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Shop Locally:
Trends in District Court Litigation Rules

November 5, 2025

The Panel

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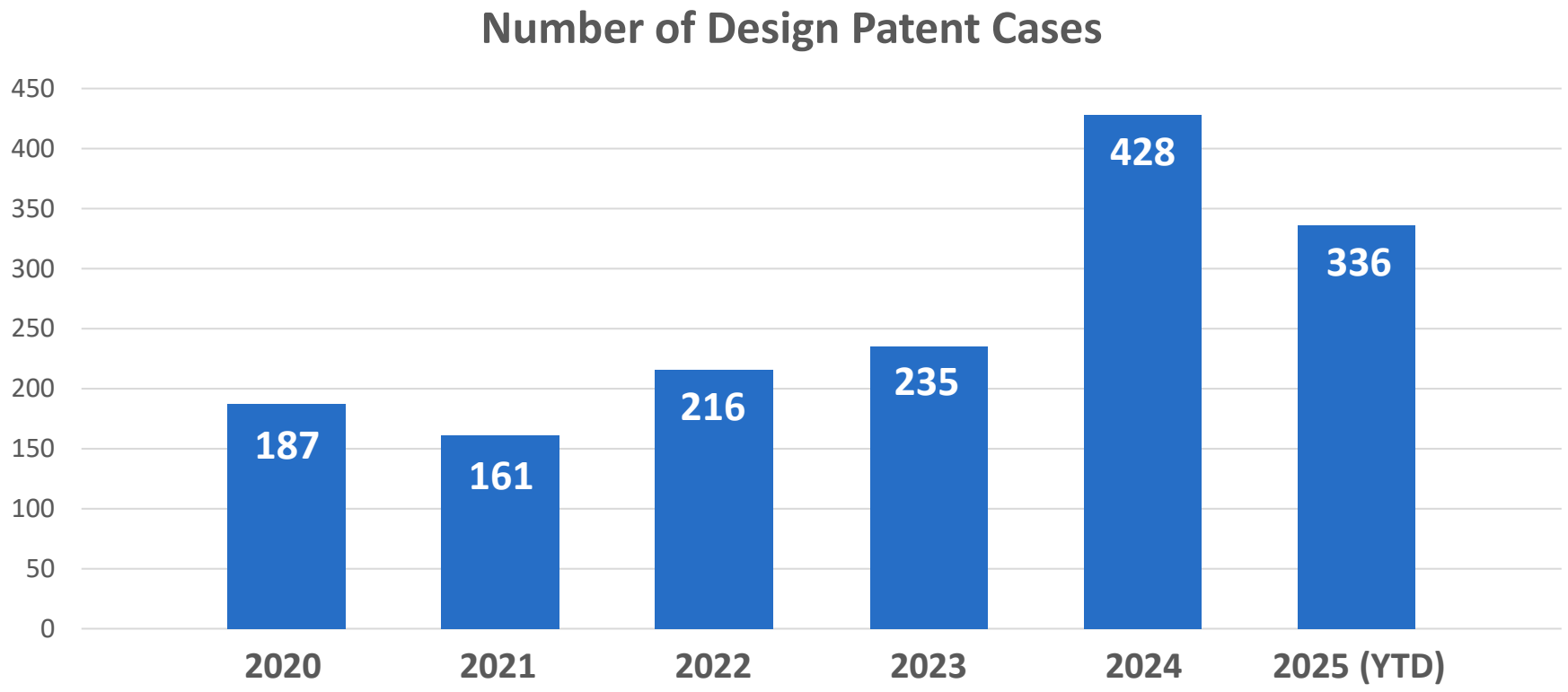
Agenda

- Venue Trends
- Local Patent Rules and Contentions
- Case Narrowing
- Design Patents Consideration
- PTAB Trends
- Future Changes to Rules and Practices

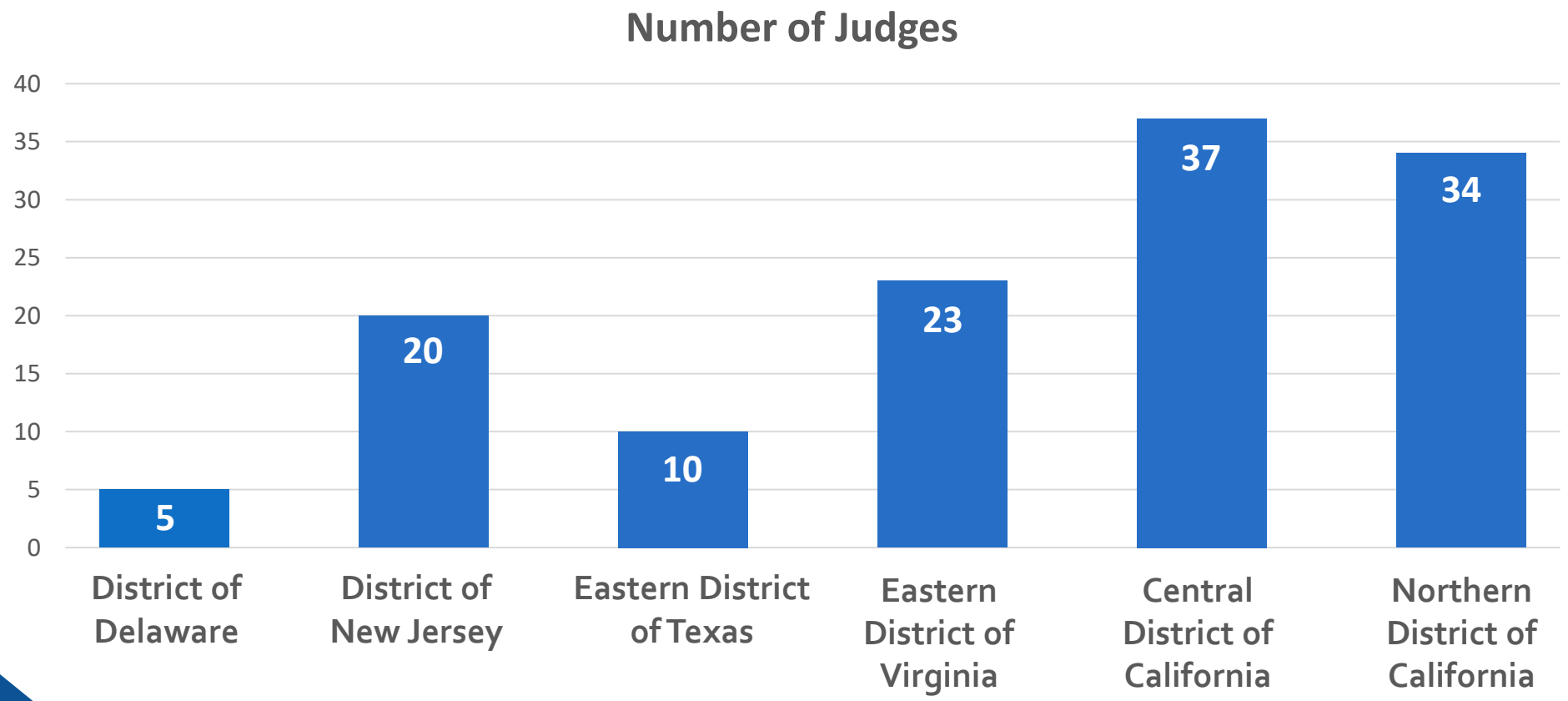
Venue Statistics: Number of Patent Cases Filed over Past Five Years by Year

Venue	2020	2021	2022	2023	2024	2025 (YTD)
District of Delaware	731	880	665	425	394	418
District of New Jersey	153	107	113	131	230	187
Eastern District of Texas	393	448	471	629	1071	1050
Eastern District of Virginia	46	49	35	42	53	61
Central District of California	301	248	222	173	204	158
Northern District of California	240	165	138	127	115	89

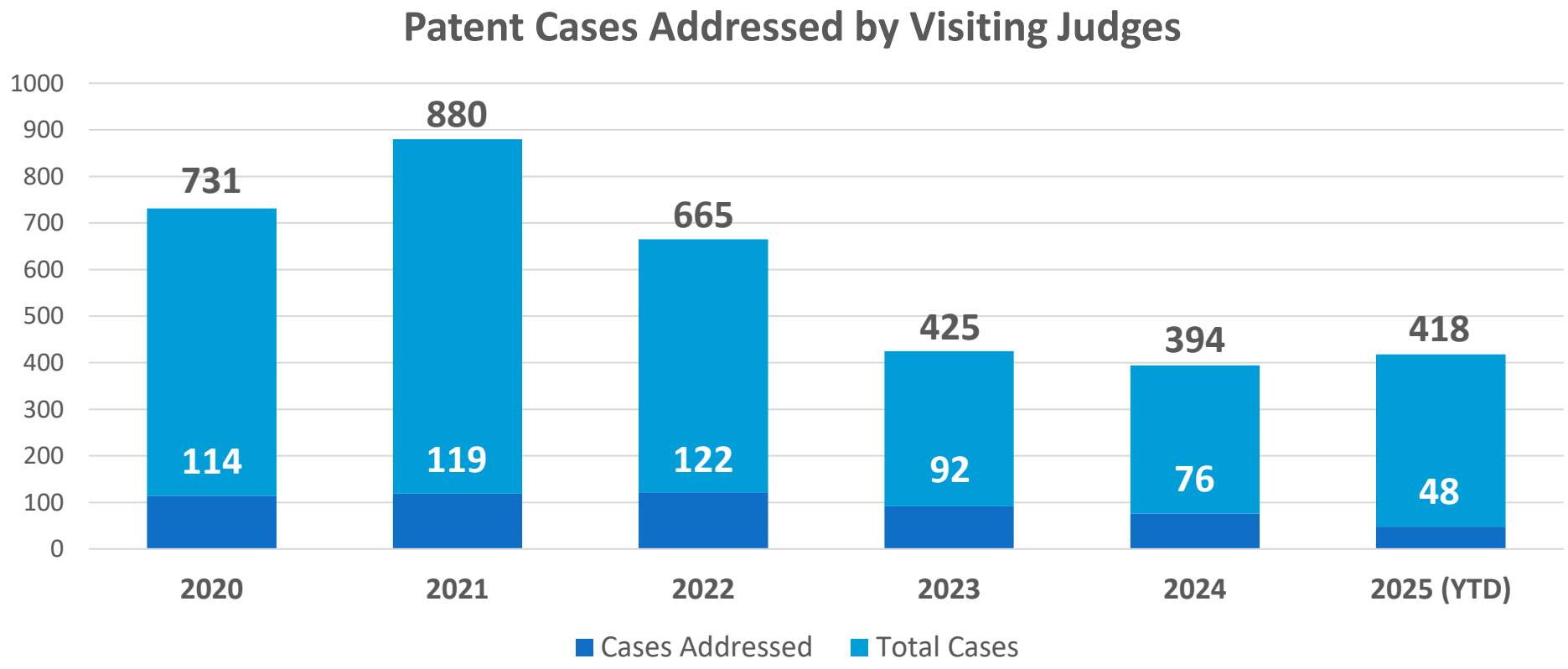
Venue Statistics: Design Patents and N.D. Illinois Over the Past Five Years



Venue Statistics: Number of Judges



Venue Statistics: Delaware Visiting Judges



Venue Statistics: Median Months to Trial for Patent Cases

Venue	2020	2021	2022	2023	2024	2025 (YTD)
District of Delaware	25	34	37	38	31	44
District of New Jersey	34	35	26	28	26	No Data
Eastern District of Texas	17	25	18	18	21	24
Eastern District of Virginia	26	No Data	45	No Data	33	No Data
Central District of California	42	54	31	37	47	No Data
Northern District of California	No Data	34	No Data	30	42	53

Dispositive Motions

- Early or Late 101 Motions
- 112 Motions
- Ranked Summary Judgment

WHEREAS, should this case proceed to trial, the asserted claims will be narrowed through the parties' disclosures and discovery and, as such, most of the claims subject to Defendant's § 101 motion will not be in issue at later stages of the case (including at trial); and

WHEREAS, it is not an efficient use of the Court's time to address the patent eligibility of almost forty claims of the [] Patent at the motion to dismiss stage, particularly where the parties dispute whether those claims are representative; THEREFORE, IT IS HEREBY ORDERED that Defendant's motion to dismiss is DENIED without prejudice to renew at summary judgment.

Local Patent Rules

- Schedule
- Set Discovery of Core Technical Documents
- Contentions
- Case Narrowing

Contentions

- When are they Due?
- Are they Preliminary or Final?
- How Much Disclosure is Required ?
- How Binding Are They?

Contentions: Standards to Amend

- N.D. Cal: "Amendment of the Infringement Contentions or the Invalidity Contentions may be made only by order of the Court upon a timely showing of good cause."
  (N.D. Cal. Patent L.R. 3.6).
- DNJ: Amendment of any contentions, disclosures or other documents required to be filed or exchanged pursuant to these Local Patent Rules may be made only by order of the Court upon a timely application and showing of good cause.
  (D. N.J. L. Pat. R. 3.7).

Case Narrowing

- Reducing Asserted Claims
- Reducing Defenses and Combinations of Defenses
- Trial Clock

THE COURT: I have a simple rule. If your mouth is talking, moving, the time is counting against you. If I'm asking you a question or your witness a question, the time counts against you.

THE COURT: Okay. ..., that means nine and three quarter hours per side. [Counsel], if they're limited to that and you're limited to that, I think that's going to tell us exactly how much the claims are going to be cut down, right?

THE COURT: And low and behold, we will have a nice streamlined trial.

Case Narrowing: Asserted Claims

- "The Court concludes that the claims that Nexus dismissed prior to trial and the defenses and counterclaims that Exela dismissed prior to trial were dismissed with prejudice."
  (*Nexus Pharms., Inc. v. Exela Pharma Scis., LLC*, 2025 U.S. Dist. LEXIS 207591 (D. Del. Oct. 21, 2025)).

- "… the [district] court recognized the possibility that the limitations on the number of claims to be asserted might be unduly restrictive. The [district] court therefore provided that more claims could be added if Katz could show that the additional claims presented unique issues."
  (*In re Katz Interactive call Processing Pat. Litig.*, 639 F.3d 1303, 1312 (Fed. Cir. 2011)).

