



UNDERSTANDING THE
DIFFERENCES IN MONETARY
REMEDIES UNDER THE PATENT,
TRADEMARK AND COPYRIGHT
ACTS

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WHY IS THIS IMPORTANT FOR THE PROPERTY OWNER?

- Which remedy is best suited to the circumstances?
- Relative Risk
- Due Diligence
- Financial Liability if claim is unsuccessful
- Difficulty of Proof

WHY IS THIS IMPORTANT FOR THE ACCUSED INFRINGER?

- Relative Risk—Whether to settle or fight
- Is a License available?
- Due Diligence
- Financial Liability if claim is successful
- Difficulty of Proof



ORDER OF DISCUSSION - PATENTS FIRST



- Statute is very different from the Trademark and Copyright Statute
- Questions of venue and transfer enter into where to file and how to defend
- Proof is often different than in Patent and Trademark cases
- Appeals in Patent Cases are to a different Court of Appeals

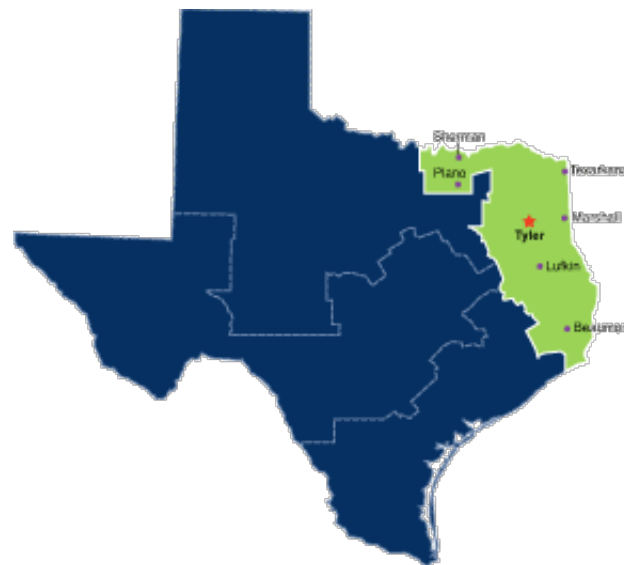
A RECENT GAME CHANGER

- The United States Supreme Court's decision in *TC Heartland v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017), narrows the choice of venue in patent infringement cases.
- The patent venue statute (28 U.S.C. §1400(b)) defines a two-prong test for identifying proper venue for patent infringement cases. Venue is proper in 1) the judicial district where the defendant resides; and 2) the judicial district where the defendant has committed acts of infringement and has a regular and established place of business.

TC HEARTLAND

- Prior to the decision in TC Heartland, the Court of Appeals for the Federal Circuit broadly interpreted “where the defendant resides,” as recited in the first prong of the patent venue statute, as any court having personal jurisdiction over the defendant. Under this interpretation, the proper venue for a patent infringement case was essentially anywhere a defendant conducted business. This broad interpretation greatly facilitated forum shopping.
- TC Heartland now limits the “residence” of the defendant to the State of Incorporation of the defendant for purposes of proper venue, thereby significantly curtailing forum shopping.

In *Super Interconnect Techs. LLC v. Google LLC*, No. 2:18-CV-00463-JRG, 2019 U.S. Dist. LEXIS 132005 (E.D. Tex. Aug. 7, 2019), Super Interconnect sued Google for infringing, but Google responded a motion for dismissal for improper venue.



THE EVIL OF VENUE SHOPPING

- Under the patent venue statute, a “regular and established place of business” requires the regular, physical presence of an employee or other agent of the defendant conducting the defendant’s business at the alleged place of business. 28 U.S.C.A. § 1400(b).

- Internet search engine operator lacked a “regular and established place of business” within the district, and had no employee or agent regularly conducting its business within district, and thus Eastern District of Texas was not a proper venue for patent infringement action against operator;



GOOGLE WINS MANDAMUS ORDER

- The question then is whether Google had an employee or agent with a regular, physical presence at its “place of business” and whether that employee or agent was conducting Google’s business. The record is clear that there is no Google employee conducting business in the Eastern District of Texas. However, there is nonetheless the question of whether the ISPs are acting as Google’s agent.
- In re Google LLC, 949 F.3d 1338, 1345 (Fed. Cir. 2020)

NOW LET'S LOOK AT THE PATENT STATUTE, 25 U.S.C. §284

- Upon finding for the claimant the court shall award the claimant **damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer**, together with interest and costs as fixed by the court.
- When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).
- The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

BELMONT TMC V. SUPERBA, SA

- Belmont owns patent on a specialized machine and method for dying carpet yarn
- Two supplier market for dying machines
- Superba infringed
- None of Superba's profits recoverable under the statute
- Damages—how was Belmont damaged?
- How did Belmont prove its damages?

