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PATENT

Supreme Court asked to evaluate patent damages award to Arctic Cat

By Patrick H.J. Hughes

Snowmobile maker Arctic Cat Inc. should not have received enhanced damages for the "willful infringement" of its watercraft-steering patents, according to a certiorari petition filed by Bombardier Recreational Products Inc.

Bombardier Recreational Products Inc. et al. v. Arctic Cat Inc., No. 17-1645, petition for cert. filed, 2018 WL 2754008 (U.S. June 6, 2018).

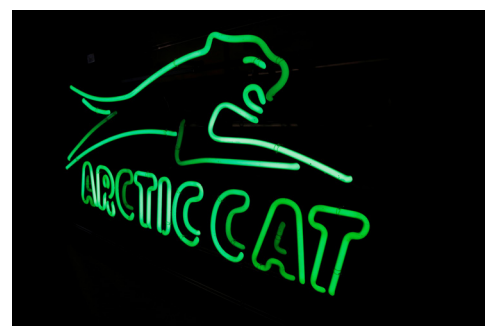
Bombardier, a Canadian jet-boat maker that lost \$47 million in court to Arctic Cat, is asking the U.S. Supreme Court to "make clear that negligence is insufficient to support a finding of willful infringement."

The U.S. Court of Appeals for the Federal Circuit erred when it affirmed a lower court's trebling of a jury's patent damages award based on a "knew or should have known" negligence standard, Bombardier's petition says.

The three-judge Federal Circuit panel's decision was inconsistent with the enhanced-damages standard the high court established in *Halo Electronics Inc. v. Pulse Electronics Inc.*, 136 S. Ct. 1923 (2016), the petition says.

BOAT BOUT

Minnesota-based Arctic Cat is primarily a maker of snowmobiles, although it touts itself as a



REUTERS/Brian Snyder

producer of many kinds of all-terrain vehicles. Bombardier notes that Arctic Cat left the personal watercraft industry in 1999.

Arctic Cat owns U.S. Patent Nos. 6,793,545 and 6,568,969, both of which cover technology for steering jet-propelled watercraft.

Bombardier makes Sea-Doo jet-propelled boats, in addition to snowmobiles and other vehicles.

Arctic Cat sued Bombardier in 2014 in the U.S. District Court for the Southern District of

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EXPERT ANALYSIS

Trademark licensing and the 'buddy system'

Cozen O'Connor attorney Susan J. Latham explains some challenges trademark holders face in establishing priority and introduces a system that pairs trademark licensors and licensees in ways that can help prevent conflicts.

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Trademark licensing and the ‘buddy system’

By Susan J. Latham, Esq.
Cozen O'Connor

It is not uncommon to encounter trademark licenses that contain a provision giving the licensee the right to enforce the licensed mark by taking legal action against third-party infringers, at its own expense and without the participation of the licensor.

Sections 13 and 43(a) of the Lanham Act, 15 U.S.C.A. §§ 1063 and 1025(a), both have broad standing provisions that generally make this possible.¹

However, despite the autonomy such provisions appear to bestow on the licensee and the substantial cost savings that the licensor would enjoy, taking advantage of those benefits could produce unintended consequences for the licensed mark, the goodwill connected to it, and the licensor's and licensee's interests therein.

Licensors and licensees would be better served by a “buddy system” when it comes to trademark enforcement. Their license agreements should include provisions for such a system.

CAUTIONARY TALE: LICENSEE SUFFERS A TKO

In July 2013 Julie A. Moreno obtained, through a written agreement, an exclusive license of all intellectual property associated with a licensor's line of boxing gloves and other sports equipment.

This IP included a “Casanova” word mark and a design mark consisting of an oval shape with the words “Deportes Casanova” inside.

The licensor was a Mexican company named Deportes Casanova, which has been producing boxing equipment under the Deportes Casanova name and logo since 1940.

Deportes had been selling its trademarked boxing gloves into the United States since about the 1950s. They were even worn by Sylvester Stallone in “Rocky.”

Deportes estimates that from 1986 to 2013, it sold \$2,000 to \$3,000 worth of its boxing gloves into the United States annually.

Many boxers, trainers and gym owners testified as to their use and purchase of the gloves and their well-known reputation throughout the U.S. boxing community.

The agreement also said Moreno had no ownership rights in the marks.

Perhaps failing to conduct due diligence in advance of licensing the rights in the Deportes marks, Moreno seems not to have noticed that a California corporation named Pro Boxing Supplies Inc. had filed a trademark application with the USPTO on Oct. 22, 2012, for the word mark “Casanova” for use in connection with boxing gloves.

Moreno also apparently failed to notice that the USPTO had granted a registration to Pro Boxing in June 2013, approximately a month and a half before she signed her license agreement with Deportes.

If one were to assume that the licensor having registered the licensed mark with the USPTO would change the outcome for a licensee, such an assumption would be incorrect.

However, Deportes never applied to register its marks with the U.S. Patent and Trademark Office. Therefore, it could claim only common law rights in its marks within the United States.

Nevertheless, in its license agreement with Moreno, Deportes expressly appointed her as its representative for protecting those U.S. rights “through all appropriate legal means,” with such representation to be at Moreno's expense.

In March 2013 Pro Boxing also applied to register “Sports Casanova” and “Deportes Casanova” design marks. Those applications were pending when Moreno and Deportes Casanova made their deal.

In its applications, Pro Boxing claimed a Dec. 31, 1993, date of first use for the Casanova word mark and a Jan. 30, 2003, date of first use for the Deportes Casanova and Sports Casanova design marks.²

In 2014, after learning of Pro Boxing's registration and pending applications, Moreno filed petitions with the USPTO's Trademark Trial and Appeal Board, seeking to cancel the registration and opposing the pending applications.

These were all consolidated into a single proceeding. *Moreno v. Pro Boxing Supplies Inc.*, Opposition Nos. 91214580 and 91214877; Cancellation No. 92058878, 2017 WL 3948453 (T.T.A.B. Sept. 8, 2017).

Deportes did not join Moreno as a co-party.³

Nevertheless, Moreno sought to rely upon her licensor's long history of use of the Deportes



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Casanova marks in the United States to establish prior rights in those marks over Pro Boxing and its marks.

Indeed, Moreno argued that “by a preponderance of the evidence she [had] proven the priority of rights of [her] licensor, and therefore [hers].”

The TTAB disagreed. In a precedential decision, it found that “Moreno, a mere licensee, cannot rely on her licensor’s use to prove priority.”

Therefore, because Moreno had not entered into the license with Deportes Casanova until after the USPTO had registered Pro Boxing’s Casanova word mark — and conceded that she had not personally used Deportes’ marks prior to Pro Boxing’s constructive use of the Casanova marks — the TTAB dismissed Moreno’s claims.

The TTAB described the issue of priority as “critical”⁴ and explained that the particular question raised — “whether Moreno, a licensee, can claim priority based on the purported common law trademark rights of her licensor” — was one “of first impression for the board.”

Nevertheless, its analysis of the issue was comprised of only these two brief observations:

- Where a licensor and licensee jointly oppose a pending application, each is “required” to establish “its own” priority over the applicant.
- While use of a mark by a licensee inures to the benefit of the trademark owner, Moreno had not provided authority for the converse principle: that use by the owner inures to the benefit of the licensee.⁵

As to the first point, the board gave two examples. The first was an opposition proceeding jointly maintained by the Chicago Bears Football Club Inc. and NFL Properties LLC, the Chicago Bears’ licensing agent. *Chicago Bears Football Club Inc. v. 12th Man/ Tennessee LLC*, 83 U.S.P.Q.2d 1075 (T.T.A.B. 2007).

Under the heading of “Preliminary Matters,” the board stated that priority was “not an issue here in view of the Chicago Bears Football Club’s ownership of registrations for [the asserted marks].”

Although the TTAB observed that the opposers had established priority as to their

common law rights, it made no mention of a requirement that each separately do so.⁶

Accordingly, this first example does not directly support the board’s decision.

In the board’s second cited example, Chemical New York Corp. and its licensee jointly filed an opposition proceeding. *Chem. New York Corp. v. Conmar Form Sys. Inc.*, 1 U.S.P.Q.2d 1139 (T.T.A.B. 1986).

There, Chemical New York relied on certificates of registration to show its ownership of the asserted marks. The board found that: “Priority of use does not arise as an issue as against Chemical New York in view of said party’s ownership of the ... registrations.”

In a trademark infringement proceeding, a defendant’s assertion that a third party has rights in the subject trademark that are superior to the rights claimed by the plaintiff is called a “jus tertii” defense.

Thus, not surprisingly, the recitation of the record evidence indicates that the mark owner had not set forth any other evidence of its ownership or priority of use of the mark.

Unfortunately for the licensee, the board did not allow it to also rely upon the registrations, since it did not own them.

There is no indication that the licensee ever argued that it could rely on the licensor’s common law use to establish priority. Thus, it seems the only evidence of use in the record related to the licensee’s use.

This case offers only weak, inferential support for the board’s decision.

As to the board’s second point, Moreno’s failure to provide authority for the contention that the owner’s use of the mark also benefits its authorized licensees,⁷ perhaps in the absence of such authority the board should have analyzed the question by considering:

- The potential harm to consumers if a licensee is unable to rely on the licensor’s priority and, thereby, a third party is able to register a confusingly similar mark.
- The twofold purpose of a trademark and the Lanham Act, which is to protect both the consumer and the trademark owner.⁸

- Whether the broad standing provisions within Sections 13 and 43(a) of the Lanham Act become illusory for licensees if — during the proceedings — they are unable to rely on their licensor’s priority date for the licensed mark.
- Whether denying licensees the ability to rely on their licensor’s priority date makes the licensor an indispensable party in every proceeding where the opposing party asserts a date of priority that is earlier than the date of the license agreement under which the challenging licensee operates.⁹
- Whether the owner’s priority date should be viewed as attaching to the

mark itself — rather than to the owner — so that priority follows the mark according to the principle of privity rather than ownership.

- The potential impact on the licensors’ and licensees’ freedom of contract with respect to responsibility for enforcing the licensed mark.
- Whether the inability to rely on the licensor’s priority date diminishes the value of a license to the licensee and thus inhibits the owner’s ability to license the mark.¹⁰

Unfortunately, the board did not do so. As a result, the current state of the law before the TTAB is that licensees cannot rely on their licensor’s common law use of the licensed mark to prove priority over a second-comer who has a constructive priority date or an actual use-in-commerce date earlier in time than the date the licensee began using the asserted trademark in commerce pursuant to the license agreement.¹¹

NO EVIDENTIARY PRESUMPTION

If one were to assume that the licensor having registered the licensed mark with the USPTO would change the outcome for a licensee, such an assumption would be incorrect.

Of course, it is a tempting and not uncommon assumption to make.¹²

Indeed, Section 7(b) of the Lanham Act, 15 U.S.C.A. § 1057(b), provides that a certificate of registration showing that the mark is registered on the USPTO's principal register shall be treated as prima facie evidence of many elements.

These include the validity of the mark, its registration, the owner's ownership of it, and the owner's exclusive right to use it in commerce in connection with the goods or services specified in the certificate.

On its face, Section 7(b) does not expressly restrict the use of a registration — an official record of the USPTO — as evidence or the evidentiary presumption accorded thereto.

However, the board interprets Section 7(b) as providing a presumption that accrues only to the benefit of the owner of the registration.¹³

Furthermore, Section 33(a) of the Lanham Act, 15 U.S.C.A. § 1115(a), which directly addresses registrations as evidence, does expressly restrict the evidentiary presumption accorded to a certificate of registration to its owner.

This later and often-overlooked¹⁴ section of the Lanham Act provides that, to be treated as prima facie evidence, the registration must be "owned by a party to an action."

In sum, in the hands of a licensee, the licensor's registration for the asserted mark "stand[s] in the same category as if [it] were owned by independent and unaffiliated companies." *Am. Honda Motor Co. v. TBC Corp.*, Opposition No. 91121151, 2005 WL 1463865 (T.T.A.B. May 31, 2005).

Therefore, when proceeding before the TTAB, licensees cannot rely on either their licensor's prior common law use of, or certificate of registration for, the licensed mark when attempting to prove priority over a second-comer who claims a priority date that is earlier in time than the date upon which the licensee began using the asserted mark in commerce pursuant to the license agreement.

GLIMMERS OF HOPE

Notably, however, the disappointing results of licensees' offensive assertion of their licensors' right of priority before the TTAB appear to be incongruous with the hopeful results of licensees' defensive assertions of their licensors' right of priority within the courts.

In a trademark infringement proceeding, a defendant's assertion that a third party

has rights in the subject trademark that are superior to the rights claimed by the plaintiff is called a "jus tertii" defense.¹⁵

Courts generally do not permit a defendant in a trademark case to assert a jus tertii defense.

If you are a licensee who elsewhere within the agreement has been granted the right to take legal action against third-party infringers, you may wish to ensure that the agreement also provides that the licensor must be your enforcement "buddy" in certain circumstances.

However, it is well-established that courts recognize an exception to that general prohibition such that the rights of third parties in the subject mark do inure to the benefit of a defendant upon a showing of either "privity or successor-in-interest status with respect to such rights." *Real Property Mgmt. Inc. v. Marina Bay Hotel*, 221 U.S.P.Q. 1187 (T.T.A.B. 1984).

Forexample, in *Lapinee Trade Inc. v. Paleewong Trading Co.*, 687 F. Supp. 1262 (N.D. Ill. 1988), the court allowed the defendant, an exclusive distributor of the third party's beer, to assert the third-party trademark holder's superior rights against the plaintiff.

The court explained that "if a third party permits a defendant to use a trademark as part of a contractual arrangement, the defendant can avoid liability for trademark infringement by invoking the superior trademark rights of the third party."

There, the court found that the distribution agreement necessarily and implicitly authorized the defendant to use the third-party trademark holder's mark and thus established privity.

Accordingly, the court found that the plaintiff could not prevail against the defendant unless it possessed trademark rights superior to the third-party trademark owner's rights.

In *Diarama Trading Co. v. J. Walter Thompson U.S.A. Inc.*, No. 01-cv-2950, 2005 WL 2148925 (S.D.N.Y. Sept. 6, 2005), the court granted several defendants summary judgment after concluding that a non-moving defendant's trademark rights were superior to the plaintiff's rights.

There, the moving defendants were nonexclusive dealers and an advertising agency, which the plaintiff argued could not

assert a jus tertii defense because they had not provided evidence of a written contract with the trademark owner.

However, the court permitted the jus tertii defense, reasoning that "a formal written agreement is not the only way to establish

privity" and that "privity may even be established through an implied-in-fact contract."

Courts have also indicated a willingness to similarly recognize the offensive assertion of a third party's trademark rights; however, the decisions could benefit from further development.

Indeed, in *Diarama Trading*, the court, after granting the defendants summary judgment on their jus tertii defense, also granted them summary judgment on their counterclaim for cancellation of the plaintiff's registered trademark.

However, it did so in one brief paragraph where the result was deemed obvious.

In *578539 B.C. Ltd. v. Kortz*, No. 14-cv-4375, 2015 WL 12670488 (C.D. Cal. Apr. 10, 2015), the court went further to explain that, where there is privity:

the concerns that militate against permitting a litigant to assert the rights of a third party are not implicated. ... Thus, in situations where the cancellation petitioner/counterclaimant is in privity with a third party that has superior rights in the mark sought to be cancelled, courts have held that the petitioner/counterclaimant can claim some entitlement to the priority rights of the third party as a basis for cancellation.¹⁶

However, in *United Food Imports v. Baroody Imports Inc.*, No. 09-cv-2835, 2010 WL 1382342 (D.N.J. Apr. 6, 2010), the court indicated that the benefit of privity, in the context of an offensive assertion of a third party's trademark rights, may be curtailed by the prudential concerns reflected in the general rule that a litigant must assert his or

her own legal rights and interests, not those of a third party.

Notably, in *United Food Imports*, the third-party trademark owner had already commenced its own proceeding against the alleged second-comer before the TTAB, and was defending an action against the same plaintiff in a different court, which involved the same claims.

Consequently, despite the defendants' contractual relationship with trademark owner, the court dismissed their counterclaims for, inter alia, cancellation of United Food's registered trademark because it was clear that the third-party trademark owner was not hindered from pursuing those claims itself.

In sum, when before the courts, licensees who demonstrate privity with their third-party licensor are likely to be permitted to base their defense on the priority rights of the licensor. However, they may be less likely to be allowed to assert the licensor's priority rights as grounds for an affirmative claim or counterclaim against the alleged second-comer.

Consequently, given the restrictions and uncertainties at the TTAB and in the courts, it is difficult for licensees to have full confidence in a contractual right to take legal action against alleged infringers without the licensor's participation.

Similarly, these circumstances make it difficult for a licensor to have full confidence that its rights and goodwill in the mark will be adequately represented and protected should a licensee choose to exercise that contractual right, particularly if it is exercised against a second-comer that began its infringing activity prior to commencement of the licensee's license.

Indeed, should a licensee take action on its own to enforce the licensor's mark and fail — like Moreno — because it could not establish priority over the alleged infringer, the result could be detrimental to both the licensee's and the licensor's interests in the mark.

The alleged infringer will continue its infringing activity and, thus, continue to confuse consumers and harm the mark's goodwill.

The licensor will have lost time in asserting its own position against the alleged infringer and must then decide whether to assert its own claims against the alleged infringer.

Notably, while a trademark owner may choose its battles and how to wage them, it does have a duty to "police its mark" and if it fails to do so to a substantial degree, will leave itself vulnerable to a "failure to police" challenge to the viability of its rights in the mark.¹⁷

Furthermore, if a licensee's loss is viewed, at least in part, as occurring due to the lack of the licensor's participation, any publicity or word-of-mouth reporting of that loss could harm the reputation of the licensor's licensing program.

THE BUDDY SYSTEM

Prudent licensors and licensees would be well-served by including license provisions that address enforcement of the mark and boost their confidence that their respective interests will be protected in accordance with the licensor's right of priority.

Inevitably the type of provisions that will accomplish this goal will involve something akin to the "buddy system."

If you are a licensee who elsewhere within the agreement has been granted the right to take legal action against third-party infringers, at your own expense and without the participation of the licensor, you may wish to ensure that the agreement also provides that the licensor must be your enforcement "buddy" in certain circumstances.

For example, you may wish to negotiate for provisions requiring the licensor to:

- Join you as a party to proceedings before the TTAB against applicants or registrants of a confusingly similar mark, who have constructive or actual use in commerce dates that pre-date your license.
- Provide testimony and documentary support for any *jus tertii* defense you might assert with respect to the licensed mark and the licensor's right of priority therein.
- Either be a party to any claim or counterclaim that you bring in a court against an alleged infringer who asserts a priority date that precedes the date you began using the mark pursuant to the license, or demonstrate to the court why it is unable to do so.

On the other hand, if you are a licensor who is considering granting your licensee the

right to take legal action against third-party infringers, you may wish to ensure that the agreement also provides that the licensee fulfill certain "buddy" type activities before it may exercise that right.

For example, you may wish to require the licensee, among other things, to:

- Notify you of any alleged infringer that it desires to take action against;
- Conduct a pre-suit investigation of the alleged infringer and its claim to the allegedly infringing mark;
- Provide you with a report of the results of such pre-suit investigation and a reasonable opportunity to review it; and
- Provide you with a reasonable opportunity to either join as a party or otherwise participate in the case.

