

INTELLECTUAL PROPERTY AND TECHNOLOGY NEWS

Perspectives • Analysis • Visionary Ideas

IP LITIGATION IN CANADA

10 REASONS TO LITIGATE
NORTH OF THE BORDER

SUPREME COURT
CORNER

BETWEEN PATENTS
AND TRADEMARKS



ANNA SPENCER

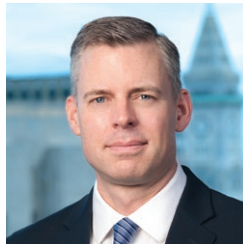
Leading Healthcare Privacy Lawyer Joins DLA Piper in Atlanta and DC

Anna Spencer has joined DLA Piper's IPT practice as a partner in the Atlanta and Washington, DC offices. Spencer, who will be in the firm's Data Protection, Privacy and Security subgroup, focuses on the privacy and security of health information. She counsels a diverse group of companies, including pharmaceutical and medical device manufacturers, healthcare providers, health-information technology companies, financial institutions and employers that sponsor group health plans.

Spencer helps companies leverage data assets, respond to data breaches and develop rules involving the electronic exchange of health information. She has extensive knowledge of global privacy matters and consumer protection issues and regularly advises companies with respect to HIPAA and Centers for Medicare & Medicaid Services guidelines. She has defended providers in investigations arising from actions by the US Department of Health and Human Services. She also has extensive knowledge of state health information privacy and security laws.

Learn more about Anna Spencer at:
dlapiper.com/anna_spencer

Q2 EDITOR'S COLUMN



Ric Flaggert
Partner and Solicitor
Intellectual Property
and Technology

We find ourselves midway through 2017, a year in which new challenges continue to arise, even as we find effective solutions to the legal (and broader) issues around us. In this *IPT News*, we highlight three crucial topics and deliver an update on three matters flowing from the US Supreme Court.

First, we look to the north, where Ron Dimock, Sangeetha Punniyamorthy and Nikolas Purcell outline the many benefits of litigation in Canadian courts as a core element of a global IP strategy.

An often underappreciated but elegant option, trade dress litigation can provide benefits in situations where trademark and patent litigation prove imperfect. Darius Gambino analyzes trade dress as an enforcement mechanism and identifies the situations in which it may be the most efficient solution.

Michael Strapp, Stan Panikowski, Brian Biggs and David Xu cover three key Supreme Court updates: whether the PTAB is required to issue a final written decision on every claim challenged by a petitioner; a recent holding on the patent exhaustion doctrine; and finally – and for many of us, perhaps most critically – the game-changing holding in *TC Heartland*, which will have a significant impact on the distribution of patent cases throughout the country for years to come.

We hope this continues to be a year characterized by thoughtful solutions and that the coverage we provide in this issue helps to guide you forward.

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And, while you are there, please see the other complimentary sector and practice focused publications available to you. We look forward to seeing you online.

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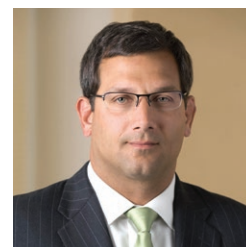
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www.dlapiperintelligence.com/prizepromotions

MOVING FORWARD

Twelve years ago John Allcock, my predecessor, stepped up to lead our IPT practice. Back then, in the wake of the merger that created DLA Piper, our group brand was new and unrecognized. Our lawyers came from three very different predecessor firms.



Frank Ryan
Partner
US Chair, Intellectual Property and Technology

Under John's insightful leadership, we have come together to become one of the top global IPT practices. Now, as he steps down, I am humbled to have been selected as DLA Piper's US IPT practice chair. I have big shoes to fill.

In this issue of *IPT News*, we discuss several matters important to my focus as a leader - assisting clients in their strategic understanding of global legal issues that impact their businesses. Growing a diverse group of IP and Technology practitioners is among my goals, and our addition of new partner Anna Spencer brings us a leading woman practitioner in an area of great concern to clients: privacy. I have spent a lot of time integrating our newest IPT partners in Canada and am pleased to point out our centerfold article from them on IP litigation north of the border.

When you have global IP issues anywhere in the world, DLA Piper is here to partner with you. Please let me know how I or one of our team members may be able to assist you. It would be our pleasure. And join me in thanking John Allcock for his years of dedicated service and leadership. John will continue to assist our practice and now gets to focus on his passion: trying cases. I look forward to leading, growing and improving our practice alongside a talented group of attorneys.

frank.ryan@dlapiper.com

HONORS



Victoria Lee
Partner
Global Co-Chair, Technology Sector

VICTORIA LEE NAMED TO *SILICON VALLEY BUSINESS JOURNAL'S* WOMEN OF INFLUENCE LIST

Victoria (Vicky) Lee, an IPT partner based in the Silicon Valley office and the global co-chair of the firm's highly regarded Technology sector, has been named to the *Silicon Valley Business Journal's* Women of Influence list. The publication's annual list recognizes 100 women who have made a significant impact on the region's businesses and the community.