- "Plaintiff(s) may assert no more than ten claims of any one patent and no more than 32 claims in total against any one Defendant."
  (Judge Connolly, Rule 5, Scheduling Order for Hatch-Waxman Patent Infringement Cases).

Case Narrowing Strategy

How Do You Select?

- Appealable Issue
- Story
- Diversity of Claim Scope
- Trial Time
- Credibility
- Damages/Expiration Date

When do you narrow?

- At filing
- After Core Technical Documents/ANDA produced
- Before contentions
- Before experts
- Before pretrial order

Design Patent Trends

- Impact of *LKQ Corporation v. GM Global*
- Causes of Action Commonly Asserted with Design Patents
- Best Forums for Design Patents

PTAB Proceedings

"I understand the AIA to confer rather broad-based discretion on the Director. To understand the exercise of discretion, I would need to examine bases underlying policy changes as well as operational considerations that have gone into such. **If confirmed, I would look forward to working with Acting Director Stewart, PTO management and stakeholders to ensure that the PTAB meets Congress' intent of providing a faster, cheaper and agency-based alternative inter partes proceedings as an alternative to lengthy and expensive District Court litigation.**"

PTAB Proceedings

"While the Boad has done an admirable job, performance metrics and workload structures have created the *appearance* that institution decisions affect docket size, credit and resource allocation – inviting concern that the Board may be 'filling its own docket.'"

"Returning institution authority to the Director bolsters our mission because it restores the statutory framework mandated by Congress in the America Invents Act."

Motion to Stay Pending IPR

***Security First Innovations, LLC v. International Business Machines Corporation*, No. 1:25-cv-514 (E.D. Va. Aug. 20, 2025) (District Judge Claude M. Hilton):**

- "While the Court is aware of the changes made to the USPTO's approach… whether the USPTO will discretionarily deny the IPR petitions, or deny or grant based on the merits, is irrelevant in deciding whether a stay should be issued now."

***Sandpiper CDN, LLC v. Google LLC*, No. 2:24-cv-03951-AB-RAO (C.D. Cal. Jun. 24, 2025) (District Judge André Birotte Jr.):**

- "The Court does not want to put a thumb on the scale in the new bifurcated procedures. This concern is temporary, reflects current events, and is distinct from the delay inherent in any stay. Given this temporary concern, this factor weighs in favor of a short pause rather than a full stay."

Sandpiper CDN, LLC v. Google LLC, No. 2:24-cv-03951-AB-RAO (C.D. Cal. Jun. 24, 2025)

- Complaint filed May 10, 2024 (served May 28, 2024) and amended complaint filed January 31, 2025
- On May 23, 2025, the day the parties exchanged preliminary constructions and extrinsic evidence, Google filed its motion to stay pending IPR
- The court considered the IPR timeline:

IPR	Petition Filed	Expected Discretionary Denial*	Expected Institution
2025-00806	4/14/2025	9/13/2025	11/13/2025
2025-00826	4/15/2025	9/13/2025	11/13/2025
2025-00860	5/1/2025	10/6/2025	12/6/2025
2005-00969	5/9/2025	10/9/2025	12/9/2025
2025-01010	5/23/2025	10/23/2025	12/23/2025

*The PTAB denied all requests for discretionary denial, citing the district court stay and expected FWD before trial as a primary consideration.

Litigation Funding Disclosure Trends

1. Within the later of 45 days of this Order or 30 days of the filing of an initial pleading or transfer of the matter to this District, including the removal of a state action, the party receiving such funding shall file a statement (separate from any pleading) containing the following information:

a. The identity, address, and, if a legal entity, place of formation of the Third-Party Funder(s);

b. Whether any Third-Party Funder's approval is necessary for affirmative, the nature of the terms and conditions relating to that approval; and

c. A brief description of the nature of the financial interest of the Third-Party Funder(s).

Future Developments and Trends

- Artificial Intelligence in E-discovery
- Raising 112 at Markman
- Case Narrowing
- Sufficiency of Contentions Including Combinations
- Filing Under Seal and Confidentiality

Conclusion

- Know your venue, know your judges.
- Happy hour is next! We would love to hear and discuss additional insights.

Design Patent Obviousness: *LKQ v. GM*

Elizabeth Ferrrill

Finnegan, LLP

November 2025

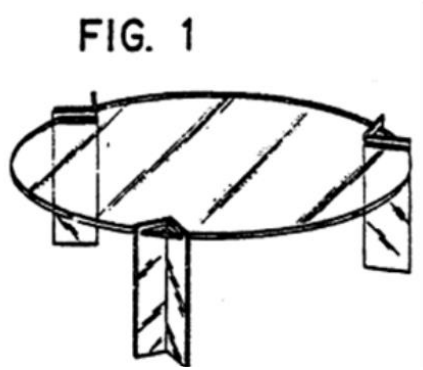
In re Rosen, 673 F.2d 388 (C.C.P.A. 1982)

USPTO Board of Appeals

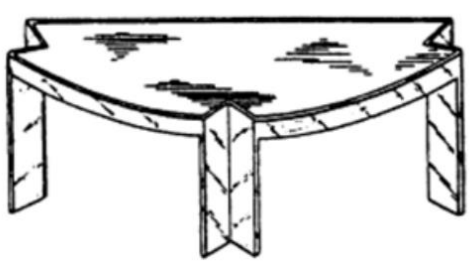
- affirmed Examiner rejection of Rosen's design for a table
- relied on combination of 4 prior art references

Court of Customs and Patent Appeals (C.C.P.A.) reversed

- There must be a reference, something in existence, the design characteristics of which are basically the same as the claimed design in order to support a holding of obviousness.
- Reference found not adequate



Applied for design



Primary reference

Durling v. Spectrum Furniture Co. 101 F.3d 100 (Fed. Cir. 1996)

The Federal Circuit overturned a district court's finding of obviousness

- The district court erred in its approach that construed Durling's design too broadly
- The construction was "a sectional sofa with integrated end tables"
- The cited art contained no prior art design that created basically the same visual impression as Durling's claimed design, and as such invalidation for obviousness was improper

Rosen-Durling Framework

- Two prong test:
  - Primary reference "something in existence [with] **basically the same**" design characteristics as the claimed design (e.g., a *Rosen* reference)
  - Optional modification of the *Rosen* reference with secondary reference(s) if they are "**so related**" such that the appearance of one would suggest application of features to the other
- Often applied in a rigid fashion by courts
- Few design found obvious

LKQ v. GM – Background

- GM sues LKQ for design patent infringement in federal court
- LKQ counters with IPR/PGRs of the design patents at issue
- PTAB determines the design patent to be valid over the prior art on both anticipation and nonobviousness grounds (no *Rosen* reference)
- LKQ appeals to Federal Circuit
- Panel affirms PTAB
- LKQ requests rehearing en banc

LKQ v. GM – Questions on En Banc

- Does *KSR* overrule or abrogate *Rosen* or *Durling*?
- If not, does *KSR* nonetheless apply to design patents and suggest the court should eliminate or modify the *Rosen-Durling* test? ("an expansive and flexible approach")
- If the court were to eliminate or modify the *Rosen-Durling* test, what should the test be for evaluating design patent obviousness challenges?
- Has any precedent from this court already taken steps to clarify the *Rosen-Durling* test? If so, please identify whether those cases resolve any relevant issues.
- Given the length of time in which the *Rosen-Durling* test has been applied, would eliminating or modifying the design patent obviousness test cause uncertainty in an otherwise settled area of law?
- To the extent not addressed in the responses to the questions above, what differences, if any, between design patents and utility patents are relevant to the obviousness inquiry, and what role should these differences play in the test for obviousness of design patents?

Amicus Briefs

- In support of LKQ (*for a changed test)*
  - Eagle Eyes Traffic Industrial Co., Ltd.
  - American Property Casualty Insurance Association
  - National Association of Mutual Insurance Companies
  - Certified Automotive Parts Association
  - Taiwan Autobody Parts
  - AutoCare Association
  - The Digital Right to Repair Association
  - Securepairs
  - iFixit
  - US Public Interest Research Group, Inc.
  - Patent law Professors
  - Automotive Body Parts Association

Amicus Briefs

- In support of LKQ (*for the original test)*
  - Hyundai Motor Company
  - Rivian Automotive
  - Apple
  - Industrial Designers Society of America
  - Ford Motor Company

- In support of neither party
  - United States
  - American Intellectual Property Law Association (AIPLA)
  - New York Intellectual Property Law Association
  - Institute for Design Science and Public Policy

LKQ v. GM – En Banc Opinion

- "Overrules" *Rosen-Durling*
- Comments on "Basically the same"
  - "Rigid requirement"
  - "Imposes limitations absent from § 103's broad and flexible standard"
  - "Inconsistent with the Supreme Court's analysis in *Whitman Saddle*"
- Comments on "So related"
  - "[S]tatute gives no indication that a secondary prior art reference need be 'so related'"
  - "Analogous to the teaching-suggestion-motivation test rejected by the Supreme Court in *KSR*"
  - Also "inconsistent" with *Whitman Saddle*

LKQ v. GM – Analogous Art

Rosen-Durling Test	LKQ Decision	Change?
Single-reference obvious arguments have been found to not be "proper" where the single-reference is non-analogous. See M.P.E.P. 1504.03 (II).	Federal Circuit reaffirmed that references in the obviousness analysis, all references (primary or secondary) must be "analogous art."	No.
If prior art is analogous is a question of fact for the factfinder (jury).	Whether a prior art reference is analogous art is a fact question.	No

LKQ v. GM – Primary Reference

Rosen-Durling Test	LKQ Decision	Change?
The first (primary) reference must be "in existence".	Same	No
The primary reference must have "the design characteristics [that] are basically the same as the claimed design." *Durling*.	"The primary reference will likely be the closest prior art, i.e., the prior art design that is most visually similar to the claimed design. The more visually similar the primary reference design is to the claimed design, the better positioned the patent challenger will be to prove its § 103 case."	**Change in the law.**

LKQ v. GM – Primary Reference

Rosen-Durling Test	LKQ Decision	Change?
Primary reference may render the claimed design obvious without additional references.	Primary reference may render the claimed design obvious without additional references.	No

LKQ v. GM – Designer of Ordinary Skill

Rosen-Durling Test	LKQ Decision	Change?
"[T]he fictitious person identified in § 103 as 'one of ordinary skill in the art' to be the designer of ordinary capability who designs articles of the type presented in the application." *In re Nalbandian*, 661 F.2d 1214, 1216 (CCPA 1981).	No change; Federal Circuit cites same case law.	No.
Primary references may be combined with secondary references.	"Where a primary reference alone does not render the claimed design obvious, secondary references may be considered." Slip op. at 26.	No.

LKQ v. GM – Motivation to Combine

Rosen-Durling Test	LKQ Decision	Change?
Secondary reference could be combined with a primary reference if the secondary reference was "so related" to the primary reference.	Federal Circuit no longer requires that the primary and secondary references be "so related." "But there must be some record-supported reason (without hindsight) that an ordinary designer in the field of the article of manufacture would have modified the primary reference with the feature(s) from the secondary reference(s) to create the same overall appearance as the claimed design." Slip op. at 26.	**Change in the law.** Here, the LKQ test is more flexible than the Rosen-Durling test. Allows consideration of additional information beyond the visual qualities of the primary and secondary references.

LKQ v. GM – Motivation to Combine

Rosen-Durling Test	LKQ Decision	Change?
Motivation is typically limited to consideration of the visually qualities of the primary and secondary references.	"Consistent with KSR, the motivation to combine these references need not come from the references themselves." Slip op. at 26.	**Change in the law.** Here, the LKQ test is also more flexible than the *Rosen-Durling* test, allowing the challengers to reach outside of the primary and secondary references for evidence of motivation to combine.

LKQ v. GM – Secondary Considerations

Rosen-Durling Test	LKQ Decision	Change?
Obviousness inquiry requires the assessment of secondary considerations, when presented by the patent owner. Relevant secondary considerations for design patents include: commercial success, industry praise (including design awards), copying by competitors.	Court reaffirmed these secondary considerations and left open whether "long felt, but unsolved needs" and "failures of others" apply in the design patent context. (These are both considerations in the utility patent obviousness context.) Slip op. at 27.	No.

LKQ v. GM – Summary

- Analogous art
- Identity of Designer/Person of Ordinary Skill
- Motivation to Combine
- Secondary Considerations of Non-obviousness

All Questions of Fact

Takeaways

Little change to the law, *but* likely:

- More involved claim construction proceedings
- Less dispositive summary judgment decisions
- More questions of fact to be decided at trial
  - Importance of theme/story
  - More evidence to be presented to the jury
  - Need compelling expert witness to tie it all together
- Appeal may be less successful given standard of review of questions of fact
- Additional uncertainty for both parties

Speaker Information

Elizabeth D. Ferrill

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- Focuses her practice on all aspects of design patents, including prosecution, counseling, and litigation
- Extensive experience in utility patent litigation in the areas of software- and hardware-related technologies