Notably, licensing is an area that is already well-suited to the "buddy system" and in many respects already requires it. Quality control provisions and a duty to police are examples of how this is required.

In other words, licensing has never been an area where the licensor could simply set it and forget it.

Thus, adding provisions that will further enhance contact and cooperation between the licensor and licensee will aid in protecting not only each party's investment in the licensed mark, but also the continued viability of the mark itself and its associated goodwill. **WJ**

NOTES

¹ However, other provisions of the Lanham Act restrict standing to the "registrant" or to the "owner" of the mark. See 15 U.S.C.A. §§ 1114, 1125(c)-(d).

² Notably, Pro Boxing admitted that it knew of and had purchased Deportes' boxing gloves having the Deportes marks on them in the United States from about 1987 to approximately 1990. But, relying on hearsay, it claimed that after that time they were no longer available.

³ It is not known whether Moreno made such a request of her licensor or simply felt no need to do so in light of the appointment and autonomy she was given through the license agreement to take action to protect the Deportes marks.

⁴ This is because the TTAB had already noted that there was "no question" that the parties' respective marks so resembled each other and were used on the same goods that contemporaneous use by the parties would cause consumer confusion.

⁵ The TTAB also speculated that allowing a licensee to claim priority based on the licensor's use could result in the licensee being able to claim de facto ownership of the licensed mark. However, because the board did not cite authority in support of this proposition and there was no ownership dispute between the licensor and Moreno before the board, this point should be considered dicta.

⁶ The only requirement that the board had discussed separately establishing was their respective standing, which is a different issue.

⁷ Even if Moreno failed to present it, the board appears to have overlooked its own recognition in *Real Property Management, Inc. v. Marina Bay Hotel*, 221 U.S.P.Q. 1187 (T.T.A.B. 1984), that a showing of privity with a third party would entitle a defendant to have the trademark rights of such third party inure to its benefit. See also *Dow Corning Corp. v. Doric Corp.*, 192 U.S.P.Q. 106 (T.T.A.B. 1976) ("While third parties may possess rights in their respective marks which they may be in a position to assert against opposer ... such rights do not inure to applicant's benefit in the absence of evidence that applicant is in privity with or is the successor-in-interest to these parties.").

⁸ During the first session of the 79th Congress, Rep. Fritz Lanham explained: "The purpose underlying any trademark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time and money in presenting

to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trademark owner." HR Rep. 219, 79th Cong., 1st Sess. (Feb. 26, 1945).

⁹ The board's current default position is that a licensor is not a per se indispensable party. See U.S. PATENT & TRADEMARK OFFICE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 512.01 (2017) ("The fact that a third party related to the plaintiff, such as a parent or licensor of the plaintiff, may also have an interest in a mark relied on by the plaintiff does not mean that the third party must be joined as a party plaintiff.").

¹⁰ While a license would provide the value of buying peace with the licensor, the value of buying peace as against third parties appears to be diminished by the *Moreno* decision.

¹¹ But see *McNeil-PPC Inc. v. Walgreens Co.*, No. 76682070, 2013 WL 223400 (T.T.A.B. Jan. 22, 2013), wherein the board found the opposer established its priority through evidence of a predecessor licensee's use of the mark, due to "a clear chain of trademark rights from prior licensees to opposer."

¹² See, e.g., *Nestle Prepared Foods Co. v. V&V Enters. Inc.*, Opposition No. 91167465, 2011 WL 1060725 (T.T.A.B. Mar. 10, 2011); *Hunt Control Sys. Inc. v. Koninklijke Philips Elecs. NV*, Opposition No. 91173417, 2011 WL 2318350 (T.T.A.B. Apr. 27, 2011); *Am. Honda Motor Co. Inc. v. TBC Corp.*, Opposition No. 91121151, 2005 WL 1463865 (T.T.A.B. May 31, 2005); *HBP Inc. v. Becker Designs Inc.*, Opposition No. 91154068, 2005 WL 3551107 (T.T.A.B. Dec. 16, 2005).

¹³ U.S. PATENT & TRADEMARK OFFICE, TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE § 704.03(b)(1)(B) (2017); *Nat'l Ass'n of Certified Home Inspectors Inc. v. Am. Soc. of Home Inspectors Inc.*, Opposition No. 91166484, 2008 WL 4155525 (T.T.A.B. Aug. 28, 2008); *Decra Roofing Sys. Inc. v. Sisson*, Cancellation No. 92043095, 2007 WL 3320324 (T.T.A.B. Oct. 31, 2007); *Am. Honda Motor Co.*, Opposition No. 91121151, 2005 WL 1463865 (T.T.A.B. May 31, 2005); *Hunt Control Sys. v. Koninklijke Philips Elecs. NV*, Opposition No. 91173417, 2011 WL 2318350 (T.T.A.B. Apr. 27, 2011); *Nestle Prepared Foods Co. v. V&V Enters. Inc.*, Opposition No. 91167465, 2011 WL 1060725 (T.T.A.B. Mar. 10, 2011).

¹⁴ The USPTO's manual of procedure, at Section 704.03(b)(1)(B), sets forth the procedure for introducing third-party registrations into evidence and the basis therefore, but it fails to mention Section 33(a) of the Lanham Act.

¹⁵ J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 31:157 (5th ed. 2017).

¹⁶ Nevertheless, the court found that the counterclaimant had not pleaded facts to plausibly suggest he was in privity with the trademark owner and, thus, his counterclaim for cancellation failed.

¹⁷ See, e.g., *Wallpaper Mfrs. Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755 (C.C.P.A. 1982). ("Without question, distinctiveness can be lost by failing to take action against infringers. ... However, an owner is not required to act immediately against every possibly infringing use to avoid a holding of abandonment.")

WESTLAW JOURNAL ANTITRUST



This reporter offers comprehensive coverage of significant litigation brought under federal and state antitrust statutes. In addition to providing news concerning legislative initiatives and enforcement activity by the U.S. Department of Justice and the Federal Trade Commission, this publication covers disputes in such critical areas as unfair competition, tying arrangements, monopoly power, mergers and acquisitions, predatory pricing, standing, and pretrial motions including discovery and class certification issues.

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Federal Circuit passes on reconsidering 2 major patent eligibility rulings

By Patrick H.J. Hughes

The U.S. Court of Appeals for the Federal Circuit has refused to reconsider two decisions it made that narrowed evidentiary rules on when a court can invalidate a software patent as an abstract idea.

***Berkheimer v. HP Inc.*, No. 2017-1437, 2018 WL 2437140 (Fed. Cir. May 31, 2018).**

***Aatrix Software Inc. v. Green Shades Software Inc.*, No. 2017-1452, 2018 WL 2436813 (Fed. Cir. May 31, 2018).**

The decisions made it more difficult for challenges to the validity of a software patent to meet the requirements the U.S. Supreme Court established in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014).

The high court in *Alice* said software encompassing an abstract idea needs to transform that abstract concept to be patentable, and “the mere recitation of a generic computer” is not enough.

A unanimous Federal Circuit panel on Feb. 8 ruled in *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018), that patent challengers need to present facts to show an invention describes only “well-understood, routine and conventional activities” that fail to transform an abstract concept.

On Feb. 14 a split Federal Circuit panel in favor of the patent holder ruled in *Aatrix Software Inc. v. Green Shades Software Inc.*, 882 F.3d 1121 (Fed. Cir. 2018), that to succeed on a motion to dismiss based on patent eligibility, an accused infringer had to meet the same evidentiary standard established in *Berkheimer*.

On May 31 the full Federal Circuit issued near-identical orders denying petitions from HP Inc. and Green Shades Software Inc. for panel rehearings and en banc rehearings.

BERKHEIMER DECISION

Inventor Steven E. Berkheimer sued HP’s predecessor for patent infringement in November 2012 in the U.S. District Court for the Northern District of Illinois.

HP moved for summary judgment, claiming Berkheimer’s invention for a file processing and archiving system was patent-ineligible under Section 101 of the Patent Act, 35 U.S.C.A. § 101, which bars the patenting of laws of nature, natural phenomena and abstract ideas.

U.S. District Judge John Z. Lee granted HP’s motion, finding Berkheimer’s patent was invalid as a matter of law. *Berkheimer v. Hewlett-Packard Co.*, 224 F. Supp. 3d 635 (N.D. Ill. 2016).

The judge did not apply the clear-and-convincing standard required for factual findings on the ground that the Supreme Court had never mentioned such a standard when answering patent eligibility questions.

On appeal, the Federal Circuit agreed that an abstract concept can only be transformed into patent-eligible subject matter if it is not well-understood or conventional to skilled artisans, but said this threshold is a factual issue.

“While patent eligibility is ultimately a question of law, the District Court erred in concluding there are no underlying factual questions to the Section 101 inquiry,” U.S. Circuit Judge Kimberly Moore wrote for the three-judge panel.

AATRIX DECISION

Aatrix Software Inc. filed its patent infringement suit against Green Shades Software in February 2015 in the U.S. District Court for the Middle District of Florida.

Aatrix alleged Green Shades infringed Aatrix’s data processing patents that allowed data to be manipulated depending on the form needed.

When Green Shades moved to dismiss at the pleading stage, Aatrix said an assessment of its patents’ validity before claim construction was premature.

U.S. District Judge Harvey Schlesinger said that “subject matter eligibility under Section 101 is a question of law that may be properly addressed at the pleading stage,” and dismissed the suit. *Aatrix Software Inc. v. Green Shades Software Inc.*, No. 15-cv-164, 2016 WL 1375141 (M.D. Fla. Mar. 30, 2016).

On appeal, Judge Moore, writing for the majority in reversing the District Court, said courts need to consider factual questions when considering whether an abstract concept can be transformed into patent-eligible subject matter.

Federal Circuit Judge Jimmie V. Reyna dissented, saying the majority’s fact-based approach created a risk that would open an *Alice* inquiry to “inexhaustible array of extrinsic evidence, such as prior art, publications, other patents and expert opinion.”

REHEARINGS DENIED

In denying the petitions for rehearing, Judge Moore wrote for the majority of Federal Circuit judges who agreed that the *Berkheimer* and *Aatrix* decisions merely reinforced standards that courts should apply in an *Alice* two-step inquiry.

Federal Circuit Judge Alan D. Lourie wrote a concurring opinion that questioned the second step of the *Alice* inquiry.

“Why should there be a step two in an abstract idea analysis at all?” Judge Lourie asked. “If a method is entirely abstract, is it no less abstract because it contains an inventive step?”

Judge Reyna wrote another dissent, saying the disputes involved important legal questions that the appellate court should have explored.

The *Aatrix* decision, in particular, removed the second step of the *Alice* inquiry from an analysis of the patent to “the realm of extrinsic evidence.”

"This is a change in our law, and is counter to guidance from the Supreme Court and our own precedent," he said. [WJ](#)

Attorneys:

Plaintiff-appellant (Aatrix): John Bentley Lunseth II and Scott M. Flaherty, Briggs & Morgan, Minneapolis, MN

Defendant-appellee (Green Shades): Harold T. Gillis and Joseph W. Bain, Shutts & Bowen, Jacksonville, FL

Plaintiff-appellant (Berkheimer): James P. Hanrath, Much Shelist PC, Chicago, IL; Michael J. Femal and Paul Skiermont, Skiermont Derby LLP, Dallas, TX

Defendant-appellee (HP Inc.): Jason C. White, Morgan, Lewis & Bockius, Chicago, IL; Nicholas A. Restauri, Thomas R. Davis, David J. Levy and William R. Peterson, Morgan, Lewis & Bockius, Houston, TX; Allyson Newton Ho, Morgan, Lewis & Bockius, Dallas, TX

Related Filings:

Federal Circuit rehearing en banc denied (Berkheimer): 2018 WL 2437140
Federal Circuit rehearing en banc denied (Aatrix): 2018 WL 2436813
Federal Circuit opinion (Berkheimer): 881 F.3d 1360
Federal Circuit opinion (Aatrix): 882 F.3d 1121

PATENT

Zimmer scores \$13.8 million in attorney fees after 13-year patent battle

By Ronald V. Baker

A New Jersey federal judge has awarded Zimmer Inc. \$13.8 million for defense costs in a suit over claims that it violated four Howmedica Osteonics Corp. patents covering medical device manufacturing processes.

Howmedica Osteonics Corp. v. Zimmer Inc. et al., No. 05-cv-897, 2018 WL 2378406 (D.N.J. May 23, 2018).

U.S. District Judge William H. Walls of the District of New Jersey said the \$13.3 million he allowed Zimmer for legal fees and \$513,000 for general costs associated with the 13-year court battle were appropriate due to the complexity of the case.

Howmedica launched the suit in 2005, saying the techniques Zimmer was using to sterilize and prevent oxidation formation on implantable medical devices breached methods Howmedica had patented.

U.S. Patent Nos. 6,174,934, 6,372,814, 6,664,308 and 6,818,020 were found invalid during the litigation, Judge Walls said. All dealt in part with heating and irradiating polymers used in medical implants to extend their useful life, Judge Walls' opinion said.

The '934, '814 and '308 patents were found invalid due to indefiniteness in June 2007, and the final one, the '020 patent, was found

invalid in July 2016 due to prior art, according to the opinion.

Zimmer petitioned the court to recover \$13,496,086 in fees, \$1 million in expert costs and \$513,258 in general costs. It also submitted a request for \$5.8 million in prejudgment interest.

Judge Walls awarded the company \$13.3 million in legal fees, calling the case "exceptional" under federal cost compensation standards outlined at 35 U.S.C.A. § 285.

He noted the number of billable hours was somewhat inflated by Zimmer's use of inexperienced attorneys as a cost-saving measure. The approach, the judge noted, resulted in an excess of hours spent on Zimmer's case as some of the attorneys had not obtained bar admission.

The judge also said billings exceeding \$900 an hour were unreasonable, and the use of inexperienced attorneys and reduced billing rates accounted for a reduction of about \$200,000 for the requested fee award.

While he granted in full Zimmer's \$513,258 request for travel costs and document reproduction, he denied the \$1 million expert fee request.

Judge Walls said that given the attorney fees and costs already awarded to Zimmer under Section 285, he could not find that Howmedica's conduct during the litigation was so egregious as to justify an additional expert fee award.

He also denied Zimmer's prejudgment interest request, noting the company had been treated generously with the fee and cost awards.

Howmedica has already filed notice of its intent to appeal the award to the U.S. Court of Appeals for the Federal Circuit. [WJ](#)

Attorneys:

Plaintiff: Kevin J. McKenna, Gibbons PC, Newark, NJ

Defendants: William H. Trousdale, Tompkins, McGuire, Wachenfeld & Barry, Newark, NJ

Related Filings:

Opinion: 2018 WL 2378406

See Document Section A (P. 23) for the opinion.

7th Circuit spurns Harlequin writing contest entrant's copyright appeal

By Susan Swann

A best-selling novelist has prevailed over the appeal of an author who claimed parts of an unpublished romance story she entered in a publisher's competition were infringed by a novel released three years after the contest.

***Rucker v. Fasano et al.*, No. 17-3608, 2018 WL 2460159 (7th Cir. June 1, 2018).**

The 7th U.S. Circuit Court of Appeals found Donna Fasano's novel, written over many years before finally being published as "Reclaim My Heart" in 2013, was not strikingly similar to Kelly Rucker's "The Promise of a Virgin."

In affirming a lower court's dismissal of Rucker's copyright suit, the three-judge panel rejected Rucker's claim that Fasano had access to the "Virgin" story because she might have helped judge Harlequin Enterprises Ltd.'s 2010 contest.

"Rucker can say only that she 'believes upon reliable information' that Fasano had access to the submissions to the Harlequin contest; this speculation does not permit any inference of copying," U.S. Circuit Judge Frank H. Easterbrook wrote for the panel.

'THE PROMISE OF A VIRGIN'

Fasano is a USA Today best-selling author who has won numerous awards for many of her novels, which include "Finding Fiona" and "The Merry-Go-Round."

Rucker, a Chicago resident who is also an author of woman's fiction stories, filed her copyright infringement suit against Fasano in November 2016 in the U.S. District Court for the Northern District of Illinois.

According to the suit, Rucker submitted the first chapter and a detailed synopsis of her "Virgin" novel to a romantic fiction contest sponsored by romance publishing giant Harlequin in November 2010. She said she started work on the novel earlier that year.

Harlequin informed Rucker in January 2011 that she was not a finalist, the suit said.

'RECLAIM MY HEART'

Rucker claimed that in late 2014 she discovered Fasano's "Reclaim My Heart," an Amazon e-book best-seller that Rucker said bore similarities to the unpublished "Virgin" book.

U.S. District Judge Joan B. Gottschall analyzed the timing of Fasano's writing to see if copying was possible. *Rucker v. Fasano*, No. 16-cv-10506, 2017 WL 5593356 (N.D. Ill. Nov. 21, 2017).

It was undisputed that Fasano started writing a book called "For the Sake of their Son" in 2004; her agent pitched the book to Harlequin in 2006.

Harlequin requested changes, which Fasano made, and retitled the book "Hindsight," the opinion said.

Fasano's agent repitched "Hindsight" to Harlequin, which agreed to publish it in 2007. However, Harlequin terminated the agreement in 2008, according to the opinion.

Fasano claims much of "Hindsight" was published by Amazon in 2013, under the title "Reclaim My Heart," the opinion said.

NO INFERENCE OF COPYING

Judge Gottschall pointed out several problems with Rucker's claim, some related to timing.

The judge said Rucker attempted to circumvent the issue of timing by claiming that Fasano could have had access to the "Virgin" unpublished manuscript at some time before the publication of the final version of Fasano's work.

However, Judge Gottschall also pointed out that Rucker's allegation that Fasano "might have" had access to her manuscript contradicted the fact that Fasano's relationship with Harlequin ended two years before Rucker submitted her manuscript.

Also, Fasano claims to have never judged a contest for Harlequin, according to the opinion.

NO STRIKING SIMILARITY

In the absence of proof of access, a plaintiff is required to establish an inference of access by showing a striking similarity between the works. This Rucker failed to do, according to Judge Gottschall.

Both books involved wealthy, blond-haired, blue-eyed heroines, and Native American heroes with whom the heroines conceived children, the opinion said.

The couples were separated by their angry families and reunited under circumstances allowing their sons to reconnect with their Native heritage, the judge said.

But the major similarities ended there, the judge said.

In particular, Judge Gottschall found the "feel" of the two books to be "remarkably different."

Fasano's book was not focused on the romance between the two main characters, and contained only a few pages of explicit material. Rucker's, on the other hand, was focused on the sexual attraction between the two characters in a highly explicit way, the opinion explained.

Judge Gottschall granted Fasano's motion for summary judgment and dismissed the suit.

NO HAPPY ENDING FOR PLAINTIFF

The appeals panel agreed with Judge Gottschall on all counts.

The panel pointed out that Rucker's speculative assertions that Fasano "might have helped judge Harlequin's 2010 contest" or "might have received a copy" of Rucker's work from Harlequin were not evidence, and could not overcome the facts admitted to or agreed upon by the parties.

According to the panel, there was no proof or inference of copying, and no need to compare the details of the two novels. **WJ**

Attorneys:

Defendant-Appellee: Allison M. Corder and Charles Valauskas, Valauskas Corder LLC, Chicago, IL

Related Filings:

7th Circuit opinion: 2018 WL 2460159

District Court opinion: 2017 WL 5593356

Ticketmaster's suit over ticket-buying bots may proceed, judge says

By Dave Embree

A Los Angeles federal judge has refused to dismiss Ticketmaster LLC's suit against online ticketing outfits for using automated software to purchase large numbers of tickets from the company's website and mobile app.

