Procedure is the operative pleading standard for claims of direct infringement, not the pleading standard articulated by the Supreme Court in *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) and *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570 (2007). This conclusion, however, is unexceptional given holdings by the Federal Circuit in recent years.

On the other hand, the Court's discussion of knowledge with respect to induced infringement in the two cases is notable. A claim for induced infringement requires allegations of fact plausibly suggesting that the defendant knew of the patent combined with an intent to cause the infringing acts. In *Fujitsu*, the District of Massachusetts addressed for the first time whether the alleged inducer must have knowledge of the patent prior to the filing of the lawsuit. Noting that districts are evenly divided on this issue, the Court held that pre-filing knowledge is required before a claim of induced infringement may be made. The Court reached this holding by relying on Rule 11 to the Federal Rules of Civil Procedure, which requires factual allegations in a complaint to have evidentiary support. The Court reasoned that a plaintiff cannot properly allege that a defendant has knowledge of patents-in-suit based on merely filing a complaint because the defendant has not yet received the complaint at the time the plaintiff so files. But a patentee can file an initial complaint, and if the conduct continues post-filing, amend that complaint to include allegations of induced infringement. At bottom, Zond satisfied the knowledge requirement by filing an amended complaint.

In *Hynix*, the Court found that Zond failed to properly plead the pre-suit knowledge element of an infringement by inducement claim on *Iqbal* and *Twombly* grounds. Based upon its information and belief that the defendants attended industry conferences at which Zond showcased its patented technology, Zond neglected to make a factual allegation that any of the defendants' employees actually attended one of the unspecified Zond presentations or received any of the unspecified Zond promotional material, rather than just a trade show in general. Additionally, because pre-suit knowledge of the patents-in-suit is required to state a claim for willful infringement, the Court also dismissed Zond's willful infringement claim with respect to the original complaint.

Court dismisses case after VideoShare offers a covenant not to sue

VideoShare, LLC v. YouTube, LLC, C.A. No. 12-12012-MLW, 2014 WL 458155 (D. Mass. Feb. 1, 2014) (Wolf, D.J.) [Civil Procedure; Motion to Dismiss; Motion to Supplement].

The District Court (Wolf, D.J.) granted plaintiff's motion to dismiss its patent infringement suit. It is still possible, however, that the Court will ultimately decide patent infringement issues between the two parties, as the District of Delaware is currently considering a motion to transfer a related case to the District of Massachusetts.

The plaintiff VideoShare, LLC ("VideoShare") brought a patent infringement suit against YouTube, LLC ("YouTube"), alleging that YouTube's products use plaintiff's patented technology and that YouTube induces its customers to infringe the patented technology. The patent-in-suit is United States Patent No. 7,987,492 (the "'492 patent"), which is directed to sharing a streaming video. In its answer, YouTube asserted counterclaims including seeking a declaratory judgment of non-infringement and invalidity of the '492 patent.

After the suit was brought, two additional patents issued to VideoShare—U.S. Patent Nos. 8,438,608 and 8,464,302 (the "'608 patent" and the "'302 patent"). These patents were related enough to the '492 patent that during their prosecution, a terminal disclaimer was filed with respect to the '492 patent. After the '608 and '302 patents issued, VideoShare brought a patent infringement suit against YouTube and its parent company, Google, Inc. ("Google"), with respect to the newly issued '608 and '302 patents.

Shortly thereafter, VideoShare filed its motion to dismiss the suit in Massachusetts, relying on a covenant not to sue it provided YouTube for the '492 patent. YouTube opposed the dismissal, asserting that a controversy remained in view of the '608 and '302 patents, and also sought to add supplemental counterclaims related to the '608 and '302 patents.

The Court allowed the dismissal because it would be with prejudice and would not injure the rights of third-party intervenors. The case law indicates the denial of a voluntary dismissal in such instances is rarely, if ever, appropriate. While generally counterclaims are allowed to remain even after the plaintiff dismisses its claims, the pending counterclaims related to the '492 patent were no longer the subject of controversy in view of the covenant not to sue. The Court found the covenant to sue, which VideoShare clarified to include all YouTube products, including any future products, as well as all of YouTube's customers and Google, extinguished any current or future case or controversy between the parties.

Further, because the Court did not have jurisdiction over the counterclaims, it did not have the power to permit YouTube to file supplemental counterclaims directed to the '608 and '302 patents. The Court noted that while supplemental pleadings should generally be liberally allowed, the considerations of comity, consistency, and efficiency each weighed against permitting the supplemental counterclaims in light of the pending suit in Delaware.

In reaching its decision, the Court explicitly stated that its decision should not be misconstrued as an expression of a view as to where the merits of the dispute should be litigated. The Court stated that the District of Delaware has the information and authority to ultimately decide whether the case should be transferred to the District of Massachusetts. Thus, while the present case was dismissed, the controversy could find its way back in the District of Massachusetts.