Disclaimer

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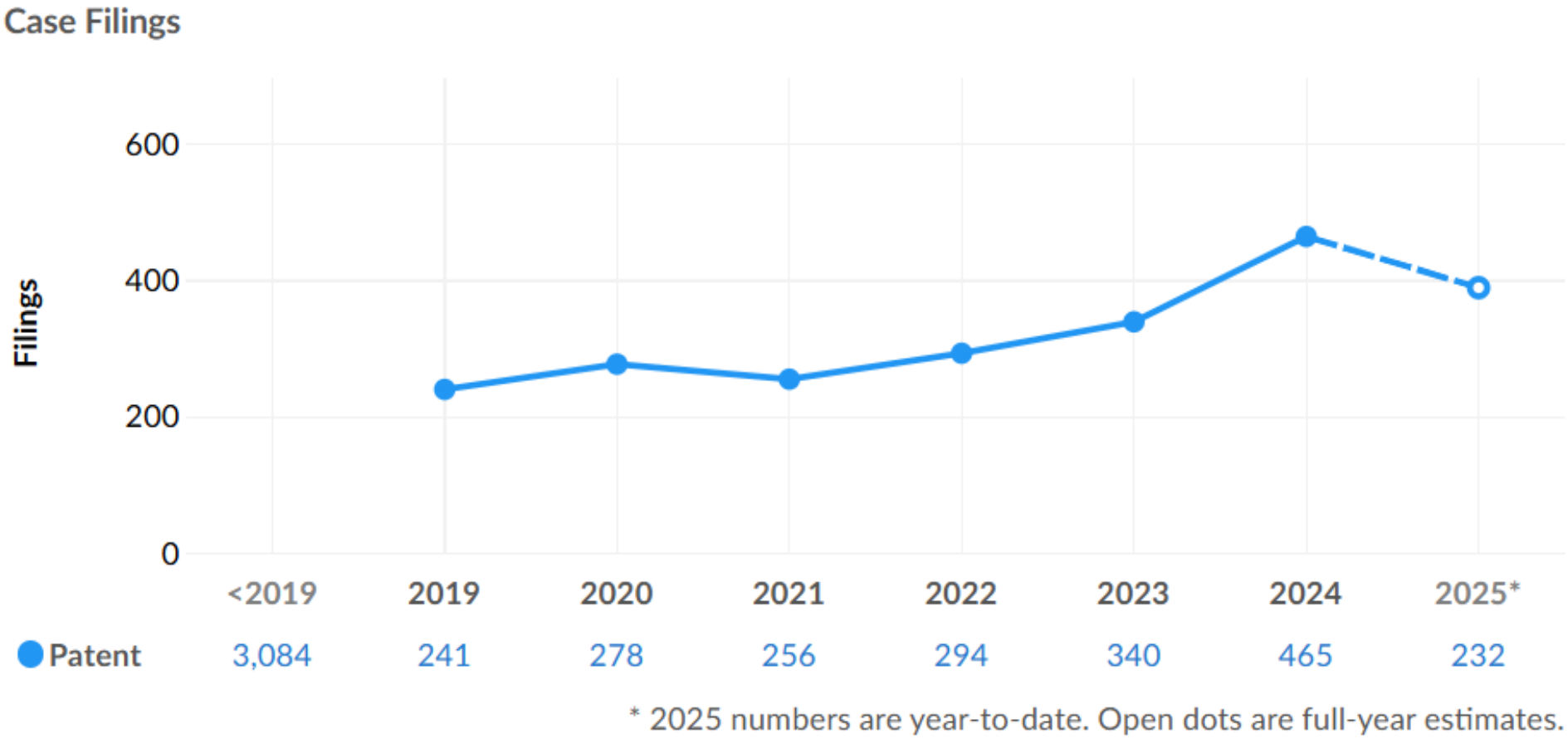
Design Patent Schedule A Cases

Elizabeth Ferrrill

Finnegan, LLP

November 2025

Design Patent Case Filings – All Districts



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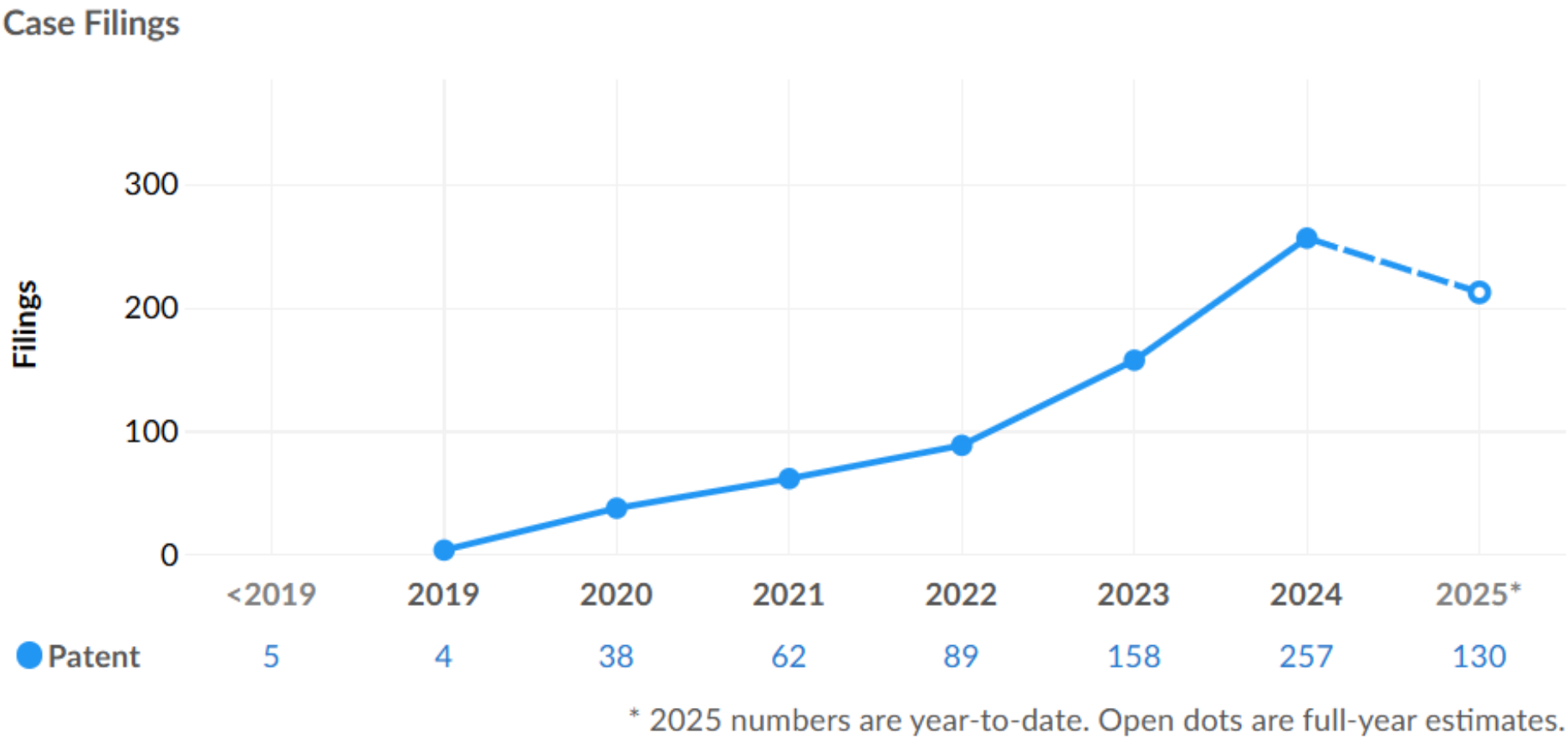
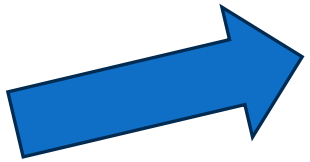
Design Patent Case Filings – Only "Schedule A"



"Schedule A" Concentrated in N.D. Illinois

Distribution of All Design Patent Cases

Courts		
C.D.Cal.	925	18%
N.D.Ill.	887	17%
S.D.N.Y.	313	6%
S.D.Fla.	209	4%
D.N.J.	172	3%
Other Courts	2,684	52%



Distribution of Schedule A Design Patent Cases

Courts		
N.D.Ill.	603	81%
S.D.Fla.	75	10%
W.D.Pa.	18	2%
S.D.N.Y.	11	1%
E.D.Va.	6	1%
Other Courts	30	4%

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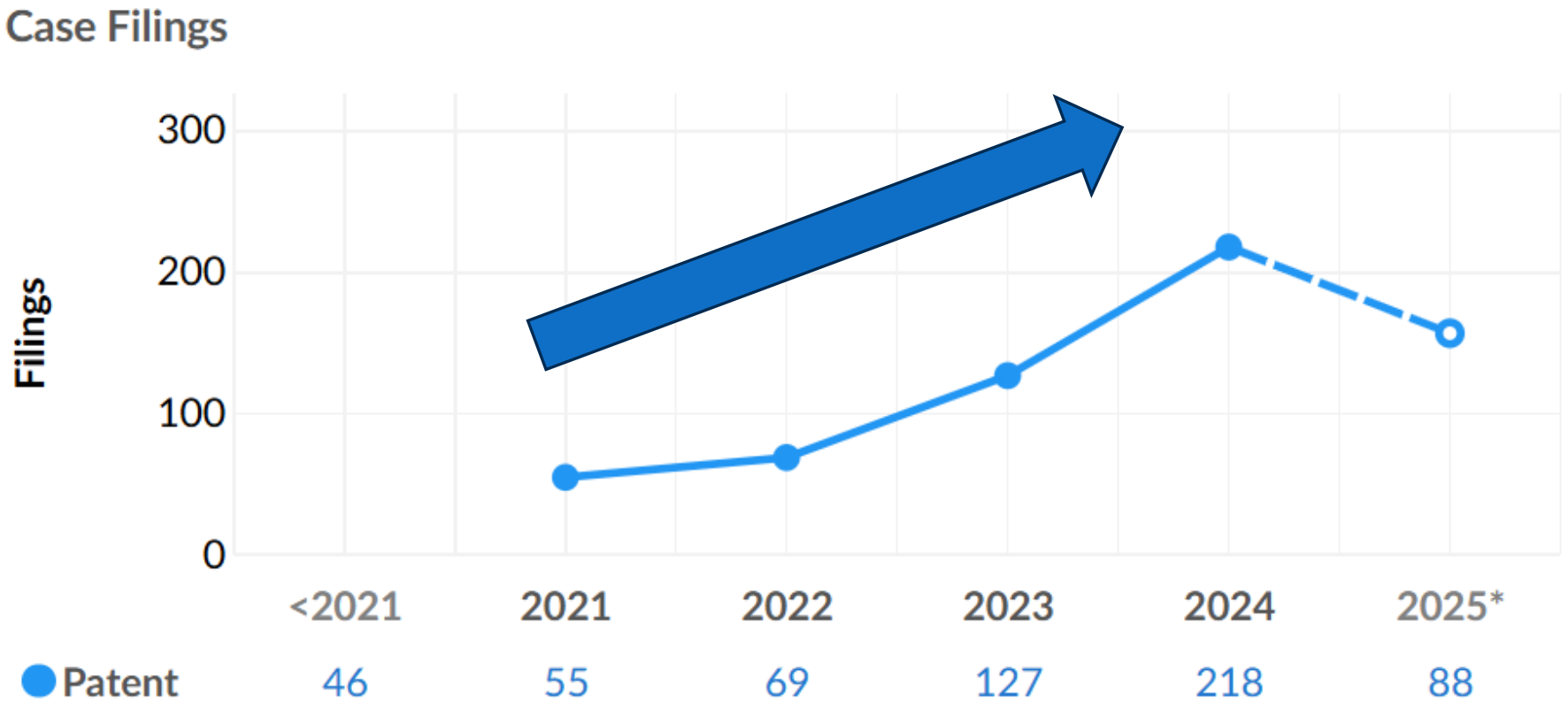
Design Patent Case Filings – Only "Schedule A" in NDIL



The "Well-Worn" Path of the "Schedule A" Case

- Plaintiff files complaint, under seal & sometimes with pseudonym
  - With *ex parte* request for temporary restraining order
  - With request to freeze assets with marketplace
- Defendants are a voluminous list of accused infringers who sell in online marketplaces – e.g., 25-160+
  - Names of defendants are sealed – so-called "Schedule A"
- TRO is taken to online marketplace to freeze assets
- Request for service by email
- Quick resolution – dismissal, settlement, or default judgment

Potential Issues

- Personal Jurisdiction
- Notice of lawsuit
- AIA misjoinder
- Evidence
  - Low quality evidence
  - Not particularized
  - Diligence
- Entitlement to Asset Restraint
- Lack of adversarial process
- Lack of fee shifting or sanctions

Parting Thoughts

- "The TRO seems to be the whole game." – Prof. Sarah Fackrell
- "[L]egal scholars and judges have increasingly recognized, in part due to the deluge of Schedule A cases filed in only a small number of judicial districts, the Schedule A mechanism works only by stretching applicable procedural rules past their breaking point." – Judge Kness, NDIL
- Although the scourge of intellectual property theft and abuse is real, persistent, and highly damaging, the remedy for that problem must be sought by other means." – Judge Kness, NDIL

Speaker Information

Elizabeth D. Ferrill

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DIGIMEDIA TECH, LLC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No. 21-227 (MN)
	)	
LENOVO (UNITED STATES), INC., and MOTOROLA MOBILITY LLC,	)	
	)	
	)	
Defendants.	)	

ORDER

At Wilmington this 8th day of February 2022:

WHEREAS, on February 18, 2021, Plaintiff initiated a patent-infringement action against Defendants, alleging infringement of various claims of U.S. Patent Nos. 6,473,532 ("the '532 Patent"), 6,741,250 ("the '250 Patent"), 6,744,818 ("the '818 Patent"), and 6,684,220 ("the '220 Patent") (D.I. 1);

WHEREAS, on June 25, 2021, Plaintiff filed a First Amended Complaint, which added allegations of infringement of claims of U.S. Patent Nos. 6,545,706 ("the '706 Patent"), 7,715,476 ("the '476 Patent"), 6,606,287 ("the '287 Patent"), and 6,567,086 ("the '086 Patent"), and maintained its previous infringement allegations (D.I. 13);

WHEREAS, on August 9, 2021, Defendants moved to partially dismiss the First Amended Complaint, arguing that *all* claims of the '250, '086, '706, and '476 Patents are patent-ineligible under 35 U.S.C. § 101, and that Plaintiff failed to state a claim with respect to direct infringement of asserted method claims of the '476, '532, and '287 Patents (D.I. 21, 22);

WHEREAS, on November 19, 2021, Court conducted a teleconference to notify the parties that ruling on more than one hundred claims' patent-eligibility without any agreement about

representativeness was not a good use of judicial resources, and encouraged the parties to narrow their dispute (D.I. 43);

WHEREAS, on December 16, 2021, Plaintiff narrowed the claims it was asserting, but claimed that its efforts to narrow claims were "hampered by Defendants' failure to produce comprehensive core technical documents" (D.I. 41);

WHEREAS, after Plaintiff's narrowing, Defendants' motion to dismiss still challenges thirty-four claims' eligibility without any agreement about representativeness, and Defendants have stated that regardless of the Court's ruling on the current motion they intend to "challenge the patent ineligibility of the other asserted patents later in this case" at an unspecified later date (*See* D.I. 22 at 2 n.4).