Ticketmaster LLC v. Prestige Entertainment West Inc. et al., No. 17-cv-7232, 2018 WL 2448115 (C.D. Cal. May 29, 2018).

Ticketmaster has plausibly alleged that the defendants must have copied its copyrighted website to create bots "that could successfully circumvent Ticketmaster's myriad security measures," according to U.S. District Judge Otis D. Wright II of the Central District of California.

Judge Wright said Ticketmaster may pursue infringement and computer-hacking claims against the ticketing outfits for exceeding authorized access to its website and app.

INFRINGEMENT, HACKING ALLEGATIONS

The terms of use governing Ticketmaster's website and app expressly prohibit users from deploying bots to automatically search for and purchase tickets, according to the ticket sales company's first amended complaint.

Ticketmaster has also added several security measures to stop bots, including CAPTCHA authentication and a proprietary tool that blocks purchases by bots in real time, the complaint says.

The suit alleges, however, that Prestige Entertainment West Inc. and Renaissance Ventures LLC successfully circumvented Ticketmaster's security measures and used bots to place more than 300,000 ticket orders through its website and app in 2015 and 2016.

Prestige and Renaissance continued using the bots to search for and purchase tickets even after Ticketmaster sent a cease-and-desist letter to a Connecticut resident named Nicholas Lombardi, who is linked to both companies, the complaint says.

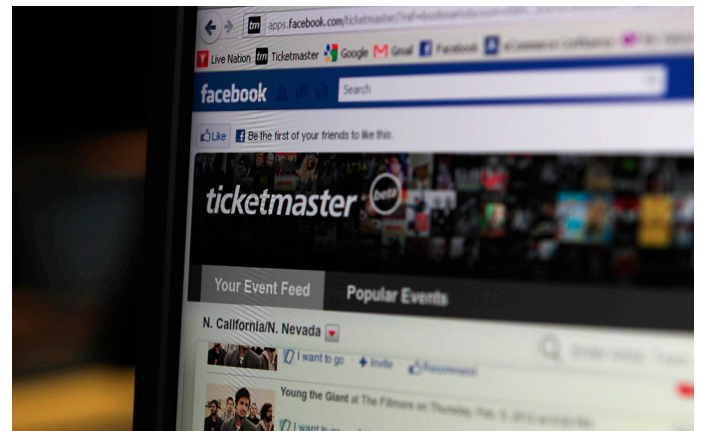
In October 2017 Ticketmaster sued Prestige, Renaissance, Lombardi and several John Doe defendants in Los Angeles federal court, seeking an order to stop their use of bots to buy tickets in bulk.

The first amended complaint includes claims for breach of contract, copyright infringement, and violations of the Digital Millennium Copyright Act, 17 U.S.C.A. § 1202, and the Computer Fraud and Abuse Act, 18 U.S.C.A. § 1030.

MOTION TO DISMISS

The defendants moved to dismiss the entire suit, arguing that Ticketmaster's federal copyright and computer-hacking claims fail as a matter of law and that, without the federal claims, the court lacked jurisdiction to hear the state claims.

Specifically, the defendants said the court should dismiss Ticketmaster's copyright infringement allegations because the company presented no direct evidence that the Doe defendants who developed the bots unlawfully reproduced the website and app.



REUTERS/Stephen Lam

The defendants argued in a memo supporting their motion that under the 9th Circuit's decision in *United States v. Nosal*, 676 F.3d 854 (9th Cir. 2012), they could not be held liable under the CFAA for simply violating the terms of use governing Ticketmaster's website.

Judge Wright rejected the defendants' arguments and denied the motion to dismiss.

Although Ticketmaster lacks direct evidence that the defendants unlawfully copied its website and app, the fact that the bots were specially tailored to evade the company's robust security measures provides sufficient circumstantial evidence of copying, the judge said.

"It strains credulity to think that the bot developers could have developed such successful bots without downloading and storing Ticketmaster's pages and code," Judge Wright wrote.

Finally, the judge said the defendants were wrong to rely on the *Nosal* case because Ticketmaster's CFAA claim was not based on a terms-of-use violation but rather on the cease-and-desist letter it sent to Lombardi.

"The letter was, in effect, an individualized access policy that revoked authorization upon breach of the policy," Judge Wright wrote. **WI**

Attorneys:

Plaintiff: Alexandra Hill, Donald R. Brown, Mark S. Lee and Robert H. Platt, Manatt, Phelps & Phillips, Los Angeles, CA

Defendants: Benjamin K. Semel, Pryor Cashman LLP, New York, NY; Thomas H. Vidal and Benjamin S. Akley, Pryor Cashman LLP, Los Angeles, CA

Related Filings:

Order: 2018 WL 2448115

Motion to dismiss: 2018 WL 2632148

First amended complaint: 2018 WL 2638646

Use of 'To God Be the Glory' trademark is a religious right, suit says

By Patrick H.J. Hughes

The maker of basketball machines that pass balls back to the shooter is asking an Ohio federal court to declare that the company can use the Christian-themed message "To God Be the Glory" without violating trademark law.

Shoot-A-Way Inc. v. TGBTG Sports et al., No. 18-cv-1318, complaint filed, 2018 WL 2793917 (N.D. Ohio June 8, 2018).

Shoot-A-Way Inc. filed its suit in the U.S. District Court for the Northern District of Ohio, seeking a declaration of noninfringement after TGBTG Sports, a sports development company, accused Shoot-A-Way of violating its trademark rights.

TGBTG's full name is To God Be The Glory Sports, a Texas nonprofit with a federally registered service mark of its name.

Shoot-A-Way says its use of the phrase is an expression of its First Amendment rights to free speech and religious expression, which "cannot be usurped by trademark law."

THE SLOGAN

Houston-based TGBTG is run by former pro-baller Cyril White.

The owner of Ohio-based Shoot-A-Way, John Joseph, met White around 2010 when he sold White one of the company's products, the suit says.

Those products include basketball "guns" that catch balls that are then shot back to the player.

White encouraged Joseph to use Christian-themed messages on his products, and Joseph began placing stickers with "To God Be the Glory" on items sold through the mail, the suit says.

Shoot-A-Way claims it did not use the phrase in advertising and only placed the stickers on products after they were purchased.



REUTERS/Laszlo Balogh

Basketball machine maker Shoot-A-Way says its use of the phrase "To God Be the Glory" is not infringing TGBTG Sports' trademark because the mark is generic.

Joseph says White sent him one letter praising the stickers in 2016 and sent at least one more letter later.

Despite the praise, however, TGBTG's counsel sent Shoot-A-Way a cease-and-desist letter in June of this year, the suit says.

In 2017 Joseph changed the stickers to sport the phrase "All Glory Be to God," the suit says.

COMMONLY USED PHRASE

A U.S. trademark registration document lists White as the owner of a "To God Be the Glory" service mark in the category of marketing services.

He obtained federal registration for the same mark in a different category in 1999, but that registration was canceled in 2006. White's current registration is the result of a 2017 application.

The plaintiff says its use of the phrase is an expression of its First Amendment rights to free speech and religious expression.

Shoot-A-Way objects to the infringement accusation on the ground that the phrase can be used by anyone, not only because it is a religious right, but also because the mark is generic.

"To God be the glory" is a commonly used phrase that dates back at least to 1875, when a popular hymn was published by that name, the suit says.

Even if TGBTG has protectable trademark rights in the phrase, it cannot bring an infringement action against Shoot-A-Way, the suit says.

White approved of the trademark use and TGBTG waited too long to demand that Shoot-A-Way stop using the stickers, barring a suit under the doctrine of laches, which prevents the unreasonable delay of legal actions.

In addition to asking for the noninfringement declaration, Shoot-A-Way seeks an order canceling White's trademark registration and declaring it invalid and unenforceable. **WJ**

Attorneys:

Plaintiff: Jeffrey S. Standley and F. Michael Speed Jr., Standley Law Group, Dublin, OH

Related Filings:

Complaint: 2018 WL 2793917

See Document Section B (P. 38) for the complaint.

In sickness and in health, aetnacvs.com belongs to Aetna and CVS, WIPO says

By Susan Swann

Aetna and CVS have convinced the World Intellectual Property Organization to transfer aetnacvs.com from a Chinese citizen who registered the domain name in anticipation of the health care giants' highly publicized merger.

Aetna Inc. et al v. Li, No. 2018-0795, 2018 WL 2848798 (WIPO Arb. June 7, 2018).

The WIPO Arbitration and Mediation Center said it was clear the domain belonged to insurance provider Aetna Inc. and drugstore chain CVS Pharmacy Inc., which announced Dec. 3 shareholder approval of their proposed merger, a transaction valued between \$69 billion and \$77 billion.

While Li Chang Jiang of Changsha in China's Hunan province registered the disputed domain Dec. 2, news reports about the merger were published shortly before that date, according to the decision.

Aetna and CVS own a large number of trademark registrations for their names in over 20 jurisdictions, including China, according to the decision.

The sole WIPO panelist points out the extensive histories of use of the marks in commerce — over 100 years for Aetna, and over 50 years for CVS.

Aetna and CVS include their marks in domain names for their respective companies, including aetna.com and cvs.com, all of which were successfully registered prior to Li's registration of aetnacvs.com, according to the decision.

UDRP FACTORS

The Uniform Domain Name Dispute Resolution Policy, commonly called UDRP,

the legal framework for resolving of domain disputes, requires complainants to prove a disputed domain name is identical or confusingly similar to a trademark in which it has prior rights.

The UDRP also requires a complainant to show the respondent has no rights or legitimate interests with respect to the disputed domain name, and that the disputed name was registered and is being used in bad faith.

The panel said the respective ownership histories of Aetna and CVS established their rights to their own trademarks, and aetnacvs.com clearly is confusingly similar to those trademarks, incorporating them in their entirety and containing nothing else to differentiate the domain from the trademarks.

Li also had no legitimate interest in the disputed domain name, according to the panel. Mere registration of the name gave Li no rights or legitimate interests, and Li submitted no evidence or arguments establishing an interest in the name.

The decision concluded "the registration of the disputed domain name is clearly intended to mislead and divert consumers to the disputed domain name."

The panel found it relevant that Li registered the domain shortly after publication of many articles about the Aetna-CVS merger.



REUTERS/Lucas Jackson

Also, the panel noted the disputed domain name resolved to an inactive webpage, amounting to passive holding.

Finally, the panel noted Li used false contact details and addresses in the Whois records for the disputed domain name — further evidence of bad faith.

"Given the reputation and fame of the complainants' trademarks, the registration of the disputed domain name is clearly intended to mislead and divert consumers to the disputed domain name," the panel concluded, ordering the transfer. **WJ**

Attorney Profiles:

Complainants: Douglas M. Isenberg, The GigaLaw Firm, Atlanta, GA

Related Filings:

Decision: 2018 WL 2848798

See Document Section C (P. 43) for the decision.

News website for hackers can't keep thehackingteam.com, WIPO says

By Patrick H.J. Hughes

An online company that claims to provide news to hackers, focusing on stories about cryptocurrencies and blockchain technology, cannot keep the domain name thehackingteam.com, according to the World Intellectual Property Organization.

HT SRL v. Domains by Proxy LLC/Weissbrot, No. D2018-710, 2018 WL 2560897 (WIPO Arb. May 30, 2018).

Italian software security firm HT SRL, which owns a "HackingTeam" trademark registration, convinced the WIPO Arbitration and Mediation Center that the news site was trying to confuse online visitors into believing the disputed domain was associated with the software developer.

The sole WIPO panelist recognized that the HackingTeam trademark could be descriptive, a fact that would prevent the mark's owner from excluding others from using the term to describe a legitimate use related to "hacking."

However, the news site registered the domain "in a trademark sense with intent to target a trademark owner," the panel said, and ordered that the domain be transferred to HT.

FORMERLY KNOWN AS HACKING TEAM

Milan-based HT, which says it was formerly known as Hacking Team SRL, was founded in 2003.

In addition to owning a HackingTeam trademark registration in the U.S. since 2011, HT was recognized by the WIPO Madrid Monitor of International Trademarks as the international owner of the mark, according to the panel's decision.

HT also owns hackingteam.com and hackingteam.it domains that lead to its official website, which describes the company as providing security software services for law enforcement and government agencies to protect against hackers.

HT filed its complaint with WIPO in March, objecting to the articles that appeared on a website at thehackingteam.com, including "an allegedly defamatory" account of the cryptocurrency market and blockchain technology.

The website also contained a recreation of HT's stylized mark that, when clicked, redirected visitors to other parties offering cyber investigation services, HT said.

CAN'T OWN THE WORDS

The domain thehackingteam.com was registered in September. The complaint named Israeli resident Mordechai Weissbrot as the domain registrant.

According to the WIPO decision, the disputed domain had directed users to webpages offering "news, information, facilities and services to people with interests in cryptocurrencies, the hacking of email systems, of mobile applications, of personal computers, and kindred matters."

Weissbrot argued that the domain was legitimate, as HT could not own the term "the hacking team," and accused HT of reverse domain-name hijacking.

The fact that the U.S. Patent and Trademark Office registered HT's mark with a disclaimer

denouncing any right to exclude others from using the term demonstrated that the news site had a right to use the words, Weissbrot argued.

WIPO SIDES WITH HT

The panel found HT's stylized mark was reproduced repeatedly on the website at thehackingteam.com.

This and other evidence showed it was "inconceivable" that the website operator could have been unaware of HT's trademark when registering the domain, the panel said.

The panel also said it was persuaded by evidence of actual confusion that HT had presented, including a letter from a Hong Kong law firm scolding HT for an apparently defamatory article that appeared at the disputed domain.

The Uniform Domain Name Dispute Resolution Policy, commonly known as UDRP, does not prohibit trademark conflicts per se, especially when a mark is used "innocently," but the policy does prohibit abusive registration, the panel said.

In this case, the disputed domain was "registered and used in a trademark sense and in bad faith," WIPO said, transferring the domain to HT.

The panel also dismissed Weissbrot's reverse domain-name hijacking claim as moot. **WJ**

Related Filings:

Decision: 2018 WL 2560897

Twitter defeats TWiT trademark lawsuit

(Reuters) – A federal judge has dismissed a lawsuit in which the audio and video content platform TWiT LLC accused Twitter Inc. of trademark infringement and breach of contract, following a breakdown of a decade-long “coexistence” agreement between the companies.

TWiT LLC et al. v. Twitter Inc., No. 18-cv-341, 2018 WL 2431474 (N.D. Cal. May 30, 2018).

In a decision May 30, U.S. District Judge Jacqueline Scott Corley in San Francisco found no evidence Twitter agreed to never offer audio or video content under its own brand.

The judge dismissed TWiT’s contract and fraud claims with prejudice, but said it could pursue its trademark, unfair-competition and other claims again if it wishes.

TWiT was represented by Karin Beam of Spaulding McCullough & Tansil, and Twitter by Joseph Gratz of Durie Tangri. Neither immediately responded May 31 to requests for comment.

The plaintiff, whose name is short for This Week in Tech, has since 2005 distributed hosted programs via downloading or streaming from the internet under its own trademark.

By 2007, TWiT and the then-fledgling Twitter realized their similar names might cause confusion, something Twitter co-founder Evan Williams acknowledged when he appeared that March on TWiT’s “net@night” program.

TWiT said the companies agreed soon afterward to coexist, provided that each maintain its own distribution platform.

But it said Twitter expanded beyond microblogging and refused to abandon plans to expand its use of the Twitter mark into the downloading and streaming of online video content.

In her decision, Judge Corley said she reviewed the audio of Williams’ appearance on “net@night” and written communications in 2009 and found no offer or consideration to suggest Twitter had contracted not to provide audio and video services.

She also said contract law did not support TWiT’s theory that a contract is formed when someone, such as TWiT, accuses someone else of



trademark infringement and threatens litigation, and the threatened party says it is not engaging in the alleged wrongful conduct.

“At oral argument plaintiffs focused on the words ‘don’t worry’ and ‘under the Twitter brand’ in Williams’ email,” Judge Corley said. “But ‘don’t worry’ does not support a plausible inference that Mr. Williams promised that Twitter would never expand to audio or video under the Twitter brand.”

Judge Corley also said TWiT failed to sufficiently identify what conduct by Twitter violated the federal trademark law known as the Lanham Act, or what Twitter was doing that allegedly caused confusion. She said TWiT could amend its complaint. **WJ**

(Reporting by Jonathan Stempel)

Related Filings:

Order: 2018 WL 2431474

Complaint: 2018 WL 446678

Insurer dodged coverage for Walmart trademark row in bad faith, suit says

By Jason Schossler

A Walmart clothing supplier says Federal Insurance Co. acted in breach of contract and bad faith when it refused to cover the company for a \$5.2 million trademark dispute.

Hybrid Promotions LLC v. Federal Insurance Co., No. 18-cv-891, complaint filed, 2018 WL 2348612 (C.D. Cal. May 22, 2018).

In a complaint filed in the U.S. District Court for the Central District of California, Hybrid Promotions LLC says the insurer conducted an inadequate investigation into the underlying dispute and came up with an “unreasonable coverage construction” in order to shirk its obligations to the company.

APPAREL AGREEMENT

According to the suit, Hybrid supplies Walmart with MMA Elite-branded apparel licensed by Ultimate Brand Management LLC, a partner of the Ultimate Fighting Championship. The plaintiff also supplies the retail chain with private-label merchandise bearing Walmart’s No Boundaries label and generic mill labels, the suit says.

As part of its supplier agreement, Hybrid held a commercial general liability policy with Federal that named Walmart as an additional insured, the complaint says.

Hybrid further agreed to indemnify Walmart against any lawsuits arising from any actual or alleged misappropriation or infringement of any trademark relating to any merchandise, according to the suit.

‘KNOCKOFF’ PRODUCTS

Ultimate Brand Management sued Walmart in Los Angeles federal court in 2015, alleging its advertisement and sale of the No Boundaries and generic mill products manufactured by Hybrid infringed the MMA Elite trademark. *Ultimate Brand Mgmt. LLC v. Wal-Mart Stores Inc. et al.*, No. 15-cv-10001, complaint filed (C.D. Cal. Dec. 30, 2015).

Specifically, the suit said Walmart featured MMA Elite signage adjacent to displays, racks and artwork for the “knockoff products,” likely leading to consumer confusion about UBM’s affiliation with the cheaper items.

The suit alleged Walmart’s conduct violated UBM’s trademarks and constituted unfair business practices and common law misappropriation.

According to Hybrid’s complaint, Walmart tendered the suit to Hybrid, which in turn tendered the action to Federal.

The insurer, however, declined coverage on the ground that the underlying claims did not fall within the scope of Hybrid’s CGL policy, the plaintiff says.

In support of its coverage decision, Federal said the policy’s coverage for “advertising injury” applied only to Hybrid’s own advertising and not to advertising of Hybrid’s merchandise by Walmart, according to the plaintiff.

Federal also allegedly said that absent additional premium costs, no insurance company would cover the advertising of Hybrid products by a “downstream retailer.”

Faced with increasing legal fees, Hybrid says, it eventually agreed to settle the UBM/Walmart litigation for \$3.5 million. Walmart also paid \$500,000 to UBM, according to the complaint.