PROFITS, BUT BELMONT'S LOST PROFITS

- Remember this was a two supplier market
- Evidence was that sales made by Superba would have been made by Belmont but for the infringement
- Careful analysis of cost of manufacture, fixed and variable costs
- A **very good** expert witness
- Testimony of actual dollar amount of damage to Belmont caused by infringing sales by Superba

BELMONT'S DAMAGES HAD SEVERAL COMPONENTS

- Value of the specific patented process
- Importance of the process carried out by the patented component
- The other equipment Belmont did not sell because of the loss of the sale of the computer that carried out the process

WHAT ABOUT THE REASONABLE ROYALTY?

- No evidence of what a reasonable royalty would have been
- A royalty “reasonable” as to an infringer is higher than a royalty “reasonable” to a voluntary licensee
- a legal fiction designed to assist the courts in fixing damages where there has been a failure to prove general damages
- the determination of a reasonable royalty requires a consideration of all factors pertinent to the case, rather than by some mathematical formula

HOW TO GET TO “REASONABLE”

- the final amount may be estimated and need only be a reasonable approximation of actual damages
- damages based upon an annual rate for each of the years of infringement or a single fee for the infringement
- a percent of the infringer's sales or profits or a rate per unit of the infringing device sold or used by the infringer
- the actual profits made by the infringer should not enter into the court's prospective evaluation of the infringer's profits to be allowed under a hypothetical royalty

CONVOYING

- sales of the infringing item that may have increased sales of other products sold by the infringer, or cut into sales of other items sold by the patentee is an important factor in ascertaining a reasonable royalty



“...UP TO THREE TIMES THE AMOUNT FOUND OR ASSESSED.”

- “When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.”
- Willfulness or egregious conduct is normally found, but not required

HALO ELECS., INC. V. PULSE ELECS., INC., 136 S. CT. 1923 (2016)

- The Supreme Court in Halo declared that the Seagate test impermissibly restricted the discretion statutorily granted to district courts, thus “insulating some of the worst patent infringers” from punishment. Addressing any potential concern about this newly freed discretion of district courts and the lack of a “precise rule or formula” for awarding enhanced damages, the Supreme Court stressed that discretion has limits, stating that “[d]iscretion is not whim” and should be exercised in light of the considerations underlying this statutory grant and sound principles that limit the award of enhanced damages to “egregious cases of misconduct beyond typical infringement.”

DESIGN PATENT REMEDIES

- The provisions of 35 USCA § 289 include an additional damage remedy only for infringement of design patents: the infringer's profits. This is an alternative remedy when the design patent owner's lost profits or a reasonable royalty may be difficult to prove. The remedy is an award of infringer's profits, not owner's damages.

INFRINGER'S TOTAL PROFIT

- Accordingly, an award of an infringer's profits under § 289 cannot be enhanced if willful infringement is found. A design patent owner must prove lost profits or reasonable royalty damages under § 284 to be eligible for enhanced damages. However, a design patent owner cannot recover damages under § 284 plus the profits of the infringer under § 289, but must elect one of the remedies.

INFRINGEMENT'S TOTAL PROFIT

- In determining the infringer's profits, analogous law from the area of copyrights and similar fields may be applied, along with pre-1946 utility patent law. An infringer's profits generally are calculated by initially assuming that profit equals gross revenue, then deducting allowable costs. The burden of establishing the nature and amount of these costs, as well as their relationship to the infringing product, is on the infringer. This approach maximizes the recovery to the design patent owner.

§ 1:12. Infringer's profits (design patent cases), Patent Damages Law and Practice § 1:12

...LET'S MOVE TO TRADEMARKS AND COPYRIGHTS



“ATTRIBUTABLE TO THE INFRINGEMENT”

Not one of the factors used by courts to determine liability

Trademark Remedies. When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover **(1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.**

15 USC § 1117(a)

The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the **plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or *deduction* claimed.**

15 USC § 1117(a).

- Does “deduction” include a deduction of all or part of the profits because they resulted from some factor other than the infringement?

Compare the copyright statute with the trademark statute we just read:

(b) Actual Damages and Profits.—

The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and **any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.** In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and **the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.**

17 USC 504(b).

- A clear requirement that only profits “attributable” to the infringement are allowed to be awarded to the copyright owner.
- The burden of proving that all or some of the profits were “*attributable to factors other than the copyrighted work*” is on the infringer.

ALLORA V. CAMBRIDGE

- Defendant bought one set of plans—8 unit condo
- License to use one time
- Defendant built several 8 unit condos --infringed
- Profits approximately \$900K
- Jury awarded Plaintiff \$90K. Why?
- Look at the plans—bare bones layout, no finish, fixtures, flooring, appliances, lighting, landscaping
- Location

ALLORA V. CAMBRIDGE

- Rapid fire questions to the plaintiff's witness:
- What do the plans say about finish, fixtures, flooring, appliances, lighting, landscaping, location?
- Who made the judgments regarding these features?
- Not Allora.
- Under the Statute, Cambridge had the burden to prove all deductions.
- Which it did.
- Not in dollars, but by showing that the most of the profits were attributable to others' efforts.