WHEREAS, should this case proceed to trial, the asserted claims will be narrowed through the parties' disclosures and discovery and, as such, most of the claims subject to the Defendants' § 101 motion will not be in issue at later stages of the case (including at trial);

WHEREAS, it is not an efficient use of the Court's time to address the patent eligibility of thirty-four claims from some (but not all) of the asserted patents at the motion to dismiss stage, particularly where the parties dispute whether those claims are representative and Defendants assert that they plan to challenge other patents under § 101 at a later date; and

WHEREAS, as related to the claims of direct infringement, Plaintiff has met the standard for pleading direct infringement under *Disc Disease* by alleging that Defendants use products that incorporate the claimed methods, and that the use of those products meets all the limitations of the asserted method claims of the '476, '532, and '287 Patents (*see* D.I. 13 ¶¶ 109–10, 137–38, 142–43; D.I. 13-17; D.I. 13-22; D.I. 13-23).

THEREFORE, IT IS HEREBY ORDERED that Defendants' motions to dismiss are DENIED. To the extent that issues involving Defendants' direct infringement or patent eligibility remain, Defendants may, to the extent appropriate, raise the issues at summary judgment or trial.

The Honorable Maryellen Noreika
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ROKU, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No. 21-1035 (MN)
	)	
ALMONDNET, INC. and INTENT IQ, LLC,	)	
	)	
	)	
Defendants.	)	

ORDER

At Wilmington this 10th day of May 2022:

WHEREAS, on July 15, 2021, Plaintiff initiated this action against Defendants AlmondNet, Inc., and Intent IQ, LLC ("Defendants"), seeking a declaratory judgment of noninfringement of any valid and enforceable claim of U.S. Patent Nos. 8,677,398 ("the '398 Patent"), 10,715,878 ("the '878 Patent"), 7,822,639 ("the '639 Patent"), 8,244,586 ("the '586 Patent"), 10,026,100 ("the '100 Patent"), 10,628,857 ("the '857 Patent"), 8,566,164 ("the '164 Patent"), 8,595,069 ("the '069 Patent"), or 10,321,198 ("the '198 Patent") (collectively, "the Asserted Patents") (*see generally* D.I. 1);

WHEREAS, in response, on August 27, 2021, Defendants filed an answer and counterclaim of infringement of all claims of the Asserted Patents (D.I. 12);

WHEREAS, on October 1, 2021, Plaintiff moved to dismiss Defendants' infringement counterclaims on the '398, '878, '164, '069, and '198 Patents (collectively, "the Targeted Advertising Patents") arguing that the claims of the Targeted Advertising Patents are directed to ineligible subject matter under 35 U.S.C. § 101 (D.I. 24; 25);

WHEREAS, Plaintiff's motion does not precisely specify which claims' eligibility it is challenging (*see* D.I. 24), but in any event details challenges to more than sixty claims' eligibility (*see* D.I. 25, 31) without any agreement about representativeness (s*ee* D.I. 25 at 12–13, 18–20; D.I. 29 at 11–12);

WHEREAS, should this case proceed to trial, the asserted claims will be narrowed through the parties' disclosures and discovery and, as such, most of the claims subject to the Plaintiff's § 101 motion will not be in issue at later stages of the case (including at trial); and

WHEREAS, it is not an efficient use of the Court's time to address the patent eligibility of over sixty claims of the Targeted Advertising Patents at the motion to dismiss stage, particularly where the parties dispute whether those claims are representative;

THEREFORE, IT IS HEREBY ORDERED that Plaintiff's motion to dismiss is DENIED without prejudice to renew at summary judgment with respect to the § 101 issues.

Maryellen Noreika

The Honorable Maryellen Noreika
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ADAPTIVE AVENUE ASSOCIATES, INC.,	)	
Plaintiff,	)	
v.	)	C.A. No. 21-1786 (MN)
MICRO ELECTRONICS, INC.,	)	
Defendant.	)	

ORDER

At Wilmington this 17th day of May 2022:

WHEREAS, on December 22, 2021, Plaintiff initiated this patent infringement action against Defendant alleging infringement of U.S. Patent No. 7,171,629 ("the '629 Patent") (*see generally* D.I. 1);

WHEREAS, in response, on February 18, 2022, Defendant moved to dismiss Plaintiff's complaint, arguing that the claims of the '629 Patent are directed to ineligible subject matter under 35 U.S.C. § 101 (D.I. 10 & 11);

WHEREAS, Defendant's motion challenges the eligibility of all thirty-six claims of the '629 Patent, with only a conclusory statement that one of those claims (claim 11) is representative of the other thirty-five claims, and Plaintiff disputes that claim 11 is representative (s*ee* D.I. 11 at 7, 13; *see also* D.I. 17 at 20);

WHEREAS, should this case proceed to trial, the asserted claims will be narrowed through the parties' disclosures and discovery and, as such, most of the claims subject to Defendant's § 101 motion will not be in issue at later stages of the case (including at trial); and

WHEREAS, it is not an efficient use of the Court's time to address the patent eligibility of almost forty claims of the '629 Patent at the motion to dismiss stage, particularly where the parties dispute whether those claims are representative;

THEREFORE, IT IS HEREBY ORDERED that Defendant's motion to dismiss is DENIED without prejudice to renew at summary judgment.

Maryellen Noreika

The Honorable Maryellen Noreika
United States District Judge

COLUMBIA LAW REVIEW FORUM

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A SAD SCHEME OF ABUSIVE INTELLECTUAL PROPERTY LITIGATION

*Eric Goldman**[1]

This Piece describes a sophisticated but underreported system of mass-defendant intellectual property litigation called the "Schedule A Defendants Scheme" (the "SAD Scheme"), which occurs most frequently in the Northern District of Illinois and principally targets online merchants based in China. The SAD Scheme capitalizes on weak spots in the Federal Rules of Civil Procedure, judicial deference to IP rightsowners, and online marketplaces' liability exposure. With substantial assistance from judges, rightsowners can use these dynamics to extract settlements from online merchants without satisfying basic procedural safeguards like serving the complaint and establishing personal jurisdiction over defendants. This paper explains the scheme, how it bypasses standard legal safeguards, how it has affected hundreds of thousands of merchants, and how it imposes substantial costs on online marketplaces, consumers, and the courts. The Piece concludes with some ideas about ways to curb the system.

INTRODUCTION

This Piece identifies an underreported system of abusive intellectual property (IP) litigation.[2] Indeed, the system is so obscure that it doesn't

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1. In 2021, the author filed a declaration in a SAD Scheme case in support of a defendant's motion for attorneys' fees. See Declaration of Dean Eric Goldman at 3, Emoji Co. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto, No. 21-cv-1739 (N.D. Ill. filed Aug. 16, 2021), https://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=3534&context=historical [https://perma.cc/YS6W-JAUV] [hereinafter Emojico Declaration].

2. For prior work on mass-defendant intellectual property enforcement, see generally Shyamkrishna Balganesh & Jonah B. Gelbach, Debunking the Myth of the

have an official name yet. This paper calls it the "Schedule A Defendants" scheme (the "SAD Scheme") because the rightsowner-plaintiffs often identify the defendants[3] in a separately filed and sealed "Schedule A"[4] attachment to the complaint.

Rightsowners use the SAD Scheme to combat the sale of allegedly infringing[5] items via online marketplaces (such as Amazon and Wish)[6] by

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Copyright Troll Apocalypse, 101 Iowa L. Rev. Online 43 (2016), https://ilr.law.uiowa.edu/sites/ilr.law.uiowa.edu/files/2023-01/Balganesh_Gelbach.pdf [https://perma.cc/VK2H-UN4D] (suggesting that some legal literature defines the phenomenon of "copyright trolls," who acquire copyrights solely to litigate copyright infringement, too broadly and overstates the problem within the United States); Shyamkrishna Balganesh, The Uneasy Case Against Copyright Trolls, 86 S. Cal. L. Rev. 723 (2013) (discussing the connection between the policy goals of copyright enforcement and the problematic rise of copyright trolls); Colleen V. Chien, Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents, 87 N.C. L. Rev. 1571 (2009) (evaluating litigation data of high-tech patents to highlight the most common types of patent suits and who is most likely to bring the claim); Brad A. Greenberg, Copyright Trolls and Presumptively Fair Uses, 85 U. Colo. L. Rev. 53 (2014) ("[C]ourts should impose a presumptive bar on troll-related litigation. Such burden shifting is warranted under traditional fair use analysis . . . ."); Brad A. Greenberg, Copyright Trolls and the Common Law, 100 Iowa L. Rev. Bulletin 77 (2015) (concluding that trolling-related litigation is best addressed through ad hoc judicial determinations rather than per se legislative classifications), https://ilr.law.uiowa.edu/sites/ilr.law.uiowa.edu/files/2023-01/Greenberg.pdf [https://perma.cc/SRV6-536V]; Michael S. Mireles, Trademark Trolls: A Problem in the United States?, 18 Chap. L. Rev. 815 (2015) ("[T]his Paper discusses patent trolls and separates 'trolling behavior' from other troubling trademark enforcement practices such as 'bullying.' This Paper then gives the reasons why trademark trolls are likely not a problem in the United States."); Matthew Sag, Copyright Trolling, An Empirical Study, 100 Iowa L. Rev. 1105 (2015) (discussing multi-defendant John Doe lawsuits); Matthew Sag & Jake Haskell, Defense Against the Dark Arts of Copyright Trolling, 103 Iowa L. Rev. 571 (2018) (proposing a legal framework for defending against copyright trolls).

3. There are many variations, but a typical SAD Scheme complaint caption might refer to the defendants as "the Individuals, Corporations, Limited Liability Companies, Partnerships, and Unincorporated Associations Identified on Schedule A Hereto." See infra note 15 and accompanying text.

4. In addition to "Schedule A," plaintiffs have also used the titles "Exhibit 1," "Exhibit A," "Annex A," and other synonyms. See infra Part III.

5. Rightsowners may overclaim infringement. For example, a SAD rightsowner-plaintiff may characterize the defendants' items as "counterfeits," even when those items are noninfringing knockoff goods, gray market goods, goods that have leaked out of the rightsowner's official distribution channels, used or refurbished goods, or otherwise noninfringing goods. See generally Sarah Burstein, Guest Post, Against the Design-Seizure Bill, Patently-O (Jan. 3, 2020), https://patentlyo.com/patent/2020/01/against-design-seizure.html [https://perma.cc/XC4K-2PYG] [hereinafter Burstein, Against the Design-Seizure Bill] (discussing how "counterfeit" allegations may be rhetorically deceptive).

6. Rightsowners also sometimes use the SAD Scheme against nonmarketplace service providers such as payment processors and other financial institutions. This Piece doesn't separately address the unique considerations these nonmarketplace players may encounter, but much of the Piece's analysis about marketplaces applies equally to the other service providers.

third-party merchants.[7] The rightsowners bring lawsuits on an ex parte basis and obtain injunctions that freeze the merchant's relationship with online marketplaces.[8] Most SAD Scheme cases are trademark lawsuits filed in the Northern District of Illinois.[9] The SAD Scheme has likely affected hundreds of thousands of online merchants and deprived the federal government of a quarter-billion dollars of court filing fees.[10]

The SAD Scheme addresses an ongoing problem for rightsowners:[11] how to cost-effectively redress high volumes of infringement in online marketplaces,[12] especially when the alleged infringers are located in China or other foreign countries and hide their identities and locations.[13] Unfortunately, the SAD Scheme advances this goal by subverting existing intellectual property and civil procedure rules. Each step in this process superficially appears to comply with the applicable rules, but the combination of ex parte proceedings and extrajudicial actions by the online marketplaces produces unjust outcomes, including unwarranted settlements.

Thus, the SAD Scheme goes far beyond just curbing online infringement and instead causes substantial harm to innocent

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7. Samuel Baird & Noel Paterson, How Some Brands Are Successfully—and Cost-Effectively—Combating Online Counterfeiters, IPWatchdog (Oct. 13, 2022), https://ipwatchdog.com/2022/10/13/brands-successfully-cost-effectively-combating-online-counterfeiters/id=152088/ [https://perma.cc/U2MN-CUNK].

8. Id.

9. See infra Part II.

10. See infra Part II.

11. Rightsowners can always take advantage of the copyright notice-and-takedown provisions of 17 U.S.C. § 512 or the de facto notice-and-takedown scheme for trademarks suggested by Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 99–107 (2d Cir. 2010). Instead, at least some rightsowners apparently have adopted the SAD Scheme as their preferred alternative to the venerable notice-and-takedown approach.

12. "Brand owners and their attorneys view the lawsuits as one of the few available tactics to counter an enormous rise in counterfeit merchandise flowing into the US from elusive foreign sellers." Riddhi Setty & Isaiah Poritz, Brands Flock to Chicago Court in War on Internet Counterfeiters, Bloomberg L. (Apr. 5, 2023), https://www.bloomberglaw.com/product/blaw/bloomberglawnews/ip-law/BNA%2000000187-3842-d882-abcf-f85a8b3d0001 (on file with the *Columbia Law Review*).

Rightsowners increasingly may be able to locate and sue online marketplace merchants due to laws like the Arkansas Online Marketplace Consumer Inform Act, which requires some merchants to publicly display a physical address, Act 555, ch. 119, 2021 Ark. Acts 2450 (codified at Ark. Code Ann. § 4-119-103(a)(2)(B) (2023)), and the similar INFORM Consumers Act passed by Congress in 2022, Collection, Verification, and Disclosure of Information by Online Marketplaces to Inform Consumers, Pub. L. No. 117-328, sec. 301, 136 Stat. 5555 (2022) (codified at 15 U.S.C.A. § 45f (2023)). China's recent Electronic Commerce Law might also facilitate locating and suing these merchants. See Daniel C.K. Chow, Strategies to Combat Internet Sales of Counterfeit Goods, 52 Seton Hall L. Rev. 1053, 1071–81 (2022).

13. Dave Bryant, How Chinese Sellers Are Manipulating Amazon in 2023, EcomCrew (Aug. 2, 2023), https://www.ecomcrew.com/chinese-sellers-manipulating-amazon/ [https://perma.cc/578U-CWXJ] (last updated Aug. 21, 2023) (estimating that nearly two-thirds of Amazon marketplace merchants are based in China).

merchants,[14] online marketplaces, and marketplace consumers. It also undermines public trust and confidence in the courts. Although eliminating the SAD Scheme will undoubtedly make it costlier for rightsowners to do their enforcement work, the rule of law requires it.