Judge Wolf weighs in on pleading standard for induced infringement

Massachusetts Institute of Technology v. Shire PLC, C.A. No. 1:13-CV-10020-MLW, 2014 WL 404696 (D. Mass. Feb. 2, 2014) (Wolf, D.J.) [Motion to Dismiss for Failure to State a Claim of Inducement Infringement].

Plaintiffs Massachusetts Institute of Technology and Children's Medical Corporation (collectively "MIT") sued defendants Shire Regenerative Medicine, Inc. ("SRM") Shire PLC ("Shire") and Shire Pharmaceuticals, Inc. ("Shire Pharmaceuticals") alleging infringement of U.S. Patent Nos. 5,759,830 and 5,770,193. The patents relate to fibrous scaffolds containing cells for producing vascularized tissue in vivo and methods of producing the same.

MIT sued the defendants alleging that a product, Dermagraft, for treating foot ulcers of Diabetic patients infringes both patents. SRM produces and sells Dermagraft, while the other two defendants are in the Shire corporate hierarchy. MIT alleged that SRM directly infringed both patents, while Shire and Shire Pharmaceuticals induced infringement and willfully infringed both patents.

Shire and Shire Pharmaceuticals filed motions to dismiss under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction and under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim upon which relief can be granted. Both Shire and Shire Pharmaceuticals argued that they did not have sufficient contacts in Massachusetts for a finding of personal jurisdiction. Shire and Shire Pharmaceuticals also argued that the amended complaint lacked allegations sufficient to sustain claims of induced and willful infringement.

Personal Jurisdiction Was Satisfied

MIT made a prima facie showing that both the Massachusetts long-arm statute and due process were satisfied and the Court denied the motion to dismiss for lack of personal jurisdiction. Even though SRM was the actual producer, seller, and marketer of Dermagraft, the Court noted that both Shire and Shire Pharmaceuticals had contacts with Massachusetts. Shire's CEO was quoted in an article in the Boston Globe as conducting extensive business in Massachusetts and taking a hands on approach to its subsidiaries, including SRM. MIT also provided evidence that Shire Pharmaceuticals controls the hiring and sales force of SRM and manages hiring and staffing operations for SRM, including positions in Massachusetts, that involve reimbursement questions for Dermagraft.

Pleading Requirements for Inducement Infringement Were Not Met

The claims for inducement and willful infringement against Shire and Shire Pharmaceuticals were dismissed for failure to state a claim. The Court applied Federal

Circuit case law codifying the specific intent requirement for inducement infringement. A claim for inducement infringement "requires knowledge that the induced acts constitute patent infringement," but a showing of willful blindness can also satisfy this knowledge requirement. The Court noted that the amended complaint contained few allegations concerning induced infringement such that the heightened pleading requirement for inducement infringement in *Bell Atlantic and Iqbal* was not met.

The complaint referenced two letters from MIT to SRM and Shire Pharmaceuticals. In 2011, MIT sent letters to SRM and Shire Pharmaceuticals informing them of the patents and inviting them to engage in discussions with MIT before the suit was filed. In 2012, MIT sent a letter alleging infringement to SRM alone. The Court considered these letters because they were referenced in the complaint, but found that they were insufficient to support the inducement infringement claims. The letters were not sent to Shire, so there were no facts to support the specific intent required for inducement infringement. While Shire Pharmaceuticals received the 2011 letter, the letter noted that MIT had "not yet evaluated the relationship between Shire's Dermagraft product and MIT's patents, and in particular [had] not assessed the possibility that Dermagraft and/or its manufacture, use or sale might fall within the scope of one or more MIT claims." While plaintiffs argued that the Court should consider affidavit evidence about Shire's CEO overseeing SRM and Shire Pharmaceutical's involvement with SRM's hiring and marketing, the Court refused to consider this evidence because the documents were not referenced in the complaint itself.

The Court gave leave to amend the complaint because there was no evidence the request was made in bad faith or intended to slow progress of the case. Additionally, the Court also noted that the "evidence presented in connection with the motion to dismiss for lack of personal jurisdiction suggests an amendment may not be futile."

The willful infringement claim against Shire was dismissed because there were no other allegations concerning other forms of infringement.

Court reduces royalty base but awards enhanced damages and attorneys' fees for willfulness

WBIP, LLC v. Kohler Co., C.A. No. 11-10374-NMG, 2014 U.S. Dist. WL 585854 (D. Mass. Feb. 12, 2014) (Gorton, D.J.) [Remedies/Damages].

In May 2013, a jury found that certain patents owned by plaintiff WBIP, LLC (“WBIP”) were valid and willfully infringed by defendant Kohler Co. (“Kohler”). In this memorandum and order, the Court decided several post-verdict motions pertaining to remedies and damages.