Hybrid turned to Federal to reimburse it for the settlement amount and more than \$1.7 million in incurred legal fees, but the insurer once again refused to cover the company’s costs, the complaint says.



REUTERS/JoshuaLott

‘MISGUIDED’ COVERAGE DENIAL

According to the plaintiff, Federal’s coverage denials were based on the “misguided contention” that the advertising at issue was solely Walmart’s, not Hybrid’s.

In reality, UBM alleged it was the combination of Walmart’s display of MMA Elite signage alongside the private-label merchandise advertisements that violated the MMA Elite trademark, Hybrid says.

The fact that the insurer ignored the specific pleadings allegations in UBM’s complaint and stuck to its flawed coverage position shows that Federal acted in conscious disregard of Hybrid’s rights under the policy, according to the complaint.

The insurer’s refusal to honor its contractual duties also reflected a “transparent and unreasonable attempt to look exclusively for ways to avoid coverage, rather than to identify a legitimate basis for at least the potential for coverage,” the complaint says.

Hybrid is seeking reimbursement for the \$5.2 million it spent in the underlying litigation, plus exemplary and punitive damages. [WJ](#)

Attorneys:

Plaintiff: Philip Heller and Jerold Fagelbaum, Fagelbaum & Heller, Los Angeles, CA

Related Filings:

Complaint: 2018 WL 2348612

Insurance agency must arbitrate computer hacking suit against former VP

By Dave Embree

A Virginia federal judge has ruled that an insurance agency's lawsuit accusing its former vice president of downloading confidential company information onto his work computer and sharing it with a competitor must proceed in arbitration.

Hawk Advisers Inc. v. Gillenwater, No 18-cv-145, 2018 WL 2306899 (W.D. Va. May 18, 2018).

The former VP's employment agreement included a mandatory arbitration clause, U.S. District Judge Michael F. Urbanski of the Western District of Virginia said, rejecting the agency's argument that the clause provided for optional or nonbinding arbitration.

In 2009 Roanoke, Virginia-based Carlton Wright Insurance Co. hired Ryan E. Gillenwater as an insurance agent, according to Judge Urbanski's opinion.

Gillenwater signed an employment agreement with the agency that prohibited him from sharing confidential or trade secret information with third parties and required him to return all company records when his employment ended, the opinion said.

The employment agreement included a clause labeled "arbitration/litigation" that said: "Any controversy ... arising out of or relating to this agreement shall be submitted for settlement to an arbitrator."

The arbitration clause also stated that if either party resorts to "legal action or arbitration," the prevailing party is entitled to recover attorney fees.

Gillenwater was promoted in June 2016 to vice president of the agency, now called Hawk Advisers Inc. after merging with another firm the previous year, the opinion said.

In January 2018 Gillenwater secretly met with competitor McGowan Insurance and disclosed confidential information he had

downloaded onto his work computer, according to the suit.

Hawk Advisers fired Gillenwater later that month, and he accepted an offer to become a vice president at McGowan, the opinion said.

MANDATORY ARBITRATION FOR HACKING, TRADE SECRET THEFT CLAIMS

Hawk Advisers sued Gillenwater in April, alleging breach of contract as well as violations of the Defend Trade Secrets Act, 18 U.S.C.A. § 1831, and the Computer Fraud and Abuse Act, 18 U.S.C.A. § 1030.

The plaintiff sought a preliminary injunction prohibiting Gillenwater from using any stolen, confidential or trade secret information in his new job at McGowan.

Gillenwater moved to compel arbitration, contending Hawk Advisers' claims were subject to the arbitration clause from his 2009 employment agreement with the agency.

Hawk Advisers responded that the employment agreement does not make arbitration mandatory because the clause in question is labelled "arbitration/litigation" and states that the prevailing party can recover attorney fees from either "legal action or arbitration."

In addition, the agency noted, the contract said controversies should be submitted to an arbitrator "for settlement," indicating the agreement was for nonbinding arbitration only.

Hawk Advisers further argued that its claims were not related to the employment agreement and therefore do not fall within the scope of the arbitration clause.

Judge Urbanski rejected these arguments and granted Gillenwater's motion to compel arbitration.

The fact that the arbitration clause uses the term "shall" to say disputes "shall be submitted ... to an arbitrator" makes it clear that arbitration is mandatory under the employment agreement, according to the judge.

The clause also requires binding arbitration, he said, noting its reference to American Arbitration Association rules, which cover only binding arbitration.

Additionally, each of the agency's claims fall within the scope of the arbitration clause because they are related to the employment agreement's terms prohibiting Gillenwater from sharing confidential or trade secret information with third parties, Judge Urbanski said. **WJ**

Attorney Profiles:

Plaintiff: Catherine J. Huff and Paul G. Klockenbrink, Gentry, Locke, Rakes & Moore, Roanoke, VA

Defendant: Melvin E. Williams and Meghan A. Strickler, Mel Williams PLC, Roanoke, VA; Stephanie G. Cook, Kalbaugh, Pfund & Messersmith, Roanoke, VA

Related Filings:

Opinion: 2018 WL 2306899
Complaint: 2018 WL 2325976

Arctic Cat

CONTINUED FROM PAGE 1

Florida, claiming certain models of Sea-Doo watercraft used an “off-throttle steering mechanism” that infringed the ‘545 and ‘969 patents.

Arctic Cat said the term “off-throttle steering” was an oxymoron because jet boats have almost no steering capabilities while the throttle is off, but it claimed its patents gave boats temporary “steerable thrust.”

Bombardier knew or should have known about the patents when it developed its own steerable technology, Arctic Cat said.

2-PRONGED TEST

A trial was conducted before the Supreme Court made its *Halo* ruling, a decision Bombardier says abrogated the two-pronged test for willful infringement the Federal Circuit established in *In re Seagate Technology LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

The *Seagate* test consisted of a subjective prong, which Bombardier says condoned a negligence-type standard, and an objective prong.

The District Court, according to the petition, used the *Seagate* standard to instruct the jury to find willful infringement if Bombardier “knew or should have known that its actions constituted an unjustifiably high risk of infringement of a valid and enforceable patent.”

The jury awarded Arctic Cat more than \$15 million in damages, an amount U.S. District Judge Beth Bloom trebled to nearly \$47 million, as permitted under Section 284 of the Patent Act, 35 U.S.C.A. § 284.

Bombardier moved to vacate the award, saying the Supreme Court had eradicated both prongs of the *Seagate* standard.

The Federal Circuit erred when it affirmed a lower court’s trebling of a jury’s patent damages award based on a “knew or should have known” negligence standard, the petition says.

Judge Bloom rejected Bombardier’s motion and affirmed the damages. *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 198 F. Supp. 3d 1343 (S.D. Fla. July 27, 2016).

On appeal, the Federal Circuit sided with Arctic Cat. *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350 (Fed. Cir. Dec. 7, 2017).

The opinion, written by U.S. Circuit Judge Kimberly Moore, said the appeals court decided in *WesternGeco LLC v. ION Geophysical Corp.*, 837 F.3d 1358 (Fed. Cir. 2016), that “*Halo* did not disturb the substantive standard for the second prong of *Seagate*.”

CLARIFICATION NEEDED

Bombardier’s certiorari petition asks the high court to clarify the *Halo* holding, to show that the justices did indeed raise the subjective

standard that patent holders must meet to receive enhanced damages.

The court in *Halo* said subjective willfulness must be demonstrated by behavior that is “intentional and knowing,” a direct conflict with the “should have known” standard that allows the trebling of damages with relative ease, the petition says.

The fact that the Federal Circuit has repeatedly referred to the *WesternGeco* decision to show the high court failed to touch *Seagate*’s subjective prong shows the importance of the issue.

“This court should not allow its *Halo* decision to be so profoundly misinterpreted,” the petition says. [WI](#)

Attorneys:


Petitioners: Seth P. Waxman, Wilmer Cutler Pickering, Hale and Dorr, Washington, DC; William F. Lee, Louis W. Tompros and Jennifer J. John, Wilmer Cutler Pickering, Hale and Dorr, Boston, MA

Related Filings:

Federal Circuit opinion: 876 F.3d 1350
District Court order: 198 F. Supp. 3d 1343
Jury verdict: 2016 WL 3667614
Amended complaint: 2015 WL 10458920

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HOWMEDICA

2018 WL 2378406

Only the Westlaw citation is currently available.

United States District Court, D. New Jersey.

HOWMEDICA OSTEONICS CORP., Plaintiff,

v.

ZIMMER, INC., Centerpulse Orthopedics, Inc. Defendants.

Civ. No. 05-897 (WHW)(CLW)

Signed 04/20/2018

Filed 05/23/2018

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OPINION

William H. Walls, Senior United States District Court Judge

***1** This motion arises out of a patent dispute between Plaintiff Howmedica Osteonics (“Howmedica”) and Defendant Zimmer and Centerpulse Orthopedics (“Zimmer”). After eleven years of litigation, all four of Plaintiff’s patents have been invalidated. Defendant Zimmer now moves for attorney fees and costs, expert costs, and prejudgment interest under 35 U.S.C. § 285. Zimmer seeks to recover \$13,496,086.86 in fees, \$513,258.38 in costs, \$1,016,599.29 in expert costs, and \$5,821,225.69 in prejudgment interest. Defendant’s motion for fees and costs is granted in part.

FACTUAL AND PROCEDURAL BACKGROUND

The long and complicated facts of this case have been fully recounted in the Court’s previous opinions on Defendant’s motions for summary judgment, ECF Nos. 176, 247. In short, this case arises out of a patent dispute over a series of related patents filed by Plaintiff Howmedica. These patents disclose processes for irradiating and heating polymers used in medical implants which are intended to increase the usable life of the implants. Irradiating and heating polymer is commonly used to sterilize and strengthen polyethylene, but this process creates atoms and molecules with unpaired electrons in their outermost electron shell known as “free radicals.” These free radicals can cause oxidation and accelerated wear of the polymer if exposed to oxygen. However, if the polymer is irradiated in an inert atmosphere, the free radicals will become “crosslinked” and the polymer will exhibit superior wear characteristics. The patents at issue teach a process for heating and irradiating ultra-high-molecular-weight polyethylene (UHMWPE) in an inert atmosphere using specific time and temperature combinations to maximize crosslinking and decrease oxidation and wear.

Defendant Zimmer is a manufacturer and marketer of medical implant products. In 2005, Plaintiff brought this action against Defendant for the alleged infringement of four of Howmedica’s patents: U.S. Patent No. 6,174,934 (“the ‘934 patent”), U.S. Patent No. 6,372,814 (“the ‘814 patent”), U.S. Patent No. 6,664,308 (“the ‘308 patent”) and U.S. Patent No. 6,818,020 (“the ‘020 patent”). Compl., ECF No. 1.

On June 13, 2007, this Court granted Defendant's motion for partial summary judgment, finding the '934, '814, and '308 patents invalid for indefiniteness because of their failure to properly define a critical claim limitation, the "Arrhenius limitation." ECF No. 176. On August 19, 2008, this Court granted Defendant's motion for partial summary judgment, finding that Zimmer's products did not infringe claims 7, 10, 11 and 12 of the '020 patent. ECF No. 247. Upon Zimmer's request, the U.S. Patent and Trademark Office ("PTO") conducted an *inter partes* reexamination of the '020 patent and rejected all of the '020 patent claims over prior art. The Patent Trial and Appeal Board ("PTAB") affirmed in part and reversed as to claims 7–12. Both Howmedica and Zimmer appealed this decision to the Federal Circuit, which held that all of the '020 claims were invalid due to prior art. Final judgment was entered on July 27, 2016. Order, ECF No. 424. Defendant Zimmer now moves for an award of fees, costs, expert costs and prejudgment interest associated with its eleven-year defense of this action.

LEGAL STANDARD

***2** 35 U.S.C. § 285 authorizes the Court to award reasonable attorney fees to the party prevailing in patent litigation in an "exceptional case." To satisfy the statute, Defendants must establish: (1) they are the prevailing party; (2) the case is exceptional; and (3) the fees are reasonable. *Machinery Corp. of America v. Gullfiber AB*, 774 F.2d 467, 471 (Fed. Cir. 1985). Defendants bear the burden to establish the exceptional nature of the case by a preponderance of the evidence. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014).

"[A]n 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating positions (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 1756. Exceptionality is determined by courts "in the case-by-case exercise of their discretion, considering the totality of the circumstance." *Id.* An award of fees may be justified where a case "present[s] either subjective bad faith or exceptionally meritless claims," or where a party has engaged in misconduct, whether or not that conduct is independently sanctionable. *Id.* at 1757. In assessing the totality of the circumstances, courts can consider "nonexclusive factors," including "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 1756 n.6 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19. (1994)). While "there is no precise rule or formula" for determining if a case is exceptional, *Octane Fitness*, 134 S. Ct. at 1756, "fee awards are not to be used 'as a penalty for failure to win a patent infringement suit.'" *Gaymar Indus., Inc. v. Cincinnati Sub-Zero Prods., Inc.*, 790 F.3d 1369, 1373 (Fed. Cir. 2015) (citations omitted). Even if a district court determines that a case is exceptional, it remains within the court's discretion to deny a fee award based on its familiarity with the matter and the interest of justice. *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 576 Fed.Appx. 1002, 1005 (Fed Cir. 2014).

The parties dispute the appropriate standard to assess Plaintiff's conduct before the PTO. Defendants claim that the case may be exceptional even if inequitable conduct is not proved by clear and convincing evidence. Def.'s Br. at 19, n.5, ECF No. 436. Plaintiffs argue that because inequitable conduct must be proven by clear and convincing evidence to invalidate a patent, the same standard applies when determining whether a party's conduct before the PTO renders a case "exceptional." Pl.'s Opp. at 6, ECF No. 445.

To find inequitable conduct before the PTO, the Court must find by clear and convincing evidence that (1) the undisclosed reference was material and (2) the party acted with the specific intent to deceive the PTO. *Therasense, Inc. v. Becton, Dickinson, and Co.*, 649 F.3d 1276, 1290. To satisfy the materiality standard, defendant must show that the PTO would not have allowed the claim had it been aware of the undisclosed reference. *Id.* at 1291. To satisfy the intentionality prong, the moving party must demonstrate that the applicant knew of the reference, knew it was material, and made a deliberate decision to withhold it from the PTO. *Id.* The intent to deceive may be inferred from conduct, but only if it is "the single most reasonable inference" that can be drawn from the evidence. *Id.*

***3** While the Federal Circuit has not addressed the standard to apply when considering conduct before the PTO for purposes of a fee award, the Supreme Court in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) unequivocally held that the "preponderance of the evidence" standard applies in motions for attorneys' fees under section 285. The Court will apply the "preponderance of the evidence" standard to the Plaintiff's conduct before the PTO. *See DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, No. 2:12-cv-00764, 2015 WL 1284669, at *5 (E.D. Tex. Mar. 20, 2015) (Bryson, J., sitting by designation) ("[T]he Court will consider [evidence of inequitable conduct] as part of the 'totality of the circumstances' inquiry required by *Octane*, and the totality of the evidence ... will be weighed using the preponderance of the evidence standard."); *see also Novartis Corp. v. Webvention Holdings LLC*, No. CCB-11-3620, 2015 WL 6669158, at *4, n. 5 (D. Md. Oct. 28, 2015) ("Regardless of whether [the prevailing party] could establish that [the patent owner] engaged in inequitable conduct before the PTO, this court finds that [the patent owner's] actions at least justify an inference of improper motivation or subjective bad faith, both of which can be include a district court's totality of the circumstances inquiry upon a showing of a preponderance of the evidence."). *But see Robbins Co. v. Herrenknecht Tunneling Sys. USA, Inc.*, No. 5:13cv2113, 2015 WL 3454946, at *4 (N.D. Ohio May 29, 2015) (applying clear and convincing standard to inequitable conduct allegations in motion for attorneys' fees).

The Court will use the inequitable conduct framework of materiality and intent as a guide in considering Plaintiff's conduct before the PTO, but the relevant inquiry in this motion is only whether the case "stands out from others with respect to the substantive strength of a party's litigating positions (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness*, 134 S. Ct. at 1756; see *Novartis Corp.*, 2015 WL 6669158, at +4, n. 5.

DISCUSSION

I. Defendant is the prevailing party.

The parties do not dispute that Defendant is the prevailing party, as all of the patents in suit have been invalidated, and judgment accordingly entered. Order, ECF No. 424.

II. The case is exceptional.

Defendant argues that this case is exceptional because (1) Plaintiff engaged in inequitable conduct before the PTO, (2) Plaintiff engaged in litigation misconduct, and (3) Plaintiff breached its disclosure duties before the PTO during reexamination.

a. Conduct Before the PTO during patent prosecution


Defendant argues that this case is exceptional because Plaintiff engaged in inequitable conduct before the PTO. Def.s' Br. at 18. Defendant claims that Plaintiff withheld test data produced by their employee Dr. Wang, three publications by Dr. Wang ("Wang Papers"), and Dr. Wang's affiliation with Plaintiff at the time of his declaration. Defendant also argues that a declaration by Dr. Deh-Chuan Sun that Plaintiff submitted during the prosecution of an earlier patent in the patent family constituted inequitable conduct as "affirmatively egregious misconduct." *Id.* at 21.

In response, Plaintiff contends that it did not engage in inequitable conduct. Pl.'s Opp. at 5. Plaintiff maintains that it had no duty to disclose the omitted data because it was inaccurate and inconclusive. Howmedica further argues that Defendant cannot prove that any of Howmedica's agents acted with the specific intent to deceive the PTO. *Id.*

i. Solubility and Swell Ratio Test Data During '934 Patent

During the prosecution of the '934 patent, the PTO initially rejected Howmedica's claims on the basis of a prior reference, the Streicher reference. Two claims in the '934 patent contained a limitation for "a solubility of less than 74.7%." Rutsch Decl. Ex. 1, U.S. Patent No. 6,174,934 B1 (filed Jan. 23, 1998), ECF No. 429-1. Solubility relates inversely to crosslinking; polyethylene with high crosslinking will have correspondingly low solubility. These claims were rejected by the examiner as inherently disclosed by Streicher. Rutsch Decl. Ex. 18, 7/27/99 PTO Office Action Summary at 3, ECF No. 429-18.

*4 After the rejection, Howmedica employee Dr. Wang performed tests in an attempt to demonstrate that the '934 material met the "less than 74.7%" solubility limitation, and that the Streicher reference did not. Wang's testing compared the Streicher material, the patented '934 material, and a control sample that was nitrogen-irradiated but not otherwise treated. Rutsch Decl. Ex. 19, Ash Chopra, Interoffice Memorandum, ECF No. 429-19; Rutsch Decl. Ex. 20, Swell Ratio/ Gel Content Data, ECF No. 433-1. The test provided two relevant sets of data; a direct measure of the materials' solubility, and a measure of the materials' "swell ratio." Rutsch Decl. Ex. 20, Swell Ratio/ Gel Content Data. Like solubility, "swell ratio" is inversely related to crosslinking; highly crosslinked material will have a low swell ratio. The test provided two results for both gel content and swell ratio. The relevant results of the tests are:

Material	Gel Content	Swell Ratio
N2 Only	99.02	4.20
	98.89	4.31
Duration I		3.76
		3.81
R.S. Material*	99.70	4.20
	99.79	3.11

Id.

The solubility test showed gel content for all materials, including Streicher, above *** This equates to approximately *** solubility, far less than the 74.7% claimed in the patent. The solubility data indicated that the patented material was not measurably better than Streicher, and that Streicher anticipated the claimed invention.