Part I of the Piece describes how the SAD Scheme works. Part II quantifies its prevalence. Part III describes how the SAD Scheme abuses the legal system. Part IV discusses some ways to curb the SAD Scheme.

I. HOW THE SAD SCHEME WORKS

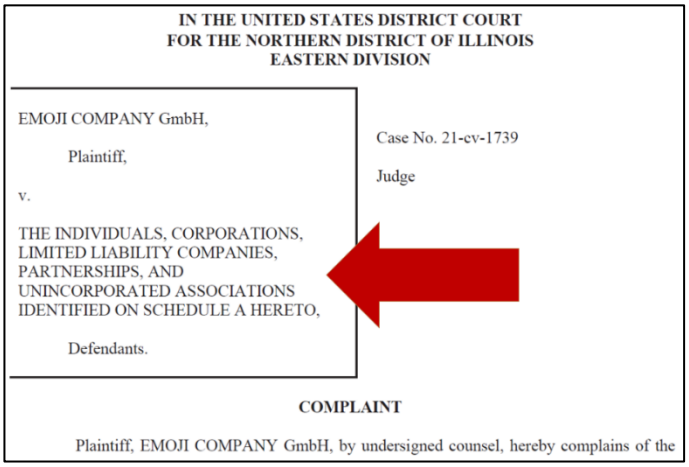
This Part describes how the SAD Scheme works and provides a case study of an abusive SAD Scheme lawsuit.

A. *The SAD Scheme in Eight Steps*

Rightsowners use the SAD Scheme to redress purported infringement taking place in online marketplaces. A rightsowner will identify a cohort of defendant-merchants whose marketplace listings suggest that the merchants are selling items that infringe the rightsowner's IP rights. After developing a cohort of potential defendants, the rightsowner proceeds using this eight-step protocol:

Step 1. A rightsowner files a complaint with a caption referencing defendants listed on a Schedule A, as indicated by the red arrow below:[15]

FIGURE 1. EXAMPLE GENERIC DEFENDANT NAME ON COMPLAINT


IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

EMOJI COMPANY GmbH,

Plaintiff,

v.

THE INDIVIDUALS, CORPORATIONS, LIMITED LIABILITY COMPANIES, PARTNERSHIPS, AND UNINCORPORATED ASSOCIATIONS IDENTIFIED ON SCHEDULE A HERETO,

Defendants.

Case No. 21-cv-1739

Judge

COMPLAINT

Plaintiff, EMOJI COMPANY GmbH, by undersigned counsel, hereby complains of the

14. See Setty & Poritz, supra note 12 (citing William Stroever, an attorney at Cole Schotz PC, as "acknowledg[ing] that non-infringing sellers may get tied up in these suits, but . . . [saying] that's an inevitable risk with all kinds of litigation").

15. Complaint at 1, Emoji Co. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto, No. 21-cv-1739 (N.D. Ill. filed Mar. 31, 2021). This and other images in this Piece are on file with the *Columbia Law Review*.

The complaint will generically contain sparse factual assertions that are not particularized to any defendant, which makes it easy to clone-and-revise the complaint for subsequent cases.

Step 2. The rightsowner files the Schedule A defendant list separately from the complaint (with a different docket entry number) and asks the judge to seal it. An example docket:[16]

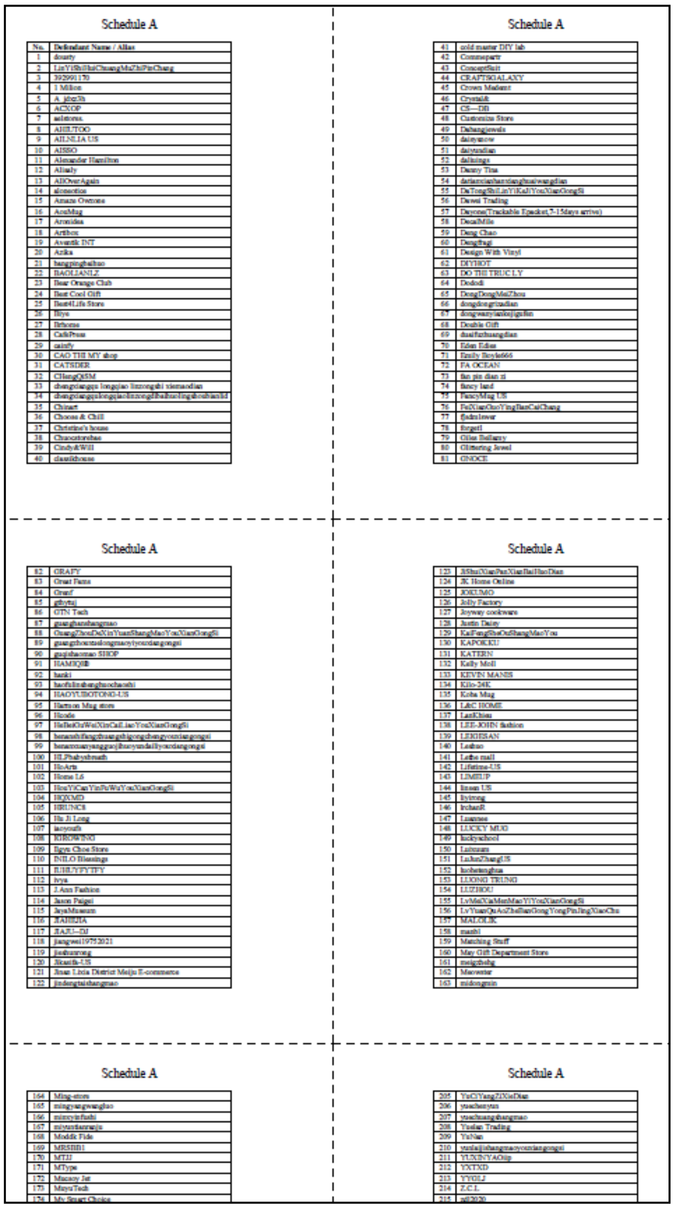
FIGURE 2. EXAMPLE DOCKET WITH SCHEDULE A DEFENDANT FILING

☐ 1	Aug. 07, 2020	View	COMPLAINT filed by John Doe; Jury Demand. Filing fee $ 400, receipt number 0752-17293091.(Hierl, Michael) (Entered: 08/07/2020)
☐ 2	Aug. 07, 2020	Request	SEALED DOCUMENT by Plaintiff John Doe Exhibit 1 (Hierl, Michael) (Entered: 08/07/2020)
☐ 3	Aug. 07, 2020	Request	CIVIL Cover Sheet (Hierl, Michael) (Entered: 08/07/2020)
☐ 4	Aug. 07, 2020	Request	ATTORNEY Appearance for Plaintiff John Doe by Michael A. Hierl (Hierl, Michael) (Entered: 08/07/2020)
☐ 5	Aug. 07, 2020	Request	ATTORNEY Appearance for Plaintiff John Doe by William Benjamin Kalbac (Kalbac, William) (Entered: 08/07/2020)
☐ 6	Aug. 07, 2020	Request	MOTION by Plaintiff John Doe to seal document Plaintiff's Motion for Leave to File Under Seal (Hierl, Michael) (Entered: 08/07/2020)
☐ 7	Aug. 07, 2020	Request	SEALED DOCUMENT by Plaintiff John Doe Sealed Schedule A (Hierl, Michael) (Entered: 08/07/2020)

16. Court Docket, Emoji Co. v. ARIELA_BRIGER, No. 1:20-cv-04645 (N.D. Ill. Aug. 4, 2021) (on file with the *Columbia Law Review*). This screenshot was taken on July 12, 2023. Observe that this rightsowner hid its identity. See supra note 18 and accompanying text.

The actual contents of a Schedule A may be a threadbare list of defendant names, such as this example:[17]

FIGURE 3. EXAMPLE LIST OF SCHEDULE A DEFENDANTS



Schedule A

No.	Defendant Name / Alias
1	dourty
2	LinYiShiHuiChuangMuZhiPinChang
3	392991170
4	1 Milion
5	A_jdsz3h
6	ACXOP
7	aelstores
8	AHIUTOO
9	AILNLIA US
10	AISSO
11	Alexander Hamilton
12	Aliasly
13	AllOverAgain
14	alonsotion
15	Amaze Owtons
16	AoaMug
17	Aronidea
18	Artibox
19	Avantik INT
20	Azika
21	bangpingbaihao
22	BAOLIANLZ
23	Bear Orange Club
24	Best Cool Gift
25	Best4Life Store
26	Bliye
27	Brhome
28	CafePress
29	cainfy
30	CAO THI MY shop
31	CATSDER
32	CHengQiSM
33	chengdiangqu longqiao linzongshi xiemaodian
34	chengdiangqulongqiaolinzongdibaihuolingshoubianlid
35	Chinart
36	Choose & Chill
37	Christine's house
38	Chuocstorehao
39	Cindy&Will
40	clasulchouse

Schedule A

41	cold master DIY lab
42	Commepartr
43	ConceptSuit
44	CRAFTSGALAXY
45	Crown Madant
46	Crystal&
47	CS—DB
48	Customize Store
49	Dabangjewels
50	daisysnow
51	daiyundian
52	dalisings
53	Danny Tina
54	darianxianbaoxianghuaiwangdian
55	DaTongShiLinYiKaJiYouXianGongSi
56	Dawei Trading
57	Dayone(Trackable Epacket,7-15days arrive)
58	DecalMile
59	Deng Chao
60	Dengfugi
61	Design With Vinyl
62	DIYHOT
63	DO THI TRUC LY
64	Dododi
65	DongDongMeiZhou
66	dongdongrizadian
67	dongwanyiankejigufen
68	Double Gift
69	dualfuzhuangdian
70	Eden Edies
71	Emily Boyle666
72	FA OCEAN
73	fan pin dian zi
74	fancy land
75	FancyMug US
76	FeiXianOuoYingBanCaiChang
77	fjadmlewar
78	forgetl
79	Giles Bellamy
80	Glittering Jewel
81	GNOCE

Schedule A

82	GRAFY
83	Great Fams
84	Granf
85	gthytuj
86	GTN Tech
87	guanghanshangmao
88	GuangZhouDeXinYuanShangMaoYouXianGongSi
89	guangzhouxinlongmaoyiyouxiangongsi
90	guqishaomao SHOP
91	HAMIQIB
92	hanki
93	haofulinshenghuochaoshi
94	HAOYUBOTONG-US
95	Harrison Mug store
96	Hcode
97	HeBeiOuWeiXinCaiLiaoYouXianGongSi
98	henanshifangzhuangshigongchengyouxiangongsi
99	henanxuanyangguojihuoyundailiyouxiangongsi
100	HLPhabyshruth
101	HoArts
102	Home L6
103	HouYiCanYinFuWuYouXianGongSi
104	HQXMD
105	HRUNCS
106	Hu Ji Long
107	iacyoufs
108	IGROWING
109	Ilgyu Choe Store
110	INILO Blessings
111	IUHUYFYTFY
112	ivya
113	J.Ann Fashion
114	Jason Paigei
115	JayaMuseum
116	JIAHEJIA
117	JIAJU--DJ
118	jiangwei19752021
119	jieshunrong
120	Jicaifu-US
121	Jinan Licia District Meiju E-commerce
122	jindengtaishangmao

Schedule A

123	JiShuiXianPanXianBaiHuoDian
124	JK Home Online
125	JOKUMO
126	Jolly Factory
127	Joyway cookware
128	Justin Daisy
129	KaiFengShiOuShangMaoYou
130	KAPOKKU
131	KATERN
132	Kelly Moll
133	KEVIN MANIS
134	Kilo-24K
135	Koba Mug
136	L&C HOME
137	LanKhieu
138	LEE-JOHN fashion
139	LEKIESAN
140	Leshuo
141	Lethe mall
142	Lifetime-US
143	LIMEUP
144	linsan US
145	liyirong
146	lrchanR
147	Luannee
148	LUCKY MUG
149	luckyschool
150	Luiouum
151	LuJunZhangUS
152	luohetenghua
153	LUONG TRUNG
154	LUZHOU
155	LvMeiXiaMenMaoYiYouXianGongSi
156	LvYuanQuAoZheBanGongYongPinJingXiaoChu
157	MALOLIK
158	manbl
159	Matching Stuff
160	May Gift Department Store
161	meigzhshg
162	Maowater
163	midongmin

Schedule A

164	Ming-store
165	mingyangwangluo
166	minxyinfushi
167	miyuntianranju
168	Moddk Fide
169	MRSIBB1
170	MTJJ
171	MType
172	Mucaoy Jet
173	MuyuTech
174	My Smart Choice

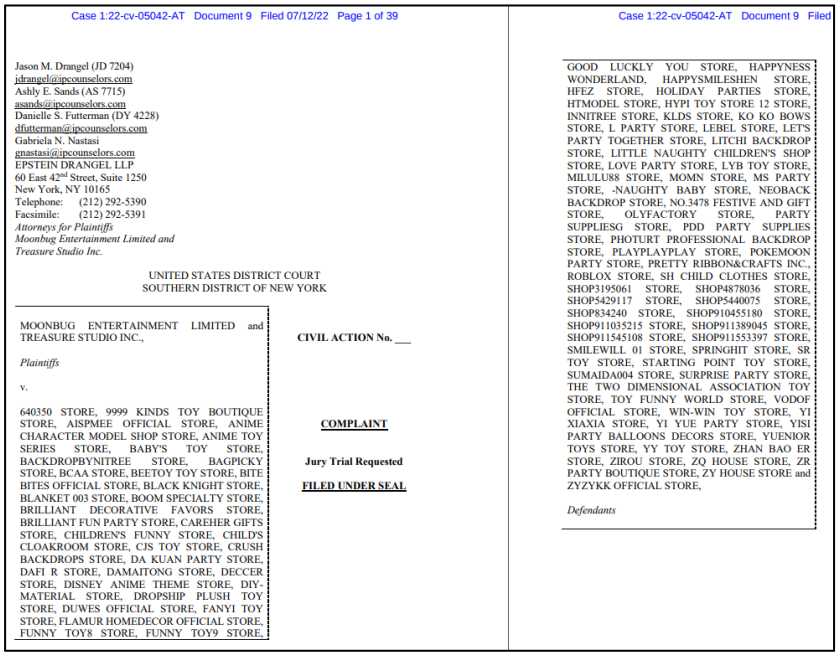
Schedule A

205	YuCiYangZiXieDian
206	yuechenyun
207	yuechuangshangmao
208	Yuelan Trading
209	YuNan
210	yunlaijishangmaoyouxiangongsi
211	YUXINYAOllp
212	YXTXD
213	YYGLJ
214	Z.C.L.
215	zdl2020

17. Schedule A, *Emoji Co.*, No. 1:21-cv-01739 (N.D. Ill. filed Mar. 31, 2021), ECF No. 6.

Instead of using a sealed defendant list, rightsowners might file the entire complaint under seal.[18] This example lists nearly 100 defendants in the caption:[19]

FIGURE 4. EXAMPLE COMPLAINT NAMING NEARLY 100 DEFENDANTS



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Moonbug Entertainment Limited and
Treasure Studio Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MOONBUG ENTERTAINMENT LIMITED and TREASURE STUDIO INC.,

Plaintiffs

v.