Kohler’s motion for a new trial on damages or remittitur was allowed in part and denied in part. The Court found that the royalty base used by the jury was not supported by substantial evidence and reduced the royalty base to a figure that had been used by both parties’ experts during trial. The Court left the royalty rate used by the jury intact, finding that it was supported by substantial evidence. WBIP is now faced with the option of accepting the modified damages amount or proceeding with a new trial on damages.

WBIP’s motion for an accounting and pre- and post-judgment interest was allowed in part and denied in part. The Court adjusted the damages amount to include royalties on sales up to the entry of the trial judgment and awarded pre- and post-judgment interest. The Court declined, however, to use the 15% statutory rate for the pre-judgment interest. Instead, the Court applied the prime rate as “an appropriate compromise between the Massachusetts statutory rate, which is excessive, and the miniscule Treasury Bill rate, which will not adequately compensate WBIP for the pre-judgment period of infringement.”

WBIP’s motion for enhanced damages and attorneys’ fees was allowed. The Court applied the Federal Circuit’s *Seagate* test and found that Kohler was objectively reckless by acting in reliance on defenses of non-infringement and obviousness. The Court then applied the Federal Circuit’s *Read* factors to determine the appropriate amount of enhancement. Finding that four of the nine factors weighed against enhancement and that five of the nine factors weighed in favor of enhancement, the Court imposed a 50% increase. The court also found that Kohler’s willful infringement rendered the case exceptional and justified the award of attorneys’ fees and costs.

Finally, the Court denied WBIP’s motion to reconsider the refusal to grant a permanent injunction, and granted WBIP’s motion for an ongoing royalty, using the 13.5% royalty rate selected by the jury.

TRADEMARK

Trademark suit brought by Bob Marley’s family is transferred to Louisiana

Fifty-Six Hope Road Music, Ltd. v. Raising Cane’s USA, LLC., C.A. No. 13-13110, 2014 WL 496890 (D. Mass. Feb. 7, 2014) (Stearns, D.J.) [Transfer of Venue].

Plaintiff Fifty-Six Hope Road Music, Ltd. (“Hope Road”) brought an action against Defendant Raising Cane’s USA, LLC. (“Raising Canes”) to cancel its “ONE LOVE” trademark and also to assert claims including trademark infringement, unfair competition, and trademark dilution. The District Court (Stearns, D.J.) granted Raising Canes’ motion to transfer the case to the Middle District of Louisiana.

Raising Canes is a fast-food chain that offers a single menu item—chicken finger combo meals—in various sizes, and it registered the trademark “ONE LOVE” in 2005. Hope Road is run by members of music legend Bob Marley’s family. It attempted to register its own “ONE LOVE” mark in 2009, but application was rejected based on a likelihood of confusion with Raising Canes’ mark. The parties have been embroiled in negotiation and litigation over “ONE LOVE” ever since.

In October 2012, discovery was nearly complete in consolidated actions before the U.S. Patent and Trademark Office’s Trademark Trial and Appeal Board (“TTAB”). Raising Canes tried for over a year to take two final depositions of Hope Road witnesses, and it finally took the first of those depositions on December 3, 2013. Three days later, Hope Road filed this suit in the District of Massachusetts, ostensibly because its witnesses were in New York and Raising Canes had a restaurant in Boston. Raising Canes responded with its own complaint in the Middle District of Louisiana, and then moved to transfer Hope Road’s suit to that venue.

Hope Road argued that its case should stay in Massachusetts because it filed first and no special circumstances supported transfer. Raising Canes noted that Hope Road delayed the last depositions in the TTAB proceeding and then filed in Massachusetts before that body could resolve the dispute. But Hope Road never “deliberately misled” Raising Canes to keep it from filing its own complaint, and the Court noted that such deception is “often the decisive criterion in deciding whether the exception applies.”

Nevertheless, the Court did not rule as to whether special circumstances for transfer were present because it held that the Middle District of Louisiana was “substantially more convenient” than Massachusetts. The Court considered a number of factors, including, among others, the plaintiff’s choice, the parties’ convenience, witnesses’ convenience, and the location of evidence.

Importantly, the Court gave less than usual weight to this plaintiff’s forum choice because Hope Road filed away from its own home. Conversely, Raising Canes filed its complaint in the district where its headquarters are located, along with nearly one-fourth of its restaurants. Further, though Hope Road claimed that three of its key witnesses were in New York, it had never mentioned two of them in the course of the TTAB proceeding. Accordingly, the Court was dubious of their actual import to Hope Road’s case.

Ultimately, the Court allowed Raising Canes’ motion to transfer since Louisiana was home to most of the evidence and witnesses, and because that forum was more closely tied to the case than Massachusetts, “where any connection is tenuous at best.”

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