The swell ratio data also indicated that the Streicher material was highly crosslinked. The swell ratio measurements of the patented invention were 3.76 and 3.81, averaging 3.785. *Id.* The Streicher material had measurements of 4.20 and 3.11, averaging 3.655. *Id.* This indicated that the Streicher material had a lower swell ratio, and therefore higher crosslinking, than the claimed invention. The results were therefore consistent with the examiner's finding that Streicher inherently disclosed the '934 patent.

Howmedica and Dr. Wang did not disclose the unfavorable data relating to Streicher. Dr. Wang did not disclose any of the solubility test results (labeled "Gel Content" above), or the 3.11 Swell Ratio test result. Deni Cert. Ex. I, Decl. of Dr. Aiguo Wang ¶ 32, ECF No. 445-3. Instead, Dr. Wang provided the average of the two swell ratio test results for the patented material, 3.785, and then ran an additional swell ratio test on the Streicher material. This additional test produced a more favorable result of 3.96, which Wang averaged with the original 4.20 result and presented this new total—4.08—to the Examiner. *Id.* at ¶ 18; Rutsch Decl. Ex. 23, Aff. of Aiguo Wang, ECF No. 430-2. Contrary to the initial test results, the results presented to the examiner indicated that the patented material was, instead of less, more crosslinked than the Streicher material.

The Examiner responded that it did not find this attempt to overcome Streicher to be persuasive. Rutsch Decl. Ex. 25, 2/15/00 PTO Office Action Summary at 2, ECF No. 430-4. The Examiner stated that from the swell ratio testing it was not clear (1) "whether the difference in average swell ratio is a significant improvement (3.785 compared to 4.08);" or (2) whether the "difference results from the [patented process] or from the difference in form of the material." *Id.* at 3. Dr. Wang then submitted a supplemental affidavit. He clarified that there was no difference in the form of the materials. Rutsch Decl. Ex. 26, Supp. Aff. of Aiguo Wang ¶ 1, ECF No. 430-5. He then stated that the Streicher swell ratio (4.08) was "not statistically different" from the average swell ratio of the nitrogen-irradiated control sample (4.255.) *Id.* ¶ 7. Dr. Wang did not address the comparison of 3.785 to 4.08 that concerned the Examiner. The Examiner granted the patent on the basis of Dr. Wang's representations. Rutsch Decl. Ex. 28, Notice of Allowability at 2, ECF No. 430-7.

Defendant argues that Plaintiff committed inequitable conduct by failing to disclose the solubility test data and the 3.11 swell ratio test result.

1. Solubility Data

*5 Defendant argues that nondisclosure of the solubility test data constitutes inequitable conduct. Defendant claims that the data is material because it "directly contradicted Applicant's and Dr. Wang's arguments to distinguish the Streicher ... prior art references." Def.'s Br. at 19. Defendant argues that the indistinguishable, *** results for all materials reflect that all of the tested materials were so highly crosslinked that they could not dissolve. Def.'s Reply, ECF No. 449 at 5. Defendant argues that the intent to deceive is demonstrated because Plaintiff was in possession of this data that it knew was consistent with the examiner's concerns regarding Streicher, and also demonstrated by Dr. Wang's failure to respond to the examiner's concerns that the .295 improvement over Streicher was not "statistically significant." Def.'s Br. at 19-20.

Plaintiff responds that the solubility data was inconclusive, and did not need to be disclosed. Plaintiff argues that the test, which measured the materials' solubility in xylene, was an inappropriate method for measuring differences in solubility. Pl.'s Opp. at 14. Plaintiff contends that inaccuracy of the test is demonstrated by the reported gel contents of ~99% for the control sample, which is known to have a lower gel content. *Id.*

The Court cannot, on the basis of the evidence before it, determine whether the results showing *** gel demonstrated a high level of crosslinking of all tested materials, or merely reflected a poorly-designed test method. As the Defendants have not demonstrated that the patent would have been denied but-for the omission of the solubility data, the "materiality" prong is not satisfied. See *Therasence, Inc.*, 649 F.3d at 1291.

2. Swell Ratio Data

Defendant argues that the omission of the 3.11 swell ratio data point also constitutes inequitable conduct. Def.'s Br. at 20. Defendant argues that the initial test confirmed that Streicher was superior to the patented material, but that Plaintiff discarded the test. *Id.*

Plaintiff answers that the 3.11 data point was discarded not to manipulate the results, but merely because it was inaccurate. Pl.'s Opp. at 8. Plaintiff submits Dr. Wang's Declaration which says that the large variation between the two data points—4.20 to 3.11—shows

that one result was inaccurate. Deni Cert. Ex. I, Wang Decl. ¶ 17. Dr. Wang believed that the 3.11 value was inaccurate because it was low as compared to the results of the other swell tests. *Id.* at ¶ 18. He stated that he discarded the 3.11 test result because the third swell test showing 3.96 confirmed his belief that 3.11 was inaccurate. *Id.* at ¶ 19.

Again, with the record before it, the Court finds that the Defendant has not proved that the patents would not have issued but for the withheld data. Consequently, the Defendant has not demonstrated that the omission was material. *See Therasence, Inc.*, 649 F.3d at 1291.

However, the Court does take note of the withheld data for purposes of the totality-of-the-circumstances inquiry. *Octane Fitness*, 134 S. Ct. at 1756; *Novartis Corp.*, 2015 WL 6669157, at *4–5 & n.5 (analyzing conduct before the PTO under totality of the circumstances inquiry and finding case exceptional “[r]egardless of whether [the prevailing party] could establish that [the patent owner] engaged in inequitable conduct”). When faced with the Examiner’s observation that Streicher anticipated the patent, Plaintiff ran tests producing four Streicher data points; two solubility tests, and two swell ratio tests. Rutsch Decl. Ex. 20, Swell Ratio/ Gel Content Data. When these results were unfavorable, Plaintiff used the single favorable data point, conducted another swell ratio test, and presented the combined results to the examiner. Deni Cert. Ex. I, Wang Decl. ¶¶ 17, 32. Even if some of Dr. Wang’s data were unusual, the decision to only present the single favorable Streicher data point appears disingenuous. It was also likely a violation of Plaintiff’s broad disclosure requirements before the PTO. *See* 37 C.F.R. § 1.56(b)(2); *Notice of Proposed Rulemaking*, 56 Fed. Reg. 37321, 37324 (Aug. 6, 1991).⁴ That Wang’s declaration convinced the examiner to issue the patents indicates that the data were highly relevant to the ultimate patentability of the claims at issue, even if not but-for material. *See* Rutsch Decl. Ex. 28, Notice of Allowability at 2.

***6** There is also evidence of intent to deceive the PTO. Dr. Wang failed to answer the examiner’s questions about the swell ratio data in his supplemental affidavit. *See* Rutsch Decl. Ex. 26, Wang Supp. Aff. The Court rejects Plaintiff’s argument that Dr. Wang did not provide a comparison between Streicher and the patented material because he was not asked. The examiner had two concerns; the shape of the samples, and whether the difference between Streicher and the patented material was statistically significant. Rutsch Decl. Ex. 25, 2/15/00 PTO Office Action Summary at 3. In allowing the claims, the examiner again focused on these two issues; the shape of the samples, and the statistical difference between the swell ratio tests. Rutsch Decl. Ex. 28, Notice of Allowability at 2. Dr. Wang’s supplemental affidavit directly responded to the first concern but did not answer the second, and instead provided a different statistical comparison. Rutsch Decl. Ex. 26, Wang Supp. Aff.

Even if this did not constitute inequitable conduct, the Court finds that the selective disclosure of data and evasive responses provided to the Examiner are evidence of bad faith leading to a finding that this is an exceptional case. *See Novartis Corp.*, 2015 WL 6669158, at 4 n.5 (“Regardless of whether [the prevailing party] could establish that [the patent owner] engaged in inequitable conduct before the PTO, this court finds that [the patent owner’s] actions at least justify an inference of improper motivation or subjective bad faith, both of which can be included in the district court’s totality of the circumstances inquiry upon a showing of a preponderance of the evidence. *Octane Fitness*, 134 S. Ct. at 1756 n.6, 1757.”).

ii. Dr. Wang’s Employment

Dr. Wang had a critical role in obtaining Plaintiff’s patents, submitting numerous declarations to the PTO during the initial patent application process. At the time of the patent application, Dr. Wang was employed by Stryker Technologies Corporation (“Stryker”). Howmedica Osteonics Corporation was, and is, a subdivision of Stryker, and Stryker owned the patent applications at issue. However, Dr. Wang’s declarations to the PTO only said that he was employed by Howmedica. At the time of the patent application, Howmedica had only recently merged with Stryker.

Plaintiff argues that Dr. Wang never intentionally misrepresented his employment status to the PTO. Plaintiff points to a “Terminal Disclaimer” explaining that the patent had been assigned from the inventors to Howmedica, and then assigned from Howmedica to Stryker. Plaintiff further argues that it was clear that Dr. Wang was employed by Stryker because of language in his affidavit which referred to “the Applicant perform[ing] tests,” thereby suggesting that Dr. Wang and “the Applicant” were one and the same. PL’s Opp. at 17.

A declarant’s failure to disclose his or her relationship with the patent applicant can be the basis for a finding of inequitable conduct. *See Ferring B. V. v. Ban Labs.*, 437 F.3d 1181, 1187–88 (Fed. Cir. 2006) (finding inequitable conduct where declarants failed to disclose “ongoing and mutually beneficial relationship” with patent owner in declaration submitted in response to request for “non-inventor” affidavits); *Refac Int’l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1583 (Fed. Cir. 1996) (finding failure to disclose relationship with applicant constituted inequitable conduct when PTO required affidavits from disinterested persons). The court in *Ferring B. V. v. Ban Laboratories, Inc.*, 437 F.3d 1181, 1188 (Fed. Cir. 2006) held that a “declarant’s ...relationship[] with the applicant [is] material if (1) the declarant’s views on the underlying issues are material and (2) the ... relationship to the applicant [is] a significant one.”

It is unclear whether the *Ferring B. V.* standard survives the heightened “but for” materiality requirement articulated in *Therasense*. However, *Therasense* confirmed that the failure to disclose a relationship with the patent applicant may constitute inequitable conduct in some circumstances. See 649 F.3d at 1292 (citing *Refac* affirmatively, describing it as a case of “affirmative egregious misconduct”). After *Therasense*, courts have continued to hold that applicants may engage in inequitable conduct by failing to disclose a declarant’s status as an interested party. See *Front Row Tech., LLC v. NBA Media Ventures, LLC*, 163 F. Supp. 3d 938, 988 (D.N.M. 2016) (finding inequitable conduct where applicant falsely described a declaration as “independent analysis” and noting that the “[f]ailure to disclose an expert declarant’s affiliation raises red flags”); *Caron v. QuicKutz*, 2012 WL 5497869 at *11 (D. Ariz. 2012) (finding failure to disclose interested relationship to be material); *Apotex, Inc. v. UCB, Inc.*, 970 F. Supp. 2d 1297, 1321, 1328 (S.D. Fla. 2013) (finding failure to disclose financial relationship to be both material and affirmative egregious misconduct, but noting that this omission alone was not dispositive).

***7** While the parties acknowledge that Wang was not an inventor, Sept. 8, 2017, Tr. at 48:22, there is no dispute that Wang had an outsized role in obtaining the patents at issue. *Id.* at 14–15. Given his central role in the patent prosecution, Dr. Wang’s status as an employee of the applicant was critical and subject to disclosure requirements before the PTO.

Dr. Wang failed to accurately disclose his employment relationship. No reasonable reading of Dr. Wang’s declaration would create the impression that Dr. Wang was employed by Stryker on any type of permanent basis, or for any purpose beyond the scope of expert assistance with a patent application. The Terminal Disclaimer submitted by the prosecuting attorney does not make it clear that there is any type of corporate relationship between Howmedica, the initial assignee, and Stryker. See Deni Cert. Ex. O, 12/9/99 Terminal Disclaimer, ECF No. 444–16. It is disingenuous to suggest that Howmedica and Stryker were in the same chain of assignment ought to have put the PTO on notice that Dr. Wang was not a disinterested party. Plaintiff’s prosecuting attorney confirmed this in his deposition testimony, when he admitted that there would have been no way for the PTO examiners to know of the relationship between Stryker and Howmedica. Rutsch Decl. Ex. 41, Dep. of Raymond Augustin at 303–306, ECF No. 433–6.

Whether the omission of Dr. Wang’s employment status is characterized as “material” or “affirmatively egregious misconduct” is of no moment; the inquiry at hand is only whether, considering the “totality of the circumstances,” this case is one that “stands out with respect to the substantive strength of a party’s litigating position,” or whether it was litigated in an “unreasonable” manner. *Octane Fitness*, 134 S. Ct. at 1756; see *Novartis Corp.*, 2015 WL 6669158, at *4 n.5. The Court finds that the Plaintiff’s failure to notify the Examiner that Dr. Wang was an employee, rather than an independent expert, is an indication that this is an exceptional case, litigated in an unreasonable manner.

iii. The Wane papers

Zimmer contends that Plaintiffs also committed inequitable conduct by withholding information from the PTO during the prosecution of the ‘020 patent. Def.s’ Br. at 19, The ‘020 patent claims “[a] medical implant comprising an irradiated ultra-high molecular weight polyethylene having ... a solubility of less than 80.9% in trichlorobenzene,” and includes other claims requiring solubility in trichlorobenzene. Deni Cert. Ex. D, U.S. Patent No. 6,818,020 B2, (filed June 13, 2003), ECF No. 444–5.

The Examiner rejected the claims over England, slating that England “would be expected to inherently have a solubility in some solvent of less than 80.9% in a selected solvent, or in [trichlorobenzene]” Rutsch Decl. Ex. 32, 11/15/03 PTO Office Action Summary at 3, ECF No. 430–11. Plaintiff then provided an affidavit from Dr. Wang stating that England would have comparable solubility to material produced by “Method B,” which would be 98.2% and therefore not meet the limitation of having solubility of “less than 80.9%.” Rutsch Decl. Ex. 34, Wang Aff. ¶ 5, ECF No. 430–13.

This affidavit is directly contradicted by earlier testing on Method B done by the inventor of the patents, Dr. Sun, which found trichlorobenzene solubility of Method B to be 53.8%. Rutsch Decl. Ex. 36, Letter from Frank Bichard to Dr. D.C. Sun (“Jordi letter”), ECF No. 433–5. The testing showed solubility in trichlorobenzene below the 80.9% claimed in the ‘020 patent, and far below the 98.2% that Dr. Wang stated in his affidavit. The results of the tests are provided in a letter to Dr. Sun from JORDI laboratory, *id.*, and also described in a series of papers published by the inventors of the patents and by Dr. Wang (“Wang papers”). Rutsch Decl. Ex. 37, Wang Paper 3, ECF No. 430–16; Rutsch Decl. Ex. 38, Wang Paper 2, ECF NO. 430–17; Rutsch Decl. Ex. 29, Wang Paper 1, ECF No. 430–18.

***8** Defendant claims that Plaintiff committed inequitable conduct by withholding the Wang papers because they directly contradicted Dr. Wang’s declarations that were submitted to the Examiner. Def.s’ Br. at 20. Defendant argues that the Wang papers are material because the PTO ultimately relied on them to reject the claims as disclosed by England. *Id.* Defendant contends that Court can infer the intent to deceive the PTO. *Id.* at 22.

Plaintiff contends that the Wang Papers are not material because the PTAB ultimately invalidated the '020 patent on other grounds and refused to endorse the Examiner's reliance on the Wang papers. Pl.'s Opp. at 16. Plaintiff further argues that the Defendant has not introduced evidence of specific intent to deceive, because Dr. Wang "simply did not recall" the substance of the papers. *Id.*

These arguments are unpersuasive. It is clear that the withheld information was material, as the PTO ultimately relied on the Wang papers in rejecting the '020 patent. Rutsch Decl. Ex. 58, PTO Reexamination, ECF No. 431-12. Further, the Court can infer materiality if the applicant engaged in "affirmative egregious misconduct." *Therasense*, 649 F.3d at 1292. Here, Dr. Wang submitted an affidavit affirmatively presenting factual assertions contrary to the data reported in his earlier work.

Under these circumstances, it is proper to infer deceptive intent from the very fact that the papers were not disclosed. It is improbable that Dr. Wang forgot that he had written a series of papers on the exact same subject on which he was now submitting an affidavit just five years earlier. Because the material omission was a paper authored by very individual who failed to disclose it, the "single most reasonable inference" is that the patentee intended to deceive the PTO. *See Therasense*, 649 F.3d at 1290 (holding that inference of deceptive intent is permissible where that is the single most reasonable inference available).

These facts are similar to those in *Ohio Willow Wood Co. v. Alps South, LLC*, 813 F.3d 1350 (Fed. Cir. 2016). There, the defendant initiated reexamination before the PTO, claiming that the plaintiffs patents were obvious in light of prior art. *Id.* at 1353. The defendant supported its claim by introducing testimony that the supposedly novel features of the claimed invention already existed in the prior art. *Id.* The PTO agreed and rejected the claims for obviousness. However, the plaintiff appealed to the Board of Patent Appeals and Interferences (the "Board") and argued that the testimony was "uncorroborated" testimony of an interested witness. The Board discredited the testimony as "uncorroborated" and upheld the patent, reversing the examiner. *Id.* at 1354.

However, the plaintiff's trial attorney was aware of a series of letters which corroborated the testimony, contrary to the plaintiff's representations to the Board ("the Scalise letters"). *Id.* at 1355-56. The attorney did not provide the Scalise letters to the reexamination attorneys or the Board. *Id.* The Federal Circuit found that the failure to disclose the letters constituted inequitable conduct. The court reasoned that evidence corroborating the disputed testimony was material because the Board had found the issue of "corroboration" to be determinative. *Id.* at 1358. The court inferred intent to deceive because the attorney "was aware of the 1999 Scalise letters and knew that their contents were consistent with [the disputed] testimony." *Id.*

***9** Like the letters in *Ohio Willow Wood*, the contents of the Wang Papers directly contradicted the position taken by Howmedica regarding the solubility of Method B. Because the Examiner ultimately relied on Wang's declaration, the Wang Papers contradicting his statements are material. *Id.* at 1358. Further, because the Wang Papers were authored by the very person whose affidavit is at issue, the evidence of intent to deceive is stronger here than in *Ohio Willow Wood*.

Plaintiff argues that there was no duty to disclose the Wang papers because they were not prior art, and that "it was not [the prosecuting attorney's] practice to request non-prior art materials." Pl.'s Opp. at 16. However, the same argument was rejected in *Ohio Willow Wood*, and is similarly rejected here. *See* 813 F.3d at 1359 (noting that the question of corroboration was different from prior art, and that the attorney "understood that [they] were separate questions"). Here the relevance of the Wang Papers is not that they were prior art, but that they directly contradict Dr. Wang's affidavit offered to overcome initial rejection by the PTO.

Presenting the declaration from Wang which explicitly contradicted his publications, and the failure to present the Wang papers themselves, are evidence of subjective bad faith leading to the conclusion that this is an exceptional case.

iv. Dr. Sun's affidavit

Defendant also claims that Plaintiff committed inequitable conduct by submitting a declaration by inventor Dr. Sun during prosecution of an earlier patent in the patent family containing an affirmative misrepresentation about the state of the prior art. Defendant argues that the declaration constitutes affirmative egregious misconduct because it contains a statement directly contradicting data Sun had sent in a letter only two months earlier.