640350 STORE, 9999 KINDS TOY BOUTIQUE STORE, AISPMEE OFFICIAL STORE, ANIME CHARACTER MODEL SHOP STORE, ANIME TOY SERIES STORE, BABY'S TOY STORE, BACKDROPBYNITREE STORE, BAGPICKY STORE, BCAA STORE, BEETOY TOY STORE, BITE BITES OFFICIAL STORE, BLACK KNIGHT STORE, BLANKET 003 STORE, BOOM SPECIALTY STORE, BRILLIANT DECORATIVE FAVORS STORE, BRILLIANT FUN PARTY STORE, CAREHER GIFTS STORE, CHILDREN'S FUNNY STORE, CHILD'S CLOAKROOM STORE, CJS TOY STORE, CRUSH BACKDROPS STORE, DA KUAN PARTY STORE, DAFI R STORE, DAMAITONG STORE, DECCER STORE, DISNEY ANIME THEME STORE, DIY-MATERIAL STORE, DROPSHIP PLUSH TOY STORE, DUWES OFFICIAL STORE, FANYI TOY STORE, FLAMUR HOMEDECOR OFFICIAL STORE, FUNNY TOY8 STORE, FUNNY TOY9 STORE,

CIVIL ACTION No. ___

COMPLAINT

Jury Trial Requested

FILED UNDER SEAL

Case 1:22-cv-05042-AT Document 9 Filed

GOOD LUCKLY YOU STORE, HAPPYNESS WONDERLAND, HAPPYSMILESHEN STORE, HFEZ STORE, HOLIDAY PARTIES STORE, HTMODEL STORE, HYPI TOY STORE 12 STORE, INNITREE STORE, KLDS STORE, KO KO BOWS STORE, L PARTY STORE, LEBEL STORE, LET'S PARTY TOGETHER STORE, LITCHI BACKDROP STORE, LITTLE NAUGHTY CHILDREN'S SHOP STORE, LOVE PARTY STORE, LYB TOY STORE, MILULU88 STORE, MOMN STORE, MS PARTY STORE, -NAUGHTY BABY STORE, NEOBACK BACKDROP STORE, NO.3478 FESTIVE AND GIFT STORE, OLYFACTORY STORE, PARTY SUPPLIESG STORE, PDD PARTY SUPPLIES STORE, PHOTURT PROFESSIONAL BACKDROP STORE, PLAYPLAYPLAY STORE, POKEMOON PARTY STORE, PRETTY RIBBON&CRAFTS INC., ROBLOX STORE, SH CHILD CLOTHES STORE, SHOP3195061 STORE, SHOP4878036 STORE, SHOP5429117 STORE, SHOP5440075 STORE, SHOP834240 STORE, SHOP910455180 STORE, SHOP911035215 STORE, SHOP911389045 STORE, SHOP911545108 STORE, SHOP911553397 STORE, SMILEWILL 01 STORE, SPRINGHIT STORE, SR TOY STORE, STARTING POINT TOY STORE, SUMAIDA004 STORE, SURPRISE PARTY STORE, THE TWO DIMENSIONAL ASSOCIATION TOY STORE, TOY FUNNY WORLD STORE, VODOF OFFICIAL STORE, WIN-WIN TOY STORE, YI XIAXIA STORE, YI YUE PARTY STORE, YISI PARTY BALLOONS DECORS STORE, YUENIOR TOYS STORE, YY TOY STORE, ZHAN BAO ER STORE, ZIROU STORE, ZQ HOUSE STORE, ZR PARTY BOUTIQUE STORE, ZY HOUSE STORE and ZYZYKK OFFICIAL STORE,

Defendants

This Piece's analysis applies to any case in which a rightsowner initially seals the defendants' identities.

It may be appropriate to temporarily seal defendant identities when there are bona fide concerns that defendants will dissipate assets or destroy evidence before the rightsowner can effectuate service. Judges have the discretion to accept or reject the rightsowner's sealing request.[20] Defendant identities should remain sealed only until the rightsowner has the

18. In another variation, a rightsowner sued as a "Doe" plaintiff and sealed the identity of the allegedly infringed IP. Complaint at 1, Doe v. P'ships Identified on Schedule "A", No. 22-cv-5512 (N.D. Ill. filed Oct. 7, 2022), ECF No. 1. The rightsowner explained:

> Plaintiff's name is being temporarily withheld to prevent Defendants from obtaining advance notice of this action and Plaintiff's accompanying *ex parte* Motion for Entry of Temporary Restraining Order and transferring funds out of the accounts that Plaintiff seeks to re[s]train. Plaintiff is identified on the U.S. Certificate of Trademark Registration for Plaintiff's trademark filed under seal as Exhibit 1.

Id. at 1 n.1. That lawsuit targeted over 475 defendants. Schedule A, *Doe v. P'ships*, No. 22-cv-5512 (N.D. Ill. filed Oct. 7, 2022), ECF No. 5.

19. Complaint at 1–2, Moonbug Ent. Ltd. v. 640350 Store, No. 1:22-cv-05042-AT (S.D.N.Y. filed July 12, 2022).

20. Fed. R. Civ. P. 5.2(d).

reasonable opportunity to serve defendants, but judges do not always revisit the sealing if no one subsequently complains about it.

Step 3. The rightsowner requests an ex parte temporary restraining order (TRO) against the defendants' allegedly infringing behavior.[21] The TROs also impose various obligations on online marketplaces. TROs are intended to be extraordinary remedies, and the rightsowners' pleading burdens to obtain TROs are high.[22] The proceeding takes place ex parte (i.e., without the defendants present). Accordingly, defendants are unable to highlight any problems with the rightsowner's request, though judges sometimes spot defects sua sponte.[23]

Step 4. After the judge grants an ex parte TRO, the rightsowner submits it to the online marketplaces where the defendants are selling.[24]

Step 5. The online marketplaces typically honor the TRO's obligations, even if they may have legitimate grounds to argue that the TRO does not bind them.[25] Defying the TRO would put the online marketplace at risk of being held in contempt, but the online marketplaces have another reason to honor it. The TRO might put the online marketplace on notice of infringing activity by identified merchants and thereby increase the marketplace's risk of contributory infringement in future cases if they don't curb further infringing activity by those merchants.[26] TROs are not

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21. Baird & Paterson, supra note 7 (noting that emergency TROs "increased 70% from 2019 to 2021," largely due to the SAD Scheme).

22. Parties seeking TROs must show "specific facts . . . that immediate and irreparable injury, loss, or damage will result" without the TRO. Fed. R. Civ. P. 65(b)(1)(A).

23. See, e.g., Zuru (Singapore) Pte, Ltd. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A, No. 20-00395 JMS-KJM, 2021 WL 310336, at *5 & n.6 (D. Haw. Jan. 29, 2021) (denying the rightsowner's ex parte TRO request because "the cookie-cutter statements contained in each declaration suggest that Plaintiffs did not expend much effort in this case to establish any *particularized* facts that would warrant ex parte relief").

24. See generally Fed. R. Civ. P. 65(b) (describing the general two-week expiration of ex parte TROs after issued by the court).

25. If the TRO expressly directs online marketplaces to take action, the marketplaces may not be obligated to act if the marketplaces are not defendants in the pending case and are not otherwise acting "in active concert or participation" with the named defendants. Fed. R. Civ. P. 65(d)(2); see also Eicher Motors Ltd. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto, No. 22-cv-2458, 2022 WL 3081869, at *3 (N.D. Ill. Aug. 3, 2022) (holding that the facts at issue did not establish Amazon as the merchants' agent). Judge Joan Gottschall in the Northern District of Illinois reminds plaintiffs that "third parties not named in the complaint (typically, [e.g.], Amazon and eBay) cannot be named as in active concert or participation with the defendants unless their active concert or participation is proven AND they receive advance notice and an opportunity to be heard before any such order is entered." Judge Joan B. Gottschall, U.S. Dist. Ct., N.D. Ill., https://www.ilnd.uscourts.gov/judge-info.aspx?AYKasbtMpJs= [https://perma.cc/U49D-DKDW] (last visited Aug. 16, 2023).

26. See, e.g., Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 107 (2d Cir. 2010) (discussing whether eBay's generalized knowledge of trademark infringement constituted contributory liability); see also Chow, supra note 12, at 1062–71 (discussing online marketplaces' contributory trademark liability based on takedown notices).

supposed to last longer than fourteen days,[27] but online marketplaces may maintain the account freeze indefinitely to reduce their legal risk.[28]

To implement the TRO, online marketplaces often will freeze all of the merchant's marketplace activity, not just the purported infringing activity. This freeze immediately harms defendants in two ways.

First, the freeze locks any cash being held by the online marketplace.[29] This freeze can cause severe or fatal cash-flow problems for the defendant, which may not be able to pay its vendors, employees, or lawyers.

Second, the freeze prevents the merchant from making future sales—including both allegedly infringing *and unchallenged noninfringing* items.[30] This consequence exposes a critical mismatch between the TRO's intended and actual remedies. The TRO should only reach items that infringe the rightsowner's IP, but the TRO-induced freeze can collaterally affect legitimate items. Reduced merchant activity hurts the marketplaces by decreasing their revenues and profits.[31]

Consumers are hurt when the SAD Scheme excludes legitimate items from marketplaces. Having fewer merchants and items reduces consumers' choices and boosts the prices they pay. By distorting competition among legitimate merchants and items, the SAD Scheme's ex parte TRO counterproductively harms the public interest rather than promoting it.

Step 6. Because its identity is still sealed by the court, the merchant may first learn about the lawsuit when its marketplace account is frozen.[32] With the merchant's business and cash flow in tatters, the SAD Scheme rightsowner can offer a convenient resolution—settle at a price reflecting the merchant's dire need for an immediate solution.[33] If the merchant

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27. Fed. R. Civ. P. 65(b)(2) ("The order expires at the time after entry—not to exceed 14 days—that the court sets, unless before that time the court, for good cause, extends it for a like period or the adverse party consents to a longer extension.").

28. Instead of implementing the TRO verbatim, rightsowners and online marketplaces always have the option to negotiate custom private arrangements that deviate from the TRO.

29. Judge Martha Pacold's SAD Scheme TRO template form instructs online marketplaces to "restrain and enjoin any such accounts or funds from transferring or disposing of any money or other of Defendants' assets until further order by this Court." U.S. Dist. Ct., N. Dist. of Ill., Sealed Temporary Restraining Order 6, https://www.ilnd.uscourts.gov/_assets/_documents/_forms/_judges/Pacold/TRO%20Template%20Schedule%20A%20cases.pdf [https://perma.cc/5Z8S-5B47] (last visited Sept. 8, 2023).

30. See, e.g., Appellant NeoMagic Corporation's Opening Brief at 11, Gorge Design Grp. LLC v. Xuansheng, No. 21-1695 (Fed. Cir. Apr. 6, 2023), 2021 WL 5050187.

31. The TROs impose other costs on online marketplaces. According to Wish's general counsel, in 2022, Wish spent over $1.25 million on outside counsel and had five full-time employees handling TRO demands. Email from Joanna Forster, Interim Gen. Couns. & Chief Compliance Off., Wish, to author (Apr. 27, 2023) (on file with the *Columbia Law Review*).

32. See, e.g., ABC Corp. I v. P'ship & Uninc. Ass'ns Identified on Schedule "A", 51 F.4th 1365, 1376 (Fed. Cir. 2022) (holding that an Amazon account freeze didn't confer notice of the lawsuit sufficient to compel a defendant to engage with the suit).

33. As one defendant explained:

accepts the settlement, the rightsowner dismisses the merchant from the case.

Often, settlements of intellectual property disputes are viewed as socially beneficial because the parties voluntarily resolved the matter while preserving judicial resources.[34] SAD Scheme settlements are the opposite. In the SAD Scheme, TROs are based exclusively on the rightsowner's story. The TRO then prompts merchants to settle involuntarily—without the court hearing their story at all—because it's cheaper, quicker, or more predictable compared to fighting back. These unwarranted settlements signal a systemic process failure, not the prosocial outcomes normally associated with settlements.

Step 7. The rightsowner may voluntarily drop any merchant who doesn't settle. By strategically deciding which parties stay in the case, the rightsowner can control what information reaches the judge.[35] With a steady stream of dismissed merchants (who settled or are dismissed voluntarily), the case superficially appears to be progressing.

Step 8. After the settlements and voluntary dismissals, remaining merchants may not appear in court for a variety of reasons: The merchant can't afford to litigate; the amount of money at stake isn't worth the litigation costs; the merchant never got proper notice or service; the merchant is outside the United States and thinks it is not bound by any U.S. court proceeding; the merchant is bankrupt, perhaps due to the marketplace freeze; or the merchant infringed and knows it would lose in court.

The rightsowner then seeks default judgments against no-show merchants, which courts are inclined to grant, though they may trim the damages amount or injunction scope. To ease collection, courts may order online marketplaces to turn over any frozen cash to the rightsowner to satisfy the judgment.[36]

> Gorge [(the rightsowner)] . . . subjected NeoMagic [(the defendant)] to a short barrage of sealed litigation intended to secretly shut down NeoMagic's business, seize NeoMagic's marketplace (typically listing more than 100,000 products daily), and freeze NeoMagic's funds (in excess of $300,000) based upon the sale of a single unit of a $4.99 product . . . . Gorge still demanded payment of $9,500 for Gorge to release the over $300,000 of NeoMagic money that remained frozen (crippling NeoMagic's ability to do business).

Appellant NeoMagic Corporation's Opening Brief, supra note 30, at 11.