The publication highlighted Lee's leadership roles within the firm, including her work on the Leadership Alliance for Women steering committee and as the co-chair of the Silicon Valley office's Diversity and Inclusion committee.

Lee focuses her practice on the representation of emerging growth and public companies in complex technology and commercial transactions in the software and semiconductor industry, as well as a variety of other industry sectors.

As global co-chair of the firm's Technology sector, Vicky facilitates cross-practice and cross-sector collaboration for our increasingly diverse and ever-growing list of technology clients at all stages of growth. She also led a group of partners to host last year's Global Technology Summit, which for the first time was a two-day event: the first day, Garage2Global, was designed for entrepreneurs, investors and other leaders in the emerging growth market, and the second day, TechLaw, focused on in-house counsel at technology companies. The next summit will be in October 2018.

Find out about Vicky's practice here:
www.dlapiper.com/victoria_lee



Priya Narahari
Associate
Intellectual Property and Technology

PRIYA NARAHARI NAMED TO *THE LEGAL INTELLIGENCER'S* LAWYERS ON THE FAST TRACK LIST

Priya Narahari, an associate in our IPT practice and based in Philadelphia, has been named to *The Legal Intelligencer's* Lawyers on the Fast Track list. A six-member judging panel composed of evaluators from the Pennsylvania legal community chose 32 attorneys for this honor. Narahari received the recognition because of her demonstrated commitment to client service paired with her leadership roles within the firm and in the community.

She is actively involved in the Philadelphia chapter of Women in Bio (WIB), an organization committed to promoting careers, leadership and entrepreneurship for women in the life sciences, as well as the Philadelphia chapter of the South Asian Bar Association. In addition, Narahari dedicates time to pro bono work focused on helping entrepreneurs and small business owners gain IP protection for their ideas and brands.

Narahari focuses on patent prosecution and intellectual property due diligence and opinion work. Her experience includes preparing and prosecuting patent applications in a wide variety of technologies. Find out more about her practice here:
www.dlapiper.com/priya_narahari



Christina Martini
Partner
Chair, Chicago Intellectual Property Practice

CHRISTINA MARTINI RECEIVES ADL WOMEN OF ACHIEVEMENT AWARD

Christina Martini, an IPT partner in the firm's Chicago office, is one of four recipients of the 2017 Anti-Defamation League's Women of Achievement Award.

Presented each year by the Greater Chicago/Upper Midwest Regional Chapter of the ADL, the award recognizes women who are outstanding in their fields and who embody the spirit of ADL through efforts to improve communication and understanding among Chicago's diverse racial, religious and ethnic communities. Martini chairs DLA Piper's Chicago IPT practice, serves as the firm's National Hiring Partner - Associate Recruiting and sits on the firm's Executive and Policy Committees and its Diversity and Inclusion National Steering Committee. She was recognized for the strong leadership she exhibits through these positions. She was honored at the 24th annual Women of Achievement awards dinner on April 26, 2017, at the Hyatt Regency Chicago.

Find out about Martini's practice here:
www.dlapiper.com/christina_martini



LEADING FIRM

DLA PIPER IS "THE GLOBAL LEADER IN FRANCHISE LAW"

– CHAMBERS GLOBAL 2017

FRANCHISE LAW FIRM OF THE YEAR – 13 YEARS IN A ROW

Who's Who Legal named DLA Piper's Franchise and Distribution group the Franchise Law Firm of the Year for the 13th consecutive year. Additionally, Philip Zeidman received the Who's Who Legal Lifetime Achievement Award in recognition of his vast contributions to the practice of franchise law and consistently outstanding performance in the publication's annual rankings.

FRANCHISE TIMES: 17 DLA PIPER ATTORNEYS ARE LEGAL EAGLES

Franchise Times magazine has selected 17 lawyers from DLA Piper's Franchise and Distribution practice as 2017 Legal Eagles – more than any other law firm.

DLA PIPER FRANCHISE TEAM UPDATE

The International Franchise Association (IFA) held its 57th Annual Convention in Las Vegas in January 2017, with a record-breaking attendance of more than 4,500 people. DLA Piper hosted a reception which attracted more than 300 clients and friends of the firm.