Plaintiff replies that there is no evidence that the affidavit was false, and that the affidavit is consistent with the earlier letter. Plaintiff also says that there is no evidence of specific intent to deceive the PTO.

Dr. Sun declared to the PTO that the patented process resulted in a free radical concentration of less than $1 \times 10^{17}/g$, and that "[f]ree radical concentrations are several orders of magnitude higher without the process taught in the application, i.e., irradiation in air or irradiation and heat treatment in air." Rutsch Decl. Ex. 59, Decl. of Deh-Chuan Sun ¶ 5, ECF No. 431-13. However, Dr. Sun had written a letter two months earlier that "[w]e realize that one can get lower free radical concentrations than this level [$1 \times 10^{17}/g$],

even without the stabilization process described in the patent, But, the intention is to cover a broad range caused by various dose, dose rates, and material responses.” Rutsch Decl. Ex. 60, Letter from D.C. Sun to Patricia Chawke at HOW024942, ECF No. 433–14.

These statements are in tension, but are not facially contradictory. Plaintiff argues that in his declaration, Sun was trying to convey that heating and/ or irradiation in air will result in higher free radical concentrations than heating and/ or irradiation in an inert atmosphere. In the letter, plaintiff continues, Sun was merely saying that time and temperature combinations above the patented process could minimize free radical concentrations to an even lower level than the patented process, but that the patented process was preferable for other reasons.

Plaintiff’s claim is plausible. The declaration references “irradiation in air or irradiation and heat treatment in air,” which indicates that Sun was comparing treatment in air to treatment in an inert environment. In contrast, the letter states that the intention of the patent is to “cover a broad range caused by various dose, dose rates, and material responses,” which indicates that the letter was discussing the optimal options for UHMWPE treatment, not comparing the patented process to the prior art.

***10** Based on the evidence before it, the Court does not find that the Sun declaration is evidence of bad faith or improper motivation.

b. Litigation misconduct

Defendant also argues that this case is exceptional because Plaintiff engaged in litigation misconduct. Specifically, Defendant contends that Plaintiff failed to withdraw its infringement claims once it knew they were baseless in light of the Lue reference and took contrary positions regarding its construction of “Arrhenius equation.” Def.’s Br. at 12, 25. Defendant also contends that Plaintiff took contradicting positions on the contents of the Wang papers. *Id.* at 13–14.

In response, Plaintiff contends that Lue did not invalidate the ’020 patent “on its face,” and that it continued to litigate this case in “good faith.” Pl.’s Opp. at 24. Plaintiff argues that it did not change its construction of the Arrhenius limitation, and that, even if it did, such a change would not render this case exceptional. *Id.* at 23–24. Plaintiff further contends that it changed in position about the Wang papers in response to new information—specifically, a fourth Wang Paper. *Id.* at 26.

A finding of exceptionality under 35 U.S.C. § 285 may be predicated on misconduct during litigation. *Monolithic Power Sys. v. O2 Micro Int’l*, 726 F.3d 1359, 1366 (Fed. Cir. 2013). In determining whether litigation misconduct renders a case “exceptional,” the Court may consider the baselessness of a party’s claim, the party’s subjective bad faith, the objective unreasonableness of its position, or the need for compensation and deterrence. *Octane Fitness*, 134 S. Ct. at 1756–57 & n.6; *Kilopass Tech. v. Sidense Corp.* 738 F. 3d 1302, 1316 (Fed. Cir. 2013). The ultimate finding of exceptionality, however, is a “simple discretionary inquiry” and does not turn on any “precise rule or formula.” *Octane Fitness*, 134 S. Ct. at 1756.

i. The Arrhenius limitation and the Lue reference

Three of the patents in suit contain a limitation requiring the UHMWPE be heated for a temperature time “at least equivalent to heating said irradiated material at 50°C for 144 hours as defined by the Arrhenius’ equation (14).” *See, e.g.*, ’934 Patent, claim 1. To avoid the difficulty of applying the complex Arrhenius equation, Howmedica relied on a “General Rule” for its construction of this limitation during patent prosecution and claim construction in this litigation. Rutsch Decl. Ex. 24, 12/9/99 Response to Second Office Action at 8, ECF No. 430–3; Decl. of Stephen Li ¶ 21 ECF No. 46–9. Plaintiff proposed that instead of applying the Arrhenius equation precisely, one could apply the “General Rule” that similar cross-linking will occur if heating time is cut in half for every 10°C increase in heat. Li Decl. ¶ 21, ECF No. 46–9.

One year after Plaintiff filed its initial infringement claims, Defendant discovered a thesis written by Ching-Tai Lue (“the Lue reference”). Rutsch Decl. Ex. 16, Ching-Tai Lue, *Effects of Gamma Irradiation and Post Heat-Treatments of the Structure and Mechanical Properties of Ultra High Molecular Weight Polyethylene*, ECF No. 429–16. As a result of this discovery, Defendant provided Plaintiff with an invalidity claim chart in May 2006 which showed that the Lue reference anticipated their patents under the “General Rule” construction. Rutsch Decl. Ex. 44, Lue Claim Chart, ECF No. 430–23. To overcome invalidity in light of the Lue reference, Plaintiff changed position and argued that the General Rule was to be used as an “aid” to the Court and the jury in understanding the Arrhenius equation, but was not intended to be used as a literal substitute. Pl.’s Mot. to File Amended Cl. Const. Br. at 1, ECF No. 74–1; *see also* Pl.’s Br. at 21, ECF No. 445. However, construing the Arrhenius limitation as a literal application of the Arrhenius equation rendered the patents indefinite because the patents did not include enough information for one skilled in the art to determine what other time/ temperature combinations would meet this limitation. Opinion, ECF No. 176.

***11** Defendant argues that Plaintiff ought to have recognized that its claims were baseless and dismissed their lawsuit against Defendant. Instead, Defendant continued to litigate its claims for ten more years. In 2016, the Federal Circuit found that the Lue reference did anticipate Howmedica's claims, rendering their patents invalid. *Howmedica Osteonics Corp. v. Zimmer, Inc.*, 640 Fed. Appx. 951, 959 (Fed. Cir. 2016).

Plaintiff argues that it continued to pursue its claims in good faith after the discovery of the Lue reference, because Lue on its face did not invalidate Howmedica's patents. While the PTAB and the Federal Circuit did ultimately invalidate the '020 patent in light of the Lue reference, this was based on a recreation of Lue's thesis, which had been conducted in 1979 with different materials. *Howmedica*, 690 Fed.Appx. at 957. At the time that the Lue reference was disclosed, both Plaintiff and Defendant's expert were unsure if the Lue thesis had been accurately recreated. Plaintiff argues that given this uncertainty, its decision to challenge the significance of the Lue reference and continue pursuing its claims it was reasonable and not in bad faith.

This is a mischaracterization of the actions Plaintiff took after becoming aware of the Lue thesis. Instead of continuing to pursue its claims while attempting to test and accurately recreate the Lue reference, Plaintiff adopted a new position that contradicted its earlier claim construction and testing data in order to avoid invalidation by the Lue reference. See Opinion, ECF No. 176 at 15, 16 (noting that Plaintiff's testimony in support of its new claim construction directly contradicted its earlier position).

Plaintiff argues that it never changed its construction of the Arrhenius limitation, and that it had always intended the General Rule to serve as an estimate to the Court for approximation rather than a literal substitute. Pl.'s Br. at 22. But Plaintiff advocated the use of the General Rule and not the Arrhenius equation during patent prosecution, Rutsch Decl. Ex. 24, 12/9/99 Response to Second Office Action, and submitted affidavits unequivocally using the General Rule as a substitute for Arrhenius' equation. See Li Decl. ¶ 21 ECF No. 46–9.

Plaintiff is correct that it was not required to accept the validity of the Lue reference on its face, and it certainly would have been entitled to engage in expert testing of the thesis before agreeing to dismiss its claims against Defendant. However, by adopting a completely new and contradictory position, Plaintiff demonstrated that it knew what Defendant, the Federal Circuit, and the PTAB ultimately agreed upon: the Lue reference invalidated their patents. To continue to pursue claims that it knew were baseless over a period of ten years amounts to litigation misconduct. The unreasonable nature of Plaintiff's position is highlighted by its willingness to advance an objectively unreasonable claim construction that directly contradicted the language of the claims themselves. See Opinion, ECF No. 176 at 17 ("In short, neither Howmedica nor its experts provide any basis for assuming that 4 hours at 130°C is equivalent to 144 hours at 50°C [as required to support Howmedica's proposed claim construction].").

An award of attorney fees and costs is appropriate in this instance to compensate Defendant forced to defend itself against Plaintiff's baseless claims.

ii. Plaintiff's position on the Wang papers

***12** Plaintiff argues that Defendant committed litigation misconduct by changing position on the Wang papers. Plaintiff specifically argues that Defendant initially took the position that the Wang Papers report solubility in trichlorobenzene, but later changed course and argued that the papers report solubility in xylene. Def.s' Br. at 13.

Defendant maintains that its experts consistently took the position that solubility in xylene did not correspond to solubility in trichlorobenzene. Pl.'s Br. at 26. Defendant further points out that the PTAB ultimately accepted its argument that the two solvents have different solubility for UHMWPE. See Deni Cert. Ex. M, *Smith & Nephew, Inc. v. Howmedica Osteonics Corp. (Howmedica PTAB Appeal)*, No. 2013–007710 at 17 (P.T.A.B. Apr. 30, 2014), ECF No. 444–14.

The Wang papers provided unsatisfactory information about the solvent used to conduct solubility testing. One of the papers discloses the solubility of a material in "[b]oth trichlorobenzene and xylene," but provides only one set of results. Rutsch Decl. Ex. 39, Wang Paper 1 at HOW066652. This either indicates that the author used them interchangeably believing that solubility in trichlorobenzene and xylene are equal, or that the study used only one solvent. The other papers do not indicate which solvent was used.

Plaintiff took contradicting positions as to whether the trichlorobenzene or xylene was used in the Wang papers throughout litigation and reexamination. During this litigation, Defendant presented evidence using data from the Wang papers to demonstrate that the Lue reference met the solubility limitation of "solubility less than 80.9% in trichlorobenzene." Rutsch Decl. Ex. 48, Expert Report of Susan P. James at 25–27, ECF No. 433–8. Defendant's argument that Lue met this limitation relied on its view that solubility in trichlorobenzene is equivalent to solubility in xylene, or at least sufficiently correlated to use solubility in one as a measure for

solubility in the other. To rebut this evidence, Plaintiff's experts Dr. Li and Dr. Pruitt claimed that the Wang paper "likely relates solely to trichlorobenzene." Rutsch Decl. Ex. 49, Rebuttal Expert Witness Report of Stephen Li at 54, ECF No. 433-9; Rutsch Decl. Ex. 50, Expert Witness Rebuttal Report of Lisa A. Pruitt at 26, ECF No. 433-10. If the Wang papers reflected testing solely in trichlorobenzene, then they provided no information about the relationship between xylene and trichlorobenzene solubility, and would not be evidence that Lue invalidated the patent under that theory.

This position presented a problem because the Wang papers reported that prior art material had solubility of 40–60%. If the testing reported in the Wang papers used trichlorobenzene, then the papers themselves disclosed a method of creating material with solubility "less than 80.9% in trichlorobenzene" and would invalidate some claims of the '020 patent. As a result, Plaintiff advanced the position during reexamination that the Wang papers reflected solubility in xylene, not trichlorobenzene. See Deni Cert. Ex. M, *Howmedica PTAB Appeal*, at 13–17.

During reexamination, the Examiner agreed with Defendants and invalidated claims 1 and 5 of the '020 patent based on the Wang papers. On appeal, the PTAB rejected this rationale and found that the soluble used in the papers was likely xylene, and that the Wang papers did not prove that xylene and trichlorobenzene have equivalent solubility. *Id.* at 17. The Federal Circuit ultimately invalidated the '020 patent in light of Lue relying on other rationale. *Howmedica Osteonics Corp.*, 6401 F. Appx. at 962.

***13** While Plaintiff unarguably reversed its position on the Wang papers, this did not constitute litigation misconduct. Using the information presented, Plaintiff advanced different positions about the solvent used in the Wang papers at different points of litigation and reexamination. However, Plaintiff has maintained the same position throughout—that solubility in xylene is not conclusive evidence of corresponding solubility in trichlorobenzene. In Dr. Li's supplemental report in which he changes position on the solvent used in the Wang papers, he maintains the ultimate position that "solubility in xylene does not necessarily differ from the measured solubility in trichlorobenzene by about 15–20%, nor is it possible to predict the difference in solubility." Rutsch Decl. Ex. 53, Supp. Expert Witness Rep. of Stephen Li at 18, ECF No. 433-12. As the PTAB noted, the Wang papers are unclear about whether they reflected solubility data in xylene, trichlorobenzene, or both. Deni Cert. Ex. M, *Howmedica PTAB Appeal* at 13 n. 18 (noting that reports in one of the Wang papers "further confuses rather than clarifies the range reported in [the earlier publication]"). Given this lack of clarity, and the consistency of Plaintiff's primary position on the relationship between the solvents, the Court finds that the change in position was not litigation misconduct.

c. Conduct during reexamination

Defendant next argues that Defendant "had Dr. Streicher and Dr. Li attempt to directly contradict the Streicher prior art reference" during reexamination of the '020 patent in 2009. Def.'s Br., at 14. Specifically, Defendant argues that Plaintiff improperly obtained a declaration from Dr. Streicher, author of the Streicher reference, stating that the Streicher material did not exhibit the favorable characteristics of the patented invention. *Id.* At the time of the declaration, Dr. Streicher was employed by Plaintiff.

Plaintiff asserts that the Streicher material did not exhibit the favorable wear characteristics of the claimed invention. Plaintiff maintains this disagreement does not constitute litigation misconduct, but is merely an ordinary dispute over the meaning of evidence. Pl.'s Opp. at 28.

The Court finds it implausible that Plaintiff believed that Streicher's declaration was consistent with the Streicher article. The Streicher article repeatedly references characteristics central to these patents. It describes the Streicher material as having "enhanced crosslinking" and "negligible" oxidation, and states that its method "reduces postoxidation effects significantly." Rutsch Decl. Ex. 10, Robert M. Streicher, *Investigation on Sterilization and Modification of High Molecular Weight Polyethylenes by Ionizing Irradiation* at 39, 43, ECF No. 429-10. In contrast, Dr. Streicher states in his declaration that the Streicher material exhibited "substantial oxidation," and that "a person of ordinary skill in the art ... would not have used or pursued annealing UHMWPE after irradiation because it failed to eliminate or appreciably reduce oxidation, wear or degradation." Rutsch Decl. Ex. 57, Decl. of Robert Streicher ¶¶ 22–23, ECF No. 431-11. Dr. Streicher takes this position despite finding that the material exhibited a 40% reduction in oxidation. *Id.* ("While on its face a 40% reduction in oxidation appears to be a vast improvement in oxidation resistance, I observed substantial oxidation of the [Streicher] UHMWPE material").

Dr. Streicher's declaration facially contradicts the content of the Streicher reference. The thrust of the Streicher reference was that its method would increase crosslinking and decrease oxidation. The examiner acknowledged the blatant contradiction between Dr. Streicher's declaration and the content of the Streicher reference, noting that the Streicher article "in fact repeatedly acknowledges a significant reduction in oxidation achieved by the irradiated and annealed samples," and that the Streicher declaration "goes so far as to state that the 40% reduction in oxidation reported in the Streicher article is not actually significant. It is unclear what degree of

reduction Streicher in his declaration, would consider significant.” Rutsch Decl. Ex. 58, PTO Reexamination at 34–35. This objectively unreasonable position supports a finding that this is an exceptional case.

d. Totality of the circumstances

***14** Based on the totality of the circumstances, the Court finds that this case is exceptional. Regardless whether the failure to disclose the solubility testing or Streicher swell test data constitutes inequitable conduct, the Court finds that these omissions demonstrated bad faith, and were more likely than not violations of Plaintiff’s duty of candor before the Examiner. Further, Plaintiff submitted a series of affidavits by Dr. Wang containing representations directly contradicted by the Wang papers and earlier testing by the inventor. Wang also failed to disclose the Wang papers, as well as his employment relationship with the patent applicant and the inventor. When faced with the prior art that ultimately invalidated the patents in suit, Plaintiff proposed a new, facially indefinite claim construction that directly contradicted its earlier position. During reexamination, Plaintiff obtained a declaration from the author of the Streicher reference (one of the biggest hurdles to patent validity other than Lue) attempting to contradict and discredit his own earlier work. The PTO repeatedly and consistently rejected Plaintiff’s attempts to utilize sworn statements by its experts to manipulate and conceal the content of their own earlier research. The Court rejects Plaintiff’s contention that Wang “forgot” the content of the Wang Papers, and similarly rejects, as discussed, the argument that Dr. Streicher’s declaration is consistent with the Streicher reference.

III. Defendants’ fee request is reasonable.

The Court has decided that this case is exceptional, and it decides an award of reasonable attorneys’ fees is appropriate. See *Special Devices, Inc. v. OEA, Inc.*, 269 F.3d 1340, 1344 (Fed. Cir. 2001) (describing section 285 as a “two-step analysis of first determining whether the case is exceptional and then determining the amount of the award”); *Machinery Corp.*, 774 F.2d at 470–71 (noting that “the fees must be reasonable”).

Defendant moves for \$13,496,086.96 in attorneys’ fees, \$513,258.38 in expenses, \$1,016,599.29 in expert fees, and \$5,821,225.69 in prejudgment interest. Def.s’ Br. at 30.

Plaintiff raises several objections to Defendant’s proposed award. Plaintiff first objects to the hourly rates charged, claiming that the proposed rates are not consistent with the District of New Jersey. Sept. 8, 2017, Tr. at 40. Plaintiff also objects to certain costs, including airport parking, fax charges, and library loan fees. *Id.* at 44. Plaintiff further objects to the award of expert fees, claiming that even if this case is exceptional, it does not constitute fraud on the Court such that expert fees are justified. *Id.* at 39. Finally, Plaintiff objects to the rate of interest to be used in calculate prejudgment interest. *Id.* at 38.

a. Calculation of Fees

The Court begins its determination of a reasonable attorney fee award by calculating the lodestar amount. *Pa. Env’t Def. Found. v. Canon–McMillan Sch. Dist.*, 152 F.3d 228, 231 (3d Cir. 1998). The lodestar is the “number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.” *Hensley v. Eckerliart*, 461 U.S. 424, 433 (1983). “To show the reasonableness of a requested rate, counsel must produce satisfactory evidence — in addition to their own affidavits—that the requested rates are in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience, and reputation.” *Spectrum Produce Distributing, Inc. v. Fresh Marketing, Inc.*, Civ No. 11–06368 (JBS/ KNW), 2012 WL 2369367, at *4 (D.N.J. June 20, 2012) (alterations omitted) (quoting *Blum v. Stenson*, 465 U.S. 886, 896 n.11 (1984)).