34. See, e.g., 1-800-Contacts, Inc. v. Fed. Trade Comm'n, 1 F.4th 102, 121 (2d Cir. 2021) (noting that courts should typically not second-guess trademark settlement agreements negotiated between competitors).

35. See Appellant NeoMagic Corporation's Opening Brief, supra note 30, at 12 ("Gorge dismissed NeoMagic under [FRCP] 41 immediately preceding the injunction hearing so that NeoMagic could not present [adverse] information verbally to the district court . . . .").

36. E.g., Ontel Prods. Corp. v. Uninc. Ass'ns Identified in Schedule A, No. 1:21cv1452 (MSN/JFA), 2022 WL 9874815, at *12 (E.D. Va. Aug. 12, 2022).

B. *A SAD Case Study*[37]

Emoji company GmbH (Emojico) is a German company with U.S. trademark registrations in the word "emoji" for numerous classes.[38] It licenses vendors to sell goods under its "emoji" brand. It's not unusual for dictionary words to turn into trademarks for nondictionary meanings (think "Apple" for computers), but the purported trademark owner cannot stop the word from being used for its dictionary meanings.[39]

In one of its Schedule A Defendants cases,[40] Emojico claimed this Amazon marketplace listing infringed on its trademark:[41]

FIGURE 5. EMOJICO'S AMAZON MARKETPLACE SCREENSHOT OF "INFRINGING" MATERIAL

Emojico apparently conducted a keyword search in Amazon's marketplace for the word "emoji" and flagged hundreds of listings where the word "emoji" appeared in the product title or description.[42] Emojico then claimed that those listings violated its trademark rights in the word

37. For another case study, see Sarah Burstein, Guest Post, We Need to Talk About the NDIL's Schedule-A Cases, Patently-O (Oct. 30, 2022), http://patentlyo.com/patent/2022/10/guest-post-about.html [https://perma.cc/VE5U-NESV] (discussing *ABC Corp. I*, 52 F.4th 934).

38. See, e.g., EMOJI, Registration No. 5,489,322 (covering goods such as motor buses, hubcaps, caps for vehicle petrol tanks, ships' hulls, and rowlocks); EMOJI, Registration No. 5,415,510 (covering goods such as penis enlargers, cuticle pushers, fruit knives, pesticides, and bowel evacuant preparations).

39. See infra note 47 and accompanying text.

40. Emoji Co. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincs. Ass'ns Identified on Schedule A Hereto, No. 21-cv-1739 (N.D. Ill. docketed Mar. 3, 2022).

41. Emojico Declaration, supra note 1, at para. 31 (citing Declaration of Anna K. Reiter exh. 2, pt. 1, at 21, *Emoji Co.*, No. 21-cv-1739 (N.D. Ill. filed Mar. 31, 2021), ECF No. 10).

42. Id. at para. 32.

"emoji."[43] In the screenshot above, the green box indicates the alleged infringement.[44]

This is not a good-faith trademark claim. Trademark law typically restricts junior users from using a trademarked term as a source identifier.[45] The depicted mug isn't using "emoji" as a source identifier. It's not an "emoji"-branded mug, and the word "emoji" doesn't appear on the mug. The only reference to "emoji" is in the mug's item description.

Also, trademark law recognizes "descriptive fair use," which occurs when a junior user uses a dictionary word to describe a product's attributes.[46] That's exactly what the mug merchant is doing—telling consumers that the mug displays a poop emoji. The merchant has no other way to accurately describe the mug. Any synonym for "poop emoji" would hinder consumer decisionmaking, and trademark law does not require merchants to linguistically stretch to that extent.[47]

Given that it's an attempt to propertize the dictionary meaning of the term "emoji," this trademark claim never should have been brought. Yet, pursuant to the SAD Scheme, a judge may never hear any objection to Emojico's enforcement. By overclaiming its trademark registration in "emoji" and then controlling the narrative told to the judge, Emojico can obtain legally unsupportable settlements or default judgments for poop emoji mugs.

II. QUANTIFYING THE SAD SCHEME'S PREVALENCE

This Part provides empirical details about the SAD Scheme.

A. *Methodology*

On December 28, 2022, the author searched for "schedule a" and related terms[48] using Bloomberg Law Docket's "parties" field. This search produced a total dataset of 9,181 cases. Using Bloomberg Law's search

43. Declaration of Anna K. Reiter exh. 2, pt. 1, at 21, *Emoji Co.*, No. 21-cv-1739 (N.D. Ill. filed Mar. 31, 2021), ECF No. 10.

44. Emojico Declaration, supra note 1, at para. 31.

45. 15 U.S.C. §§ 1114(1), 1125(a)(1)(A) (2018).

46. Id. §§ 1115(b)(3), 1125(c)(3).

47. For example, the purported trademark owners of the name "Albert Einstein" sued a merchant selling a mousepad displaying the image of Albert Einstein because the Amazon listing's product description referenced "Albert Einstein." Hebrew Univ. of Jerusalem v. DealzEpic, No. 21-cv-5492, 2022 WL 3026934, at *1 (N.D. Ill. Aug. 1, 2022). The court rejected the trademark infringement on "fair use" grounds: "[D]ealzEpic's use of Albert Einstein within its Amazon listing accurately described its mousepad. . . . [D]ealzEpic communicated the most prominent characteristic of the mousepad: that it displays a portrait of Albert Einstein. The name informs consumers—if they do not already know—that the person on the mousepad is Einstein." Id. at *4. The court also rejected the claim that the vendor used the name as a trademark. Id. at *3.

48. The query: "schedule a" or "exhibit 1" or "exhibit a" or "annex a" or "annex 1" or "schedule 1."

filters, that preliminary batch of search results was further refined to exclude state and foreign cases,[49] to retain only cases in the federal "nature of suit" (NOS) fields of copyright, patent, or trademark[50] (which excluded non-IP claims such as asset forfeiture), and to retain only cases for which the search terms appeared in the "complaint." With those refinements, the dataset consisted of 3,217 cases dating back to 1991. The first dataset case styled with a "Schedule A" caption was filed in 2013.[51]

Of the 3,217 dataset cases, 2,846 cases (over 88%) were filed in the Northern District of Illinois. The Southern District of Florida had 242 cases (7.5%). The remaining jurisdictions had less than 2% each.

Why are SAD Scheme cases concentrated in the Northern District of Illinois? Though the scheme's historical linkage to the district isn't clear,[52] at this point, rightsowners will keep filing cases in the district so long as

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49. Federal copyright and patent claims must be filed in federal court. 28 U.S.C. § 1338 (2018). Federal trademark claims can be filed in state court, id., but that's rarely done. 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:1 (4th ed. 2008). Excluding state court cases from the dataset may undercount any SAD Scheme cases involving exclusively state IP claims or federal trademark cases filed in state court, but that's likely a de minimis number of cases.

50. The NOS field is notoriously unreliable. E.g., Christina L. Boyd & David A. Hoffman, The Use and Reliability of Federal Nature of Suit Codes, 2017 Mich. St. L. Rev. 997, 1007. For example, a case must fit within a single type of claim, even if it raises multiple types. Id. at 1006. So, if a complaint included utility patent, trademark, and copyright claims, it would be categorized in only one of those fields. See id.

51. Complaint at 2, Deckers Outdoor Corp. v. P'ships Identified on Schedule "A", No. 13-cv-2167 (N.D. Ill. filed Mar. 21, 2013), 2013 WL 1292315 [hereinafter *Deckers* Complaint] (alleging that defendants infringed the "Ugg" brand trademark).

An earlier example is *Yahoo! Inc. v. Yahooahtos.com*, which involved "1865 other domain names listed on Exhibit A." No. 1:05-cv-01441, 2006 WL 2303166 (E.D. Va. Aug. 8, 2006). Other early cases may have targeted "Doe" defendants without using the "Schedule A" caption.

For another early example, see Am. Bridal & Prom Indus. Ass'n, Inc. v. P'ships Identified on Schedule "A", 192 F. Supp. 3d 924, 926 (N.D. Ill. June 29, 2016) (noting that suit was filed "against a group of individuals and unincorporated business associations, as well as 100 John Does, who, upon information and belief, reside in foreign jurisdictions"). See also Daniel Nazer, Abusive Site-Blocking Tactics by American Bridal and Prom Industry Association Collapse Under Scrutiny, Elec. Frontier Found. (Mar. 28, 2016), https://www.eff.org/deeplinks/2016/03/american-bridal-and-prom-industry-association-slinks-away-after-being-called-out [https://perma.cc/C3NQ-8WXG] (explaining how the judge granted a TRO against 3,343 defendants).

52. One hypothesis is that the local Chicago bar may have innovated the practice. Now, Illinois law firms practicing the SAD Scheme include Greer, Burns & Crain (GBC); Keith A. Vogt; David Gulbransen; Hughes Socol Piers Resnick & Dym, Ltd.; Keener and Associates, PC; and Dunlap Bennett & Ludwig, PLLC. See Cháng Jiàn Wèn Tí (常见问题) [Frequently Asked Questions], SellerDefense (May 28, 2020), https://sellerdefense.cn/qa/ (on file with the *Columbia Law Review*) (enumerating some Chicago-based law firms that regularly sue sellers).

they keep getting their desired outcomes.[53] Indeed, one district judge, Judge Martha Pacold, helps SAD Scheme cases succeed by providing filing templates to rightsowners.[54] There may be other rightsowner-favorable local doctrines,[55] though that remains speculative.

Of the 3,217 dataset cases, 2,837 cases (88%) list "trademarks" in the NOS field.[56] Copyright and patent cases each make up about 6%.

Of the 3,217 cases in the dataset, 935 were filed in 2022, 733 were filed in 2021, and 533 were filed in 2020. Collectively, the data indicate that the number of cases is growing substantially on a year-to-year basis, and over two-thirds of the all-time SAD Scheme lawsuits through December 28, 2022, were filed after January 1, 2020.

Bloomberg Law also allows for searches by case resolution.[57] Given the SAD Scheme's relatively recent emergence, cases may not have reached a resolution yet. Furthermore, it's unclear how Bloomberg Law categorizes the resolution of a "case" with hundreds of defendants who reached different outcomes. Despite those data problems, the data support the inference that many cases do not follow an adversarial model of litigation. Of the cases that listed a resolution (2,688 cases), 70% were categorized as "default judgments," 28% were categorized as "voluntary/joint dismissal," and less than 2% of the resolutions had some other conclusion (like an adjudication on the merits).

Based on a 2021 review of Emojico SAD Scheme cases, Emojico sued an estimated average of over 200 defendants in each case.[58] If that average applies to the entire dataset, then over 600,000 merchants have been sued in a SAD Scheme case.

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53. See Setty & Poritz, supra note 12 ("Plaintiffs often want to sue in a court that already has experience with those types of cases . . . . [P]laintiffs may not want to risk filing in other districts, where judges are less experienced and may rule differently.").

54. See Schedule A Cases, U.S. Cts., https://www.ilnd.uscourts.gov/judge-cmp-detail.aspx?cmpid=1272 [https://perma.cc/J4PP-KYYL] (last visited Aug. 16, 2023).

55. For example, the Seventh Circuit has held that a single test buy in Illinois supported personal jurisdiction against a Chinese merchant. See NBA Props., Inc. v. HANWJH, 46 F.4th 614, 627 (7th Cir. 2022); see also Baird & Paterson, supra note 7 (citing federal court receptivity "to cases using anonymous plaintiffs and case combining" in the Northern District of Illinois and noting increasing caseloads in other districts); Lauraann Wood, Northern Ill. A Surprise Magnet for Counterfeiting Suits, Law360 (Jan. 24, 2023), https://www.law360.com/ip/articles/1568802 (on file with the *Columbia Law Review*) (discussing how the popularity of counterfeit suits within certain jurisdictions may be a result of favorable personal jurisdiction case law).

56. For additional analyses of SAD Scheme case data by industry, see Baird & Paterson, supra note 7.

57. This option required unselecting the restriction to "complaints," which temporarily increased the size of the dataset slightly to 3,241 instead of 3,217.

58. Emojico Declaration, supra note 1, at para. 19.

III. HOW THE LEGAL SYSTEM ENABLES THE SAD SCHEME

The SAD Scheme capitalizes on several dynamics. First, intellectual property regimes routinely impose strict liability,[59] which makes it easier for rightsowners to succeed with minimal factual showings. Second, because of the "property" connotations of "intellectual property," judges are sometimes inclined to vindicate a rightsowner's property interests. Third, the SAD Scheme can take place largely or wholly ex parte, so judges act on the rightsowners' unrebutted assertions. Fourth, the online marketplaces' handling of the TRO plays a critical role by over-freezing defendant-merchants' product offerings.

Collectively, these dynamics create an environment in which rightsowners can nominally follow the rules and yet achieve abusive and extortive outcomes. This Part explains the factors that contribute to the SAD Scheme's success.

Generic Pleading. Rightsowners engaging in mass IP enforcement operations want to keep costs down. For example, SAD Scheme rightsowners reuse complaint templates by asserting generic facts, none particularized to any defendant.[60] Such nonspecific pleadings may not comport with the pleading standards and pre-filing investigatory work required by the Federal Rules of Civil Procedure (FRCP).[61] In ex parte proceedings, however, sometimes those filings are tolerated.

Bypassing Service. Rightsowners may have difficulty finding and serving merchants, especially those located internationally.[62] The SAD Scheme can largely sidestep any service issues.[63] Due to the marketplace freezes and the resulting settlements, rightsowners may substantially resolve their lawsuits without ever serving merchants.

Bypassing Personal Jurisdiction. A SAD Scheme complaint may generically allege that all defendants committed infringing acts in the desired

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59. See, e.g., 4 McCarthy, supra note 49, § 23:107; 6 William F. Patry, Patry on Copyright § 21:38 (2019).

60. See, e.g., *Deckers* Complaint, supra note 51, at paras. 10–17 (describing generic allegations against the SAD Scheme defendants).

61. See Fed. R. Civ. P. 11(b) (explaining that representations to the court must accord with the best of the person's knowledge after an inquiry reasonable under the circumstances).

62. See generally Fed. R. Civ. P. 4(f) (noting different acceptable methods of service for defendants in a foreign country). With respect to venue selection, another hypothesis is that Northern District of Illinois judges allow service of international defendants by alternative means, such as email, more freely than judges in other districts.