DLA Piper lawyers have been honored to serve as general counsel to IFA for 57 years. Our franchise group presented the following sessions:

- IFA Fran-Guard™: IFA's Franchise Sales Management and Compliance Program (Rick Morey)
- Principles of Franchising (Barry Heller and Bret Lowell)
- 26th Annual Elements of Successful Franchising (Rich Greenstein and Rick Morey)
- International Perspectives: How Joint Employer is Lurking Abroad, and What the Future May Hold for the US (Philip Zeidman)

IP LITIGATION IN CANADA

10 Reasons to Litigate North of the Border

By Ronald E. Dimock, Sangeetha Punniyamoorthy and Nikolas Purcell

Although Canada is globally recognized for maple syrup, hockey and universal healthcare, it is also a standard bearer in the area of IP litigation. Businesses should consider litigating in Canada as part of their global intellectual property strategy for these ten reasons:

1 **Federal Court:** Nearly all IP litigation in Canada takes place in the Federal Court, which has broad jurisdiction over all intellectual property matters. With its near-exclusive jurisdiction, the Federal Court boasts a judiciary highly experienced in the area of IP litigation. Upon request, the Federal Court also offers case management, whereby a judicial officer is appointed to oversee the efficient progression of the proceeding.

2 **No juries:** The Federal Court does not allow for jury trials. Instead, the trial judge acts as judge and juror. Because the judiciary is experienced in IP matters, this results in efficient, principled and more predictable, fully reasoned decisions.

3 **Limited deposition practice:** The discovery process (as it is known in Canada) is much less extensive than the deposition process in the US. In Canada, documents are exchanged and a single representative from each party is subject to an examination for discovery. In the patent context, inventors may also be examined; however, there is no limitless deposition of all relevant individuals. The result is a process that is much less time-consuming and expensive than its US counterpart.

4 **Early trial date:** The Federal Court will fast-track a proceeding if requested, including full IP proceedings. The goal for a fast-tracked proceeding is to hold a trial within two years from its commencement.

5 **No treble damages:** There is no statutory provision for treble damages in Canada. While a damages award may exceed compensatory damages, this remedy is rare and requires high-handed or oppressive conduct on the part of the infringer. While this may not be favorable for the patent owner, it may be a consideration for a party seeking to impeach a patent and thus expecting an infringement counterclaim.

6

Fee shifting for the successful party: The general rule in Canada is that the successful party is entitled to a portion of its legal costs. Successful litigants can expect to recover around a quarter of their legal fees and most of their reasonable disbursements. Increased costs may also be awarded if a settlement offer is made (and refused) that is better than the result at trial.

7

No file wrapper estoppel: There is no doctrine of file wrapper estoppel in Canada. For the purposes of claim construction, what an applicant represents to the patent office during prosecution is irrelevant. However, the contents of the prosecution history may nonetheless be admissible for other reasons.

8

No Markman hearings: In Canada, claim construction of a patent occurs at trial with the benefit of expert evidence on the skilled person's construction in light of their common general knowledge. Unlike most cases in the US, claim construction is decided at the same time as validity and infringement.

9

Experts: There are no pre-trial examinations of expert witnesses. The only examinations of experts occur at trial before the trial judge. Detailed expert reports are exchanged before trial which are later entered as evidence at trial.

10

Expenses: Last, but certainly not least, IP litigation in Canada is much cheaper compared to the United States. Beyond the low Canadian dollar, procedural factors such as limited discovery and lack of pre-trial expert examinations reduce the time expended by attorneys and experts. Attorney fees are generally less than those in the US.

IP disputes often occur on a global level and involve parallel litigation in many jurisdictions. IP litigation in Canada is cost-effective and should be considered as a jurisdiction of first instance for global disputes. An earlier, less expensive resolution in Canada can drive worldwide settlement negotiations and guide litigation strategies in other jurisdictions where the cost of litigation is much higher.

Ronald E. Dimock, a partner in the IPT practice and based in Toronto, is one of Canada's leading intellectual property litigators, mediators and arbitrators and has had an IP litigation practice spanning four decades. Reach Ron at ron.dimock@dlapiper.com.

Sangeetha Punniamoorthy, a partner in the IPT practice and based in Toronto, has over a decade of experience in IP litigation, including in copyright, patent and trademark litigation. Reach Sangeetha at s.punn@dlapiper.com.

Nikolas Purcell is a licenced pharmacist and associate in the IPT practice in Toronto. His practice focuses on IP litigation, including patent, trademark and copyright litigation. Reach Nikolas at nikolas.purcell@dlapiper.com.