Local Civil Rule 54.2 governs fee awards, and requires the party seeking fees to provide certain materials to the Court, including affidavits setting forth the nature of services rendered, a record of the dates and times of services rendered, a description of the services rendered on each date, a description of the professional experience of each person rendering services, the normal billing rate for each person rendering services, any fee agreements, and the amounts actually billed to the client and paid by the client. See L.Civ.R. 54.2(a)–(b). In the 35 U.S.C. § 285 context, Courts generally consider hourly time records and expense statements along with documentation in support of the movant’s billing rates as compared with those prevailing in the community for similar work, taking into account the attorneys’ skill and experience. See *Source Search Techs., LLC v. Kayak Software Corp.*, No. 11–3388(NLH/KMW), 2016 WL 1259961, at *9 (D.N.J. Mar. 31, 2016). The party seeking an award of fees has the burden to provide evidence supporting the hours worked and rates claimed. *Hensley*, 461 U.S. at 434. To the extent the affidavits and supporting documentation submitted by the party seeking fees “leaves any doubt as to the amount of fees to be awarded, these doubts shall be resolved against an award of fees.” *Spectrum Produce*, 2012 WL 2369367, at *3 (quoting *Veneziano v. Long Island Pipe Fabrication & Supply Corp.*, 487 F. Supp. 2d 683, 695 (D.N.J. 2002)).

i. Hourly Rate

***15** Defendant submitted billing records that show that sixteen different attorneys, five paralegals, and two assistants performed work on this matter. Rutsch Decl. Ex. 68, Decl. of Bryan Hales, Ex. C, ECF No. 431–22. Attorneys from three different law firms performed work on this matter: Tompkins, McGuire, Wachenfeld & Barry LLP (“Tompkins McGuire”), Kirkland & Ellis LLP (“Kirkland”), and Latham & Watkins LLP (“Latham”). *Id.* In support of its request, Defendant has submitted the following documentary exhibits: (1) biographical information about the individual attorneys; (2) invoices from each law firm; (3) a matrix of the billing rates and hours billed for each attorney; (4) daily time entries showing the date, attorney name, description of work performed, and the amount of time spent dating back to 2005; and (5) a declaration of Chuck Chandler, the founder of Valeo Partners, comparing the requested billing rates to the billing rates charged by similar law firms. Hales Decl. Ex.’s A–E.

The rates Defendant seeks for the work performed on this case range from \$220/ hour to \$1295/ hour for attorneys and \$125/hour to \$240/hour for paralegals. *Id.* Ex. C. This range of hourly rate are reflected in the matrix of billing rates and hours billed. The rates are broken into two charts, one reflecting the work performed by Kirkland, and the other reflecting work done by Tompkins McGuire.

The rates charged by Kirkland range from \$220/hour (Associates in 2005) to \$1295/hour (Partner in 2016). Defendants submitted a declaration of Chuck Chandler (the “Chandler Declaration”), founder of Valeo Partners, a legal intelligence firm that collects the billing rates of law firms. *Id.* Ex. E. The Chandler Declaration analyzes the proposed billing rates against Valeo Partners’ compiled billing data, taking into consideration practice area, experience, and firm size and expertise, using a national average. *Id.* ¶ 7. Chandler uses the AMLAW 50 Listings as the benchmark for the Kirkland and Latham attorneys. The analysis compared the rate charged for each individual timekeeper each year to the national average, and provided the percentage that the individual timekeeper was charging over or under the national average. Because Kirkland and Latham afforded Defendant a series of discounts beginning in 2009, Chandler provided the over/under percentage statistics before and after the discounts were applied. Chandler Decl. Ex.’s D, E, Kirkland & Ellis and Latham and Watkins Data.

Mr. Chandler’s data revealed that the Kirkland and Latham attorneys billed, on average, 4% below peer firms for the time period of 2005–2016 pre-discount. See Chandler Decl. ¶ 8. Taking into account these discounts, Defendant’s attorneys billed on average 11% below peer firms. *Id.* ¶ 9.

Plaintiff contends that these billing rates are too high. Pl.’s Opp. at 30. In its Reply Brief, Plaintiff asserted that it “reserve[d] the right to challenge the amount of [Defendant’s] fees” until after the Court ruled on the issue of exceptionality. Plaintiff claimed that it did not argue the issue of fee calculation because the fee award “must bear some relation to the extent of the misconduct,” and Defendant did not make an effort to apportion its fee request accordingly. *Id.* (quoting *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 831 (Fed. Cir. 1992) *superseded on other grounds, as recognized by Hoescht Celanese Corp. v. BP Clients. Ltd.*, 78 F.3d 1575 (Fed. Cir. 1996)). However, this argument makes little sense; apportionment is appropriate when the prevailing party would have incurred some of the expended attorney fees even without the misconduct that renders the case exceptional. See *Beckman Instruments v. LKB Produkter AB*, 892 F.2d 1547, 1553 (Fed. Cir. 1989) (finding apportionment appropriate because the prevailing party “would have incurred substantial legal expenses regardless of the [losing party’s] misconduct”). As the Defendant’s exceptionality theory here is that Plaintiff committed inequitable conduct that led the PTO to issue the patents, Defendant would not have incurred any attorneys’ fees related to this litigation without Plaintiff’s misconduct. See *id.* (apportioning fees because “[i]n this respect, the case differs from cases in which ...inequitable conduct on the part of patentee led to the bringing of the lawsuit” (emphasis in original)). Because it was clear that Defendant sought fees covering the entirety of this litigation, the appropriate time to argue that apportionment is necessary was in answer to this motion.

***16** At oral argument, Plaintiff also argued that the billing rates are excessive because they are based on a national average rather than the local rates of the District of New Jersey. Sept. 8, 2017, Tr. at 40. When asked, Counsel suggested to look to the American Intellectual Property Law Association (AIPLA) rates for guidance, but was unable to provide proposed alternative rates. Counsel then submitted a letter attaching the AIPLA rates, and arguing that the applicable region for Newark is “Other East.” Letter from William Deni, ECF No. 456. Other than Mr. Deni’s assertion, Plaintiff did not provide any documentary evidence that “Other East” is the appropriate location for Newark fee calculation as opposed to New York City Consolidated Metropolitan Statistical Area (New York CMSA).

In contrast, Defendant has submitted the Chandler Declaration in support of its contention that the applicable standard is national rather than local. Chandler declares that law firms such as Kirkland and Latham generally use a “national rate in all major US Cities, varying those rates by experience and practice specialization, not by location.” Hales Decl. Ex. E, Chandler Decl. ¶ 7. Chandler further declares that Newark is considered part of the New York Combined Statistical Area, which is the highest overall rate in the Valeo

Database, and that the national average is used in the interest of conservatism. *Id.* Newark is but fifteen miles from meeting with New York Manhattan and Wall Street metropolitan.

The Court finds Chandler's declaration persuasive, and will therefore use the AMLAW 50 Average as the basis for comparison. Given the highly specialized area of law, the expertise required, and the exorbitant \$2 billion damages sought by Plaintiff in this case, this AMLAW 50 national rate is appropriate. Even if the Court were inclined to apply the AIPLA rates rather than the AMLAW 50, Plaintiffs have not submitted any evidence to support their argument that the "Other East" rates should apply, while Defendant has submitted a declaration that the applicable geographic region would be "New York CMSA."

Applying the AMLAW 50 Average provided in the Chandler Declaration, the fees sought are reasonable in part and unreasonable in part. While Chandler's analysis shows a billing rate on average 11 % below the AMLAW 50 Average, some individual rates charged exceed this Average. Having determined that the AMLAW 50 is appropriate, the Court finds unreasonable any billing rate more than 5% above that AMLAW 50 Average for a given period.

Based on this, the following fee rates shall be reduced from the rate charged to the AMLAW 50 Average:

Year	Timekeeper	Rate Charged to Zimmer	AMLAW 50 Average
2005	Ann Marie T. Wahls	\$370*	\$318
2007	Imron T. Aly	\$480	\$457
2007	Shauwab A. Atique	\$403	\$345
2008 (Jul-Dec)	Bryce A. Budin and Bryan C. Rutsch	\$420**	\$359
2009	Bryce A. Budin and Bryan C. Rutsch	\$405	\$374
2010	Dennis J. Abelnour	\$419	\$390

Further, since 2012, only 27.1 hours were billed to an attorney below the level of Counsel. During this time, there was a significant amount of work done by attorneys billing at a high rate that could have been achieved by more cost-effective actors. Since 2012, the Court has identified 50.55 hours of work done by Counsel-level attorneys that consisted of general legal research or initial drafting that could have been done by an Associate with a lower billing rate. These hours, billed by Mr. Rutsch, are: 8.25 hours in 2012 (2/6/12); 12 hours in 2013 (10/11/13 and 10/16/13); 11.3 hours in 2014 (5/15/14 and 6/10/14); and 19 hours in 2015 (1/05/15, 4/23/15, and 8/23/15). The Court will apply a billing rate of \$405 for these hours, as Mr. Rutsch's highest billing rate as an Associate.

The Court also finds any billing rate above \$900/hour to be unreasonable. Therefore, a billing rate of \$900 will be applied to: Mr. Pals, 2014 (\$956.25 post-discount), 2015 (\$1,015.75 post-discount), and 2016 (\$1,100.75 post-discount); Mr. Hales, Jan–June 2016 (\$922.25 post-discount) and July 2016 (\$956.25 post-discount); and Mr. Callahan, 2015 (\$930.75 post-discount) and 2016 (\$977.50 post-discount). Hales Decl. Ex. C.

*17 Mr. Chandler separately compared the billing rates of local counsel Tompkins McGuire to peer firms and found that the two Tompkins McGuire attorneys respectively billed 6% and 32% below peer firms. Chandler Decl. ¶ 11. The Court finds the fees of local counsel to be reasonable and awards fees for local counsel at the rates requested.

The Chandler Declaration also looked at the billing rates of support staff and found that the work performed on this matter by paralegals and assistants was billed at a significantly lower rate than the industry average. *See id.* ¶ 12. Support staff on this matter were billed out at an average discounted rate of \$139/hour, as compared to an industry average of \$206/average. This is comparable to prevailing rates for paralegal work in the Third Circuit. *See U.A. Local 322 Pension Fund v. J.R. McGee Plumbing Ltd. Liab. Co.*, No. CV 16–3738 (RMB/KMW), 2017 WL 498692, at *4–5 (D.N.J. Feb. 7, 2017) (awarding attorney fees for paralegal work at the hourly rate of \$125). The Court finds Defendant's requested hourly rate for paralegals and other support staff reasonable, and awards fees for support staff at the rates requested.

ii. Time Reasonably Expended

The Court next determines how much time was reasonably expended on the matter. *Public Interest Research Group of N.J., Inc. v. Winall*, 51 F.3d 1179, 1188 (3d Cir. 1995). To establish the reasonableness of the time spent litigating this matter, Defendant submitted over 400 pages of unredacted daily time entries, containing a narrative description of each task performed. Hales Decl. Ex. D. Defendant requests fees for a total of 29,854.95 attorney hours and 6433.25 paralegal and support staff hours. See Hales Decl. Ex. C. Plaintiff has not challenged Defendant's calculation or recording of hours reasonably expended.

Though a majority of the requested hours were reasonable, the Court finds Defendants' billing unreasonable in part. The Court finds Defendants' billing unreasonable to the extent it includes hours billed due to inexperience, hours billed for tasks that should have been performed by more cost-effective actors, and hours for tasks that took an excessive amount of time to complete. See *Spectrum Produce*, 2012 WL 2369367, at *5–10.

The bulk of the hours billed in the early years of this litigation were billed by inexperienced attorneys including those who were not yet admitted to the bar. See Hales Decl. ¶ 9 (B. Rutsch and B. Budin not initially admitted to practice); cf. Hales Decl. Ex. C (B. Rutsch 1399 hours for 2006, B. Budin 1520.25 hours for 2006). While the use of junior attorneys can keep costs low and is commendable, the Court finds that the large number of hours billed for work by inexperienced and inefficient actors is unreasonable.

In his Declaration, Mr. Hales explains that once Budin and Rutsch were added to this matter, "Attorney Min Wang provided stopgap support until Mr. Rutsch and Mrs. Budin were admitted to practice after graduation from law school." Hales Decl. at 3. The Court finds that the hours billed to Min Wang are duplicative of those billed to Budin and Rutsch during that time, and those 229.75 hours will be reduced from Budin and Rutsch's combined 867 hours from that year, with a combined total for Budin and Rutsch in 2005 of 637.25 hours at the rate of \$220/hour.

Similarly, in 2007, Thomas W. Osier was added to this matter as an Associate with no legal experience, and billed 478.5 hours between October and December. Of those, 39.25 hours were spent reviewing documents to become acquainted with the matter (October 3, 4, 5, 8, and 9). Those hours will be reduced from Osier's total, with a total of 469.25 hours at a rate of \$255/hour.

Reduction Calculations:

Year	Name	Hours	Rate	Modified Charge	Amount Reduced
2005	Ann Marie Wahls	409	\$318*	\$130,062	\$21,268
2005	Rutsch and Budin	637.25*	\$220	\$140,195	\$50,545
2007	Imron Aly	691.5	\$457*	\$316,015.5	\$15,904.5
2007	Thomas Osier	469.25*	\$255	\$119,658.75	\$2,358.75
2008 (Jul-Dec)	Rutsch and Budin	482.25	\$359*	\$173,127.75	\$29,417.25
2009	Rutsch and Budin	1,628.5	\$374*	\$609,059	\$63,484.25**
2010	Dennis Abelnour	13.25	\$390*	\$5,167.5	\$384.25
2014	Mark Pals	20.5	\$900*	\$18,450	\$1,153.13***
2015	Mark Pals	46	\$900*	\$41,400	\$5,324.50***
2015	David Callahan	184.1	\$900*	\$165,690	\$5,661.08***
2016	Mark Pals	6.3	\$900*	\$5,670	\$1,264.73***
2016	David Callahan	57.8	\$900*	\$52,020	\$1,777.35***
2016 (Jan-June)	Bryan Hales	36.4	\$900*	\$32,760	\$809.90***
2016 (July)	Bryan Hales	3.1	\$900*	\$2,790	\$174.38***
Total Reduction					\$199,527.10

***18** As the Court finds the fee award otherwise reasonable, the Court will reduce this total reduction from the \$13,496,086.96 charged to Defendant, and awards a lodestar total of \$13,296,559.90 in fees for attorneys and legal and paralegal assistants.

b. Award of Costs

Defendant petitions the Court for \$513, 258.38 in costs expended for travel, legal research, document reproduction and storage, communications, translation services and deposition holding. Hales Decl. Ex. F. The reasonableness of costs is assessed on the same basis as attorney fees. *Loughner v. University of Pittsburgh*. 260 F. 3d 173, 181 (3d Cir. 2001). A petition for costs must be specific enough to allow the Court to determine if the costs claimed are unreasonable for the work performed. *Id.* Defendant has submitted a detailed breakdown of all of their costs. Hales Decl. Ex. F.

Plaintiff objects to certain of these expenses. Specifically, Plaintiff objects to an award of airport parking, fax expenses, and library loan fees. Sept. 8, 2017, Tr. at 44. In the Court's judgment, these costs were all rendered necessary by the nature of this litigation and the Court finds them to be reasonable. Defendant is awarded their requested costs of \$513, 258.38.

c. Expert Fees

Defendant seeks an award of \$1,016,599.29 in expert fees. The Court has the authority to award expert fees where an award of attorneys fees under § 285 is an inadequate sanction on the non-moving party. *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 921 (Fed. Cir. 2012). Not every case qualifying as exceptional under § 285 will qualify for the additional sanction of awarding expert fees. *Takeda Chem. Indus. V. Mylan Labs.*, 549 F. 3d 1381, 1392 (Fed. Cir. 2008).

Having found this case exceptional, and awarded attorney fees and costs under § 285, the Court does not find that Plaintiff's conduct in this matter was so egregious that it justifies the additional award of expert fees. *See Amsted Indus. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 378 (Fed. Cir. 1994) (award of expert fees reserved for cases where the court makes a finding of fraud or where "the very temple of justice has been defiled"). Defendant's request for expert fees is denied.

d. Prejudgment Interest

Defendant seeks \$5,821,225.69 in prejudgment interest. Defendant argues that the Court should apply the prime interest rate rather than the T-Bill rate. Def.s' Br. at 30. Plaintiff responds that the T-Bill rate is appropriate, because Defendant has not demonstrated that it actually borrowed at the higher interest rate. Sept. 8, 2017, Tr. at 38.

Prejudgment interest is not properly awarded under § 285, but where the Court has made a finding of exceptionality under § 285, it may exercise its inherent authority to award prejudgment interest as a form of equitable relief. *Mathis v. Spears*, 857 F.2d 749, 760 (Fed. Cir. 1988). However, not every prevailing party under § 285 is entitled to an award of prejudgment interest. *Id.* Having already awarded Defendant a large sum in attorney fees and costs under section 285, the Court declines to exercise its discretion to award an additional \$5 million in prejudgment interest. Defendant's request for prejudgment interest is denied.

CONCLUSION

***19** Having found this case exceptional under 35 U.S.C. § 285, Defendant's motion for attorney fees and costs is granted in the reduced amount of \$13,296,559.90 in fees and \$513,258.38 in costs. Defendant's requests for expert fees and prejudgment interest are denied. An appropriate order follows.

All Citations

Slip Copy, 2018 WL 2378406

Footnotes

⁴ At oral argument, Plaintiff's counsel correctly noted that *Therasense* explicitly refused to adopt the Rule 56 standard as the test for "materiality" for inequitable conduct claims. Sept. 8, 2017, Tr. at 29–30. However, as Counsel acknowledged, there is still a duty to disclose such information. *Id.* at 28, ¶¶ 20–24.

SHOOT-A-WAY

2018 WL 2793917 (N.D. Ohio) (Trial Pleading)
United States District Court, N.D. Ohio.

SHOOT-A-WAY, INC., Plaintiff,

v.

TGBTG SPORTS,

and

Cyril WHITE, Defendants.

No. 3:18-cv-01318.

June 8, 2018.

JURY TRIAL DEMANDED

Complaint for Declaratory Judgment of Non-Infringement of Alleged Trademark or Service Mark

Jeffrey S. Standley (Ohio Bar #0047248), F. Michael Speed, Jr. (Ohio Bar # 0067641), Standley Law Group LLP, 6300 Riverside Drive, Dublin, Ohio 43017, Telephone: (614) 792-5555, Facsimile: (614) 792-5536, Email: litigation@standleyllp.com, jstandley@standleyllp.com, mspeed@standleyllp.com, for plaintiff, Shoot-A-Way, Inc.

Shoot-A-Way, LLC ("Shoot-A-Way" or "Plaintiff") files this Complaint for Declaratory Judgment of Non-infringement of alleged trademark or service mark, against Defendants TGBTG Sports ("TGBTG") and Cyril White ("White") (individually a "Defendant" and Collectively the "Defendants"); and alleges as follows:

I. NATURE OF THE SUIT

1. This is a claim for a declaratory judgment of non-infringement of alleged trademark and/or service mark. Plaintiff and Defendants have significant and immediate adverse legal interests and a continuing actual, substantial, and justifiable controversy exists between them concerning their respective rights for use of an alleged trademark or service mark.

II. THE PARTIES

2. Plaintiff Shoot-A-Way, Inc. is a corporation formed and existing under the laws of the State of Ohio, with its principal place of business at Upper Sandusky, Ohio.

3. Upon information and belief, Defendant TGBTG Sports is a company based in Texas. Upon information and belief Defendant White is the president and owner of TGBTG.

III. JURISDICTION AND VENUE

4. This action arises under the Declaratory Judgment Act, 28 U.S.C. § 2201. Thus, this Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331.