Variety Stores v. Walmart Stores

- A billion dollars in infringing sales
- Willful infringement
- \$250 million in profits
- Jury awarded \$50 million in profits
- 5% royalty, or \$45 million
- Double recovery?
- Burden on Walmart—no evidence that it could not pass along the royalty to the consumer

WHAT DO THE COURTS SAY?

The Supreme Court:

It is “insisted by defendant (petitioner) that whether the recovery be based upon the theory of trademark, or upon that of unfair competition, the profits recoverable should be limited to such amount as may be shown by direct and positive evidence to be the increment of defendant's income by reason of the infringement, and that the burden of proof is upon complainant to show what part of defendant's profits were attributable to the use of the infringing mark.”

Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 260, 36 S. Ct. 269, 272, 60 L. Ed. 629 (1916).

WHAT DO THE COURTS SAY?

The difficulty lies in ascertaining what proportion of the profit is due to the trademark, and what to the intrinsic value of the commodity; and as this cannot be ascertained with any reasonable certainty, it is more consonant with reason and justice that the owner of the trademark should have the whole profit than that he should be deprived of any part of it by the fraudulent act of the defendant. It is the same principle which is applicable to a confusion of goods.

If one wrongfully mixes his own goods with those of another, so that they cannot be distinguished and separated, he shall lose the whole, for the reason that the fault is his; and it is but just that he should suffer the loss rather than an innocent party, who in no degree contributed to the wrong.

WHAT DO THE COURTS SAY?

Although the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him, Congress did not put upon the despoiled the burden-as often as not impossible to sustain-of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased the plaintiff's goods.

If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher.

Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 206–08 (1942).

WHAT DO THE COURTS SAY?

The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark. (Citations omitted) The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark.

Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 36 S.Ct. 269, 60 L.Ed. 629.

There may well be a windfall to the trade-mark owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer. In the absence of his proving the contrary, it promotes honesty and comports with experience to assume that the wrongdoer who makes profits from the sales of goods bearing a mark belonging to another was enabled to do so because he was drawing upon the good will generated by that mark.

WHAT DO THE COURTS SAY?

The starting point of the case before us is respondent's infringement of the petitioner's trade-mark in violation of the federal Act. The decree is assailed by the petitioner because, upon its reading of the decree, it is awarded only those profits which it can affirmatively prove to have resulted from sales 'to purchasers who were induced to buy because they believed the heels to be those of plaintiff, and which sales plaintiff would otherwise have made.'

....The decree in effect requires the petitioner to prove by a procession of witnesses that when they bought heels from the infringer they had a clear, well-focused consciousness that they were buying the petitioner's heels and that otherwise they would not have bought them. But the shoe is on the other foot.

WHAT DO THE COURTS SAY?

And in cases where a wrongdoer has incorporated the subject of a plaintiff's patent or trade-mark in a single product to which the defendant has contributed other elements of value or utility, and has derived profits from the sale of the product, this Court has sustained recovery of the full amount of defendant's profits where his own wrongful action has made it impossible for the plaintiff to show in what proportions he and the defendant have contributed to the profits.

Bigelow v. RKO Radio Pictures, 327 U.S. 251, 265 (1946).

WHAT DO THE COURTS SAY?

The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity. As stated by this Court, “The trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party.” Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer willfully infringe the trade dress to justify an award of profits. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation.

Dorr-Oliver Inc. v. Fluid-Quip, Inc., 834 F. Supp. 1008, 1013–14 (N.D. Ill. 1993)

Takeaways I

- To help establish that you acted in good faith, consider obtaining written opinions of counsel especially if a solid defense is not readily apparent or if a design around is contemplated.
- To help demonstrate that you acted early on in good faith, consider conducting patent clearance studies before introducing key products.

Takeaways II

- To help show that you acted in good faith in responding to demand letters from patentees, consider asking patentees for more detail and memorializing your noninfringement and invalidity bases, whether internally or in reply letters.
- When infringement risks grow serious, consider turning to outside counsel for written opinions of counsel to bolster your internal analysis.

Takeaways III

- Before engaging in licensing negotiations, consider obtaining a written agreement with the patentee that licensing discussions cannot be considered as notice of infringement or evidence of egregious misconduct.
- If interested in entering into a license with the patentee, consider including a provision that avoids the risk of enhanced damages in the event that you are sued on the licensed patent after the term of the agreement.

Takeaways IV

- Consider arguing that an institution of your post-grant validity challenge before the PTAB based on an invalidity defense shows the reasonableness of the defense.
- Consider presenting and preserving the argument that the patentee lacks a right to a jury trial on willfulness

Takeaways V—Available on PACER

- Belmont Textile Machinery Co. v. Superba Spa (WDNC)
- Allora v. Cambridge (EDNC)
- Variety Stores v. Walmart Stores (EDNC)
- Also:
 - Concept Design v. Duplitronics (patent) (WDNC)
 - Phelps v. Galloway (copyright) (WDNC)
 - Firebirds v. Firebirds Restaurant Group (trademark) (NDTX)

THANK YOU

Questions?



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