SUPREME COURT CORNER

by Michael Strapp, Stan Panikowski, Brian Biggs and David C. Xu

IMPRESSION PRODUCTS, INC. V. LEXMARK INTERNATIONAL, INC.

PATENT – Decided: May 30, 2017

Holding: All patent rights of a product are exhausted when the product is sold, “regardless of any restrictions the patentee purports to impose or the location of the sale.”

The patent exhaustion doctrine imposes a limit on the “right to exclude others from making, using, offering for sale, or selling.” An *en banc* Federal Circuit had confirmed two exceptions to the scope of patent exhaustion: (1) patent holders may impose lawful restrictions as to post-sale use or resale because patent holders do not exhaust all their rights when such restrictions are agreed upon pre-sale; and (2) exhaustion does not apply to infringers for products protected by an American patent but sold overseas.

The Supreme Court reversed, finding patent exhaustion applies automatically when a patentee chooses to sell an item, eliminating all patent rights to that item. The Court held that exhaustion is “a limit on the scope of the patentee’s rights,” stating a sale exhausts “its patent rights, regardless of any post-sale restrictions the patentee purports to impose.” Regarding foreign sales, the Court further held that exhaustion “does not depend on the patentee receiving some undefined premium for selling the right to access the American market,” but rather “is triggered by the patentee’s decision to give that item up and receive whatever fee it decides is appropriate for the article and the invention which it embodies.”

Justice Ruth Bader Ginsburg concurred with the Court’s findings regarding restrictions on reuse or resale, but dissented in part as to international exhaustion.

SAS INSTITUTE INC. V. LEE

PATENT – Cert. Granted

Issue: Whether the Patent Trial and Appeal Board must issue a final written decision on every claim challenged by the petitioner.

The America Invents Act created the *inter partes* review (IPR) process, whereby a third party may request review of any patent by the USPTO’s Patent Trial and Appeal Board. Section 318(a) states if an IPR is instituted, “the [PTAB] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” SAS Institute filed an IPR petition challenging all 16 claims of a patent; the PTAB instituted review on and issued a final written decision regarding 9 of the challenged claims.

The Federal Circuit panel (2-1) held the statute does not require the PTAB to issue a final written decision on all claims challenged in the petition. Judge Pauline Newman dissented, noting partial review of all challenged claims defeats the purpose of IPRs, *i.e.*, to substitute the PTAB’s review for district court proceedings on validity.

Echoing Judge Newman’s dissent, SAS argues allowing final written decisions on fewer than all challenged claims violates the plain language of the statute and the purpose of IPRs. Respondents argue the issue is not appealable because the AIA bars appellate review of institution decisions; that other provisions in the AIA are claim-specific, contemplating partial review; and the PTO’s regulations, permitting institution on fewer than all challenged claims is reasonable and entitled to deference.



TC HEARTLAND LLC V. KRAFT FOODS GROUP BRANDS LLC*

PATENT – Decided: May 22, 2017

Holding: In the patent venue statute, “resides” as applied to domestic corporations refers only to the state of incorporation.

Patent venue statute 28 U.S.C. § 1400(b) states that venue is appropriate “where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.” The Federal Circuit held that, when read with the general venue statute, 28 U.S.C. § 1391, venue for patent suits was proper in any federal district in which the accused product had been sold.

A unanimous Supreme Court reversed, holding the word “resides,” with respect to domestic corporations, is limited to the state of incorporation. The Court confirmed that this question was answered 60 years ago in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), which held “that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c).” The Court explained it had “definitively and unambiguously held that the word ‘residence’... refers only to the state of incorporation. Congress has not amended § 1400(b) since *Fourco*, and neither party asks us to reconsider our holding in that case.”

Accordingly, for domestic corporations, patent cases may only be brought where the defendant is incorporated or where the defendant has a regular and established place of business and has committed acts of infringement. This will have a significant impact on where patent cases are now filed. Many predict the Eastern District of Texas will see a decline in new patent cases, while the Districts of Delaware and Northern California will see an increase.

*See more coverage of this decision:

www.dlapiper.com/patent-venue-significant-shift

Partner Michael Strapp, based in Boston, has nearly 15 years of experience in IP litigation and licensing disputes. You may reach him at michael.strapp@dlapiper.com.

Partner Stan Panikowski, based in San Diego, focuses on IP, antitrust, appeals and other areas of business litigation. Reach him at stanley.panikowski@dlapiper.com.

Associate Brian Biggs, based in Wilmington, Delaware, represents clients across many technical fields in patent litigation. Reach him at brian.biggs@dlapiper.com.