5. This Court has personal jurisdiction over Defendants pursuant to due process and the Ohio Long Arm Statute. Upon information and belief, White acting individually and on behalf of TGBTG Sports authorized use of an alleged trademark or service mark to Plaintiff. Upon information and belief Defendants knew Plaintiff's business is operated out of Ohio and therefore Defendants knowingly and intentionally targeted the state of Ohio and its residents. Upon information and belief Defendants conduct regular business in many States of the United States, including Ohio.

6. Venue is proper in this Court under 28 U.S.C. § 1391 for the reasons set forth above, and further because substantially all of the events occurred in this district, for example the use of the alleged trademark and/or service mark. All uses of the alleged trademark and/or service mark by Plaintiff were performed at its facility at Upper Sandusky, Ohio, from which its products were shipped to various locations in the United States, including other locations in Ohio.

IV. BACKGROUND FACTS

7. Shoot-A-Way is engaged in the business of selling self-returning and passing basketball systems. These systems enable a player to practice catching and shooting a ball by themselves and the system will automatically collect the ball and pass it back to the player. No assistance from a separate person is necessary.
8. Shoot-A-Way products are well-known. Famous college and NBA players, such as Steph Curry, have used the Shoot-A-Way product. Furthermore, NBA teams and collegiate programs utilize the Shoot-A-Way product.
9. Upon information and belief, Cyril White is a basketball talent scout.
10. Upon information and belief, Defendants have done business with basketball players in the state of Ohio.
11. Upon information and belief, Cyril White DBA TGBTG Sports is the owner of service mark registration 5,436,209 (the " '209 registration").
12. In or around 2010, the owner of Shoot-A-Way, John Joseph ("Joseph") met Defendant White, and sold TGBTG a Shoot-A-Way product. Joseph and White learned that each other was a Christian.
13. Upon information and belief White is the president or owner of TGBTG.
14. Shoot-A-Way was offering their self-returning and passing basketball products years before Joseph met White.
15. At some point thereafter, White encouraged Shoot-A-Way to use a Christian-based message design on the Shoot-A-Way basketball products.
16. The alleged trademark and/or service mark is the phrase, "To God be the Glory." Attached as Exhibit A is a Trademark Electronic Search System ("TESS") viewing of the alleged "To God be the Glory" service mark as originally filed in 1999 and canceled in 2006, and again filed in 2017 and registered in 2018 for somewhat different services.
17. Upon information and belief, Defendants do not own a trademark registration in a trademark having the words "To God be the Glory." Upon information and belief, Defendants only have a service mark registration, which is subject to cancellation because it is less than five years old.
18. Joseph accepted White's encouragement and began adding small stickers with the phrase "To God be the Glory" to the Shoot-A-Way products before shipping to customers.
19. Shoot-A-Way did not advertise the "To God be the Glory" sticker, and the stickers and phrase are not used as point of sale trademarks or service marks.
20. Shoot-A-Way customers did not know the product they were receiving would have a "To God be the Glory" sticker placed upon it at the time of purchase.
21. Shoot-A-Way used these "To God be the Glory" stickers until about 2017, when Joseph changed the stickers to "All Glory be to God," and thereafter Plaintiff ceased using the phrase "To God be the Glory" on any products.
22. Defendants knowingly and willingly authorized Plaintiff to begin using and continue using the alleged "To God be the Glory" trademark or service mark.
23. After Shoot-A-Way began use of the "To God be the Glory" phrase on stickers placed on products, White sent at least two letters praising the use of the stickers on the Shoot-A-Way basketball products. The two letters are attached as Exhibit B.
24. On June 1, 2018, Shoot-A-Way received a letter from Defendants' counsel claiming violation of trademark rights and a demand for monetary damages. A copy of the letter is attached as Exhibit C.

25. On June 7, 2018, Shoot-A-Way received another demand letter from Defendants' counsel, again requesting monetary damages and threatening suit.

26. "To God be the Glory" is a commonly used phrase, one used especially by Christians throughout the world for many years.

27. "All Glory be to God" is a commonly used phrase, one used especially by Christians throughout the world for many years.

28. One example is a famous Christian Gospel song entitled "To God be the Glory," published in 1875 in the United States and written by Fanny Cosby. This song is still sung today.

29. Furthermore, the stickers "To God be the Glory" that were used by Shoot-A-Way are an expression of Shoot-A-Way's freedom of speech and freedom of religion, rights that cannot be usurped by trademark law.

30. The stickers "All Glory be to God" that were and are used by Shoot-A-Way is an expression of Shoot-A-Way's freedom of speech and freedom of religion, rights that cannot be usurped by trademark law.

31. "To God be the Glory" is an often-expressed statement in American culture and has been for at least 100 years.

V. STATEMENT OF CLAIM

COUNT I—Request for a Declaratory Judgment of Non-Infringement of an alleged Trademark/Service Mark

32. The allegations of the preceding paragraphs are incorporated by reference as if fully set forth herein.

33. Plaintiff and Defendants have significant and immediate adverse legal interests and a continuing actual, substantial, and justifiable controversy exists between them concerning their respective rights for use of an alleged trademark or service mark.

34. By reason of the foregoing, Shoot-A-Way is entitled to a declaration that it has not infringed the alleged trademark or service mark "To God be the Glory" and U.S. service mark registration 5,536,209.

COUNT II—Request for Declaratory Judgment that any claim of Infringement is barred by the doctrine of Equitable Estoppel

35. The allegations of the preceding paragraphs are incorporated by reference as if fully set forth herein.

36. Shoot-A-Way and White have significant and immediate adverse legal interests and a continuing actual, substantial, and justifiable controversy exists between them concerning their respective rights for use of an alleged trademark.

37. Defendants willingly and knowingly authorized and encouraged Plaintiff to use the alleged trademark or service mark, to which Plaintiff relied thereon, now to Plaintiff's detriment, and Defendants are now, therefore, estopped from bringing any infringement action thereupon.

38. Defendants willingly and knowingly praised Plaintiff's use of the phrase "To God be the Glory" and is now, therefore, estopped from bringing any infringement action thereupon.

39. By reason of the foregoing, Shoot-A-Way is entitled to a declaration that Defendants are estopped from bringing a trademark infringement action for the alleged trademark or service mark "To God be the Glory."

COUNT III—Request for Declaratory Judgment that any claim of Infringement is barred by the doctrine of Laches

40. The allegations of the preceding paragraphs are incorporated by reference as if fully set forth herein.

41. Plaintiff and Defendants have significant and immediate adverse legal interests and a continuing actual, substantial, and justifiable controversy exists between them concerning their respective rights for use of an alleged trademark or service mark.

42. Defendants knew of Plaintiff's use of the alleged trademark for years and did nothing to prevent Plaintiff's continued use thereof.

Plaintiff would now incur substantial detriment if it must pay for use of the alleged mark.

43. Defendants acquiesced in Plaintiff's use of the mark by willingly and knowingly praising Plaintiff's use of the phrase "To God be the Glory" and by never mentioning infringement of a trademark or service mark until years later.

44. By reason of the foregoing, Shoot-A-Way is entitled to a declaration that Defendants are barred from bringing an infringement action for the alleged trademark "To God be the Glory" under the doctrine of laches.

COUNT IV—Request for Declaratory Judgment that the Registration of Trademark 5,436,209 is Invalid and Unenforceable

45. The allegations of the preceding paragraphs are incorporated by reference as if fully set forth herein.

46. Plaintiff and Defendants have significant and immediate adverse legal interests and a continuing actual, substantial, and justifiable controversy exists between them concerning their respective rights for use of an alleged trademark or service mark.

47. By reason of the foregoing, Shoot-A-Way is entitled to a declaration that Defendants' '209 trademark registration for "To God be the Glory" is invalid and unenforceable.

JURY DEMAND

48. Plaintiff requests a jury trial of all issues triable of right by a jury.

PRAYER FOR RELIEF

WHEREFORE, Shoot-A-Way respectfully requests the following relief:

- a. For a judicial declaration, pursuant to 28 U.S.C. § 2201, that Shoot-A-Way has not infringed the alleged "To God be the Glory" trademark or service mark;
- b. for a judicial declaration, pursuant to 28 U.S.C. § 2201, that Defendants are estopped from bringing any trademark or service mark infringement action against Shoot-A-Way for the use of the phrase "To God be the Glory;"
- c. for a judicial declaration, pursuant to 28 U.S.C. § 2201, that Defendants are barred from bringing any trademark or service mark infringement action against Shoot-A-Way for the use of the phrase "To God be the Glory" under the doctrine of laches;
- d. for a judicial declaration that the phrase "All Glory be to God" is not an infringement of any trademark or service mark rights of either Defendant;
- e. for a judicial declaration that no one should have a registered trademark or service mark for the phrase "To God be the Glory" or the phrase "All Glory be to God," and that any existing registrations for either of these phrases should be cancelled by order of this Court to the United States Trademark Office;
- f. for a judicial declaration that the phrase "To God be the Glory" and the phrase "All Glory be to God" are generic and free to use by anyone;
- g. for costs of suit incurred; and
- h. for such other and further relief as the Court may deem proper.

Respectfully submitted,

/s/ Jeffrey S. Standley

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Dated: June 8, 2018

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AETNA

2018 WL 2848798 (UDRP-ARB Dec.)

AETNA INC., CVS PHARMACY, INC. v. CHANG JIANG LI, LI CHANG JIANG

WIPO Arbitration and Mediation Center

ADMINISTRATIVE PANEL DECISION

AETNA INC., CVS PHARMACY, INC. v. CHANG JIANG LI, LI CHANG JIANG
Case No. D2018-0795

*1 Doman Name: aetnacvs.com

Industry: Offices And Clinics Of Doctors Of Medicine

Life Insurance

Accident and Health Insurance

Hospital and Medical Service Plans

Pension, Health, and Welfare Funds

Offices of Holding Companies, NEC

Case Type: Domain Name

Award Amount: Equitable

*4 Award Date: June 7, 2018

Arbitrator: Deanna Wong Wai Man

1. The Parties

The Complainant is Aetna Inc. of Hartford, Connecticut, United States of America ('USA'); CVS Pharmacy, Inc. ('Complainant CVS') of Woonsocket, Rhode Island, USA, represented by The GigaLaw, Douglas M. Isenberg, Attorney at Law, LLC, USA. Both companies are jointly referred to as the 'Complainant'.

The Respondent is Chang Jiang Li, Li Chang Jiang of Changsha, Hunan, China.

2. The Domain Name and Registrar

The disputed domain name <aetnacvs.com> is registered with Chengdu West Dimension Digital Technology Co., Ltd. (the 'Registrar').

3. Procedural History

The Complaint was filed in English with the WIPO Arbitration and Mediation Center (the 'Center') on April 10, 2018. On April 10, 2018, the Center transmitted by email to the Registrar a request for registrar verification in connection with the disputed domain name. On April 11, 2018, the Registrar transmitted by email to the Center its verification response confirming that the Respondent is listed as the registrant and providing the contact details. On April 12, 2018, the Center sent an email in English and Chinese to the Parties regarding the language of the proceeding. The Complainant requested that English be the language of the proceeding on April 15, 2018. The Respondent did not comment on the language of the proceeding by the specified due date.

The Center verified that the Complaint satisfied the formal requirements of the Uniform Domain Name Dispute Resolution Policy (the 'Policy' or 'UDRP'), the Rules for Uniform Domain Name Dispute Resolution Policy (the 'Rules'), and the WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy (the 'Supplemental Rules').

In accordance with the Rules, paragraphs 2 and 4, the Center formally notified the Respondent in English and Chinese of the Complaint, and the proceedings commenced on April 20, 2018. In accordance with the Rules, paragraph 5, the due date for Response was May 10, 2018. The Respondent did not submit any response. Accordingly, the Center notified the Respondent's default on May 11, 2018.

The Center appointed Deanna Wong Wai Man as the sole panelist in this matter on May 24, 2018. The Panel finds that it was properly constituted. The Panel has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with the Rules, paragraph 7.

4. Factual Background

The Complainant comprises of two separate entities, Aetna Inc. ('Aetna') and CVS Pharmacy Inc. ('CVS'). Aetna is a publicly traded corporation, active in the health care industry and ranks as number 43 on the 'Fortune 500' list of the USA's largest corporations. CVS (originally named 'Consumer Value Store') on the other hand, is one of the largest pharmacy chain in the USA and of the leading pharmacy companies in the world, with over 94 million plan members. On December 3, 2017, a merger agreement between Aetna and CVS's parent company CVS Health Inc was publicly announced.

***2** The Complainant collectively owns a large number of trademark registrations (word marks) for AETNA and CVS in over twenty jurisdictions, including in China, *e.g.*, trademark registration number 12424897 for AETNA (registered September 21, 2014), and trademark registration number 8120303 for CVS (registered March 21, 2011). The Complainant has proven longstanding use of such trademarks, respectively, over 100 years for the AETNA trademark and over 50 years for the CVS trademark. The Complainant also owns a number of domain names including <aetna.com> and <cv.com>. All registered trademarks and domain names adduced by the Complainant were successfully registered prior to the registration date of the disputed domain name, which was registered on December 2, 2017. The disputed domain name resolves to an inactive webpage.

The Complainant also refers to a number of previous UDRP panel decisions in which other UDRP panels have ruled that both CVS and Aetna have valid rights in and to their respective trademarks.

5. Parties' Contentions

A. Complainant

The Complainant essentially contends that the disputed domain name is identical or confusingly similar to its prior trademarks for AETNA and CVS, that the Respondent has no rights or legitimate interests in respect of the disputed domain name, and that the disputed domain name was registered and is being used in bad faith.

The Complainant claims that its trademarks are famous and well-regarded in the pharmacy and health care industry. The Complainant provides evidence to show that its AETNA and CVS trademarks have developed a substantial reputation and recognition worldwide, including in the Respondent's home jurisdiction China, and provides a number of prior domain name decisions that have recognized that the Complainant has valid rights in AETNA and CVS.

The Complainant also provides evidence that the disputed domain name is linked to an inactive website, and essentially claims that this constitutes passive holding of the domain name by the Respondent. The Complainant contends that such use constitutes registration and use in bad faith.

The Complainant requests the transfer of the disputed domain name.

B. Respondent

The Respondent did not reply to the Complainant's contentions.

6. Discussion and Findings

6.1. First Preliminary Issue: Language of proceedings

Pursuant to paragraph 11(a) of the Rules, the language of the administrative proceedings shall be the language of the Registration Agreement. However, the Panel is given the authority to determine a language of proceeding other than the language of the Registration Agreement, taking into account the circumstances of every individual case.

The Complainant claims that the Registration Agreement cannot be located and requests that the language of proceedings be English.

The Panel has carefully considered all elements of this case, in particular, the fact that the Registration Agreement cannot be located; the Complainant's request; the lack of response of the Respondent (the Panel notes that the Respondent's rights have not been violated, since the Respondent had the opportunity to put forward arguments in either English or Chinese) and the fact that Chinese as the language of proceedings could lead to unwarranted delay and costs for the Complainant. In view of all these elements, the Panel rules that the language of proceedings shall be English.

*3 6.2. Second Preliminary Issue: Consolidation of complaints by multiple complainants

Paragraph 10(e) of the Rules grants a panel the power to consolidate multiple domain name disputes. In this regard, the WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Third Edition ('WIPO Overview 3.0') section 4.11.1 provides: 'In assessing whether a complaint filed by multiple complainants may be brought against a single respondent, panels look at whether (i) the complainants have a specific common grievance against the respondent, or the respondent has engaged in common conduct that has affected the complainants in a similar fashion, and (ii) it would be equitable and procedurally efficient to permit the consolidation.'

Taking into account all elements of this case, in particular: the fact that the Complainant has sufficiently proven that a merger agreement has been signed between Aetna and CVS's parent company CVS Health Inc., under which CVS Health Inc. acquired all outstanding shares of Aetna for a combination of cash and stock; the fact that both companies clearly have common grievances against the Respondent; the fact that the Respondent has merely combined the trademarks of both companies in the disputed domain name so that both companies are affected in a similar fashion; and the fact that both companies have retained the same legal counsel and filed the same complaint for this case, the Panel rules that it is equitable and procedurally efficient to permit the requested consolidation in this case.

6.3. Discussion and Findings on the merits

The Policy requires the Complainant to prove three elements:

- (i) the disputed domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;
- (ii) the Respondent has no rights or legitimate interests in respect of the disputed domain name; and
- (iii) the disputed domain name has been registered and is being used in bad faith.

Based on the arguments and evidence submitted, the Panel's findings are as follows:

A. Identical or Confusingly Similar

The Panel finds that the Complainant has shown that it has valid rights in the signs 'AETNA' and 'CVS' based on its use and registration of the same as trademarks in a number of jurisdictions.

Moreover, the disputed domain name is confusingly similar to the Complainant's trademarks AETNA and CVS, the disputed domain name being merely a combination of these two trademarks, incorporating them in their entirety. There are no further elements that might differentiate the disputed domain name from the Complainant's trademarks. Accordingly, the Panel finds that the disputed domain name is confusingly similar to the Complainant's trademark and rules that the first element required by the Policy has been fulfilled.

B. Rights or Legitimate Interests

The Complainant has demonstrated that the Respondent has no rights or legitimate interests in the disputed domain name. The Complainant has not granted any license or other for the Respondent to register the disputed domain name fully incorporating the Complainant's trademarks. The Panel rules that none of the circumstances of rights or legitimate interests envisaged by paragraph 4(c) of the Policy apply. Moreover, as stated before in *Pharmacia & Upjohn Company v. Moreonline*, WIPO Case No. D2000-0134, 'mere registration does not establish rights or legitimate interests in the disputed domain name'. The Panel notes that no evidence or arguments have been submitted by the Respondent in reply. The Panel therefore rules that the Complainant has satisfied the second requirement under the Policy.

C. Registered and Used in Bad Faith

Given the reputation and fame of the Complainant's trademarks, the registration of the disputed domain name is clearly intended to mislead and divert consumers to the disputed domain name. This finding is reinforced by the fact that the disputed domain name is a mere combination of the Complainant's trademarks and was registered on December 2, 2017, very shortly after numerous articles had been published about a merger between both Complainant companies. This clearly indicates the bad faith of the Respondent, and the Panel therefore rules that it has been demonstrated that the Respondent registered the disputed domain name in bad faith.

As to use of the disputed domain name in bad faith, the WIPO Overview 3.0 section 3.3 states in this regard: 'From the inception of the UDRP, panelists have found that the non-use of a domain name (including a blank or 'coming soon' page) would not prevent a finding of bad faith under the doctrine of passive holding'. Having regard to all elements of the case at hand, and in particular to the high degree of similarity between the Complainant's trademarks and the disputed domain name, the distinctiveness and reputation of the Complainant's trademarks and the Respondent's use of false contact details and addresses in the Whois records for the disputed domain name, the Panel rules that it has been demonstrated that the Respondent's use of the disputed domain name is in bad faith.

Moreover, the Respondent has failed to provide any response or evidence to establish its good faith or absence of bad faith. The Panel therefore rules that the Complainant has satisfied the third requirement under the Policy.

7. Decision

For the foregoing reasons, in accordance with paragraphs 4(i) of the Policy and 15 of the Rules, the Panel orders that the disputed domain name <aetnacvs.com> be transferred to the Complainant CVS.

Date: June 7, 2018

Arbitrator: Deanna Wong Wai Man

Sole Panelist

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