David Xu, an attorney and based in Austin, focuses on IP litigation, including patent infringement matters in various technological fields. Reach him at david.xu@dlapiper.com.



BETWEEN PATENTS AND TRADEMARKS

TRADE DRESS

By Darius C. Gambino

One of the benefits of patent litigation is the ability to obtain fairly sizable damages awards under either a “reasonable royalty” or “lost profits” theory. However, patent litigation is complicated and costly, and early injunctions are difficult to obtain. Trademark litigation typically provides a more straightforward path to an injunction, but damages awards are much smaller. Trade dress litigation provides an avenue that lies somewhere between patent and trademark litigation, offering some of the benefits of each, such as a simplified trial schedule (with no Markman hearing), significant damages awards, the ability to obtain an injunction, and a leaner trial budget.

The years since 2010 have seen a notable increase in trade dress litigation. Recent high-profile cases and fairly large damages awards make trade dress litigation a viable alternative.



Dalmatia Fig Spread

Photo: Danny Smythe / Alamy.com

In 2011, a Texas jury awarded a plaintiff over \$5.8 million in damages for infringement of trade dress in rooftop support blocks for power lines (*Clearline Technologies v. Cooper B-Line*). In 2012, a California jury awarded a trade dress plaintiff over \$8 million in damages for infringement of the bottle design for hair care products (*Mixed Chicks v. Sally Beauty Supply*). Last October, a California jury granted Herman Miller \$8.4 million in damages for infringement and dilution of its Eames office chair trade dress by a competitor (*Blumenthal Distributing Inc. dba Office Star v. Herman Miller Inc.*). Recently, a Pennsylvania jury gave over \$5 million in damages to a plaintiff who claimed trade dress in the container and packaging for a fig spread (*Dalmatia Import Group, Inc. v. FoodMatch, Inc.*). While these damages awards might seem like small potatoes compared to some patent litigation awards, they are sizable enough to make a trade dress trial worth the effort.

The next big award may be in a case involving competing spirits companies, *Globefill, Inc. v. Elements Spirits, Inc.* Plaintiff Globefill was started by movie star Dan Aykroyd to produce and sell Crystal Head, a high-quality vodka packaged in clear bottles shaped like a skull. The defendant, Elements Spirits, produces Kah brand tequila and sells it in “sugar skull” bottles.



Eames office chair

Photo: Pablo Scapinachis Armstrong / Alamy.com



Crystal Head Vodka

Photo: GildaF / Shutterstock.com

Globefill filed its trade dress case against Elements Spirits in 2010, and lost a first jury trial in November 2013. After an appeal to the Ninth Circuit, Globefill was granted a new trial. On March 29, 2017, a California jury returned a verdict for Globefill, finding Elements Spirits had willfully infringed the skull trade dress. On April 21, Globefill filed a motion for disgorgement of Element Spirits' profits (estimated at \$13.4 million), and requested payment of its attorneys' fees (estimated at \$4.3 million).

Based on the conduct described in the case, it is likely the court will award Globefill the full amount of Elements Spirits' profits, and possibly even its claimed attorneys' fees. One point that particularly hurt Elements Spirits was testimony from a witness who recounted a request by the company owner to make a plaster cast of the Crystal Head bottle as the starting point for the tequila bottle design.

While such developments on the damages front are positive for trade dress plaintiffs, there are some recent negatives. One concerns the doctrine of aesthetic functionality, which gained some notoriety with the *Christian Louboutin v. YSL* "red sole" case in 2012. This doctrine holds that a color or shape may be functional even if it has no practical function, so long as competitors need to use it to compete. YSL's argument in *Louboutin* was just that: it needed the contrasting red sole on its shoes to compete. Ultimately, the court found otherwise.

At the time *Louboutin* was decided, the doctrine was all but dead, but two recent decisions suggest it may be poised for a comeback. In *Millennium Labs v. Ameritox* (2016), the Ninth Circuit endorsed the doctrine for the first time in over 10 years in a case involving the format of medical reports. In April this year, a California court seized upon the Ninth Circuit's endorsement and applied the doctrine in a case relating to spice containers, but ultimately found the trade dress not aesthetically functional.

In sum, trade dress litigation is an evolving area of law that can offer significant help to those seeking protection. Brands concerned about incursions on the look of their products should consider adding it to their strategy.

Darius C. Gambino, a partner and based in Philadelphia, is the author of *Trade Dress: Evolution, Strategy & Practice* from LexisNexis. Reach him at darius.gambino@dlapiper.com.

Attorney Advertising



TOP IP LITIGATION FIRM

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