63. FRCP 65 allows a party to seek a TRO without notice if the "movant's attorney certifies in writing any efforts made to give notice and the reasons why it should not be required" before an ex parte TRO is issued. Fed. R. Civ. P. 65(b)(1)(B). There is no actual requirement that notice must be given to the defendant, even if the attorney could easily do so. Id.

venue without providing any factual support.[64] That should not be enough to establish personal jurisdiction. For example, due process typically requires that each online defendant intentionally directed their actions into the forum jurisdiction,[65] and showing "intentional direction" requires defendant-specific facts. This should mean that rightsowners establish jurisdiction on a defendant-by-defendant basis, but that's rarely been required (most likely due to the ex parte nature of the proceedings).

Misjoinder. In general, courts interpret joinder rules liberally, and expansive joinder rules can offer significant efficiencies to rightsowners.[66] That said, misjoinder can severely disadvantage defendants and create chaos in the courts.

Typically, in a SAD Scheme case, the defendants have no relationship with each other. Instead, the rightsowner sweeps up an assemblage of alleged infringers in an online marketplace and enumerates them in a complaint. The rightsowner then generically asserts that the defendants are related to each other without providing any factual support.

The FRCP permits joinder of defendants only "with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences."[67] Defendants who are independently (allegedly) infringing the rightsowner's IP rights in parallel with each other in the same marketplace do not satisfy this standard. One court explained:

> The allegations and evidence plaintiff has provided only supports a conclusion that many distinct counterfeiters are using similar strategies to sell counterfeit versions of plaintiff's HUGGLE products, and they may be acquiring these counterfeit products from the same or similar sources. Distinct individuals or entities independently selling counterfeit goods over the internet does not satisfy the transaction or occurrence requirement of FRCP 20.[68]

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64. See, e.g., *Deckers* Complaint, supra note 51, at para. 11 ("On information and belief, Defendants are an interrelated group of counterfeiters . . . . In the event that Defendants and/or third party service providers provide additional credible information regarding the identities of Defendants, Deckers will take appropriate steps to amend the Complaint.").

65. See, e.g., Herbal Brands, Inc. v. Photoplaza, Inc., 72 F.4th 1085, 1095 (9th Cir. 2023); ALS Scan, Inc. v. Digit. Serv. Consultants, Inc., 293 F.3d 707, 711–12 (4th Cir. 2002).

66. See, e.g., David O. Taylor, Patent Misjoinder, 88 N.Y.U. L. Rev. 652, 671–72 (2013).

67. Fed. R. Civ. P. 20(a)(2)(A). In patent cases, joinder requires that (1) the claims are asserted "with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process," and that (2) "questions of fact common to all defendants or counterclaim defendants will arise in the action." 35 U.S.C. § 299 (2018).

68. Ontel Prods. Corp. v. Uninc. Ass'ns Identified in Schedule A, No. 1:21cv1452 (MSN/JFA), 2022 WL 9874815, at *5 (E.D. Va. Aug. 12, 2022). Yet, consistent with the puzzling judicial deference to the SAD Scheme, the judge disregarded the joinder defect. Id. at *6 ("[A]ny defects related to joinder in this action would not affect any of the remaining defendants' substantial rights . . . .").

Rightsowners may feel that it's not logistically or financially feasible to pursue merchants individually, which is why they prefer to mass-sue merchants using the SAD Scheme. Individual lawsuits are exactly what the joinder rules typically require, however, and courts shouldn't manufacture a workaround to those rules.

Misjoinder plays an important role in making SAD Scheme litigation profitable.[69] The complaint filing fee is $402, regardless of how many defendants are named.[70] By combining unrelated defendants into a single case, a rightsowner can dramatically reduce its per-defendant filing costs. For example, if the rightsowner names 200 defendants on a Schedule A instead of filing individual lawsuits against each defendant, the filing costs drop 99.5% to about $2 per defendant instead of $402 per defendant. That $400 difference per defendant makes more enforcement actions financially viable.

The rightsowners' windfall comes at the government's expense. If 200 defendants are improperly joined in a single complaint, the government loses $80,000 in potential filing fees. If that average holds true over the 3,200+ SAD Scheme cases, the SAD Scheme has cost the courts over $250 million so far. In practice, the number would likely be substantially lower if rightsowners had to pay the full filing fee per defendant because rightsowners would not sue so many merchants;[71] this dynamic highlights how filing fees serve an important function of screening cases that aren't worth the public costs to adjudicate them.[72]

Sealed Defendant Identities. Courts generally require litigants to publicly identify themselves to ensure transparency of the judicial system.[73]

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69. Emojico Declaration, supra note 1, at para. 21. IP trolling routinely involves expansive approaches to joinder. See Sag & Haskell, supra note 2, at 584–88 (describing courts' varying approaches to joinder when BitTorrent users independently download parts of a copyrighted work).

70. This includes the $350 filing fee for civil actions per 28 U.S.C. § 1926(a), plus a $52 administration fee. District Court Miscellaneous Fee Schedule, U.S. Cts., https://www.uscourts.gov/services-forms/fees/district-court-miscellaneous-fee-schedule [https://perma.cc/8PLC-7D5P] (last visited Sept. 8, 2023).

71. See Setty & Poritz, supra note 12 (quoting Justin Gaudio, an attorney at Greer Burns & Crain, as saying that "[b]rand owners cannot afford to pay a quarter-billion [dollars] in filing fees to enforce their trademark rights through the courts" (second alteration in original)).

72. See Carl Reynolds & Jeff Hall, Conf. of State Ct. Adm'rs, 2011–2012 Policy Paper: Courts Are Not Revenue Centers 7 (2011), https://cosca.ncsc.org/__data/assets/pdf_file/0019/23446/courtsarenotrevenuecenters-final.pdf [https://perma.cc/4SHU-P2NJ] ("Court users derive a private benefit from the courts and may be charged reasonable fees partially to offset the cost of the courts borne by the public-at-large.").

73. E.g., Eugene Volokh, The Law of Pseudonymous Litigation, 73 Hastings L.J. 1353, 1360–61 (2022); Tom Isler, White Paper: Anonymous Civil Litigants, Reps. Comm. for Freedom of the Press, https://www.rcfp.org/journals/news-media-and-law-fall-2015/white-paper-anonymous-civil-l [https://perma.cc/6RP7-PFQL] (last visited Aug. 16, 2023) ("Throughout the country, anonymous or pseudonymous litigation is generally disfavored . . . ." (footnote omitted)); cf. Lior Jacob Strahilevitz, Pseudonymous Litigation,

Although sealed defendant identities are occasionally appropriate, judges should scrutinize such requests carefully rather than accept the rightsowner's unrebutted assertions at face value.[74]

Dismissal of Merchants Who Fight Back. As discussed above, rightsowners can strategically use defendant dismissals to control the adversarial information made available to judges.[75] Judges should consider what information they are not receiving in any case with many voluntary dismissals.

Non-Individualized Adjudication. It usually is not cost-effective for rightsowners to engage in individualized litigation against each SAD Scheme defendant. Ex parte hearings are a low-cost alternative—they facilitate non-individualized adjudication for all defendants because defendants aren't around to make their individual cases.

Extrajudicial Resolutions. The ex parte TRO is the linchpin to the SAD Scheme. To get it, rightsowners must show "specific facts . . . that immediate and irreparable injury, loss, or damage will result to the movant before the adverse party can be heard in opposition."[76] Judges should enforce the "specific facts" requirement vigorously,[77] but the SAD Scheme shows that rightsowners can succeed with generic filings.[78]

Ex parte TROs generally should preserve the status quo until the defendant can appear,[79] but SAD Scheme TROs *change* the status quo and can negate the need for further judicially supervised proceedings. That makes the SAD Scheme ex parte TRO an inappropriate judicial intervention.

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77 U. Chi. L. Rev. 1239, 1240 (2010) (outlining "a theory of pseudonymous litigation and identify[ing] what is at stake in a case caption"). See generally Bernard Chao, Not So Confidential: A Call for Restraint in Sealing Court Records, 2011 Patently-O Patent L.J. 6, https://cdn.patentlyo.com/media/docs/2011/07/chao.sealedrecords.pdf [https://perma.cc/W4TT-CF65] (describing the public interest furthered by transparent judicial records).

74. See Appellant NeoMagic Corporation's Opening Brief, supra note 30, at 42–44 (arguing that a case should not be sealed against a defendant without a finding of "good cause").

75. See supra note 35 and accompanying text.

76. Fed. R. Civ. P. 65(b)(1)(A).

77. E.g., Reno Air Racing Ass'n, Inc. v. McCord, 452 F.3d 1126, 1131 (9th Cir. 2006) ("[C]ourts have recognized very few circumstances justifying the issuance of an ex parte TRO.").

78. See Appellant NeoMagic Corporation's Opening Brief, supra note 30, at 44–47 ("[D]espite the lack of showing of any irreparable harm attributable to NeoMagic, Gorge was able to induce the district court to enter a far-overreaching restraining order that allowed Gorge the ability to seize all of NeoMagic's financial accounts . . . .").

79. Granny Goose Foods, Inc. v. Bhd. of Teamsters Loc. No. 70, 415 U.S. 423, 439 (1974) ("*Ex parte* temporary restraining orders . . . should be restricted to serving their underlying purpose of preserving the status quo and preventing irreparable harm just so long as is necessary to hold a hearing, and no longer.").

Limited Error Correction. Intellectual property cases have heightened risks of judicial errors.

First, IP rights often have indeterminate boundaries.[80] Rightsowners routinely push their claims to those borders or beyond,[81] expecting that defendants will push back on any overclaims. When defendants don't appear in court and the property borders aren't clear, judges may accept the overclaims.[82]

Second, courts routinely need extrinsic evidence to determine the validity and scope of IP rights, and a non-adversarial process won't produce this evidence.[83] For example, design patent infringement may require a thorough prior art review to determine whether "an ordinary observer, taking into account the prior art, would believe the [allegedly infringing] design to be the same as the patented design."[84] The rightsowner can't be trusted to find and submit prior art; after all, they would immediately argue that any items should be disregarded. The judge may lack the technical expertise or research capacity to find the prior art themselves. Without the right prior art before the judge, "*ex parte* assessments of design patent infringement are likely to lead to significant over-enforcement."[85]

In SAD Scheme cases, any factual or legal errors are unlikely to be corrected or appealed because most defendants will settle, be voluntarily dismissed, or no-show.[86]

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80. The rights conferred by patent, copyright, and trademark doctrines often overlap. Laura A. Heymann, Overlapping Intellectual Property Doctrines: Elections of Rights Versus Selection of Remedies, 17 Stan. Tech. L. Rev. 239, 242–49 (2013).

81. E.g., James Gibson, Risk Aversion and Rights Accretion in Intellectual Property Law, 116 Yale L.J. 882, 884–86 (2007) (describing how ambiguities in copyright, trademark, and patent law create a feedback loop that benefits rightsowners).

82. Judges sometimes unilaterally push back on rights overclaims. See Notification of Docket Entry at 1, Grumpy Cat Ltd. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto, No. 1:22–cv–03216 (N.D. Ill. filed June 23, 2022), ECF No. 24 ("Some of the accused products likely infringe plaintiff's trademarks or copyrights, but the court is not persuaded that the accused products depicted in every submitted screenshot infringe. . . . Not every frowning cartoon cat infringes; or at least plaintiff has failed to persuade that its intellectual property reaches that far.").

83. See Sarah R. Wasserman Rajec, Patents Absent Adversaries, 81 Brook. L. Rev. 1073, 1082–83 (2016) (arguing that the adversarial system develops evidence better than a non-adversarial or inquisitorial system).

84. Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678–79 (Fed. Cir. 2008).

85. See Burstein, Against the Design-Seizure Bill, supra note 5.

86. See supra text accompanying notes 57–58. SAD Scheme defendants are not likely to appeal in any circumstance, but they likely cannot appeal TROs at all. See 28 U.S.C. § 1292(a)(1) (2018); see also Pre-Term Cleveland v. Att'y Gen. of Ohio, No. 20-3365, 2020 WL 1673310, at *1 (6th Cir. Apr. 6, 2020) (noting that under 28 U.S.C. § 1292(a)(1), federal appellate courts "generally lack jurisdiction to hear an appeal of a district court's decision to grant or deny a TRO" absent exceptional circumstances).

For example, Emojico requested a default judgment against some defendants.[87] The court spotted Emojico's overclaim; it was improperly seeking to propertize a dictionary word.[88] Nevertheless, the judge ignored the descriptive fair use statutory defense in determining liability because the defendants did not raise the defense (they couldn't—they defaulted).[89] Instead, the judge said descriptive fair use only negated the claim of willful infringement, not the trademark infringement itself, and awarded statutory damages of "only" $25,000 against each defendant.[90] But if the defendants qualified for descriptive fair use, the court should not have awarded any damages at all because the infringement case failed. Yet, because the defendants defaulted, they won't appeal the ruling.

IV. WAYS TO ADDRESS THE SAD SCHEME

It's hard to know how often SAD Scheme lawsuits are legitimate and the optimal way for rightsowners to obtain redress. Are there ways to preserve the legitimate cases while curbing illegitimate ones? This Part offers some ideas.

A. *Judicial Education*

As described in Part III, the SAD Scheme depends heavily on judges credulously accepting rightsowners' unrebutted claims. Judges could reduce abusive SAD Scheme lawsuits simply by challenging rightsowners' filings more vigorously.

Yet, judges often disregard the rare defendant pushback.[91] Further, although Northern District of Illinois judges now have seen many SAD Scheme cases, they keep coming—and Judge Pacold is still helping rightsowners file factually threadbare filings.[92] Thus, greater judicial awareness alone may not cure SAD Scheme abuses.

B. *Changes in Online Marketplace Policies*

The SAD Scheme would wane if online marketplaces did not honor ex parte TROs so expansively. For example, any account freeze should only

87. Emoji Co. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A, Nos. 20-cv-04678, 21-cv-05319, 21-cv-05453, 2022 WL 4465593, at *1 (N.D. Ill. Sept. 26, 2022).

88. Id. at *4–5 ("Plaintiff suggests that any person who sells a product depicting a familiar emoji is forbidden from using the one word that most closely describes the image depicted. Plaintiff's right cannot be so expansive.").

89. Id. at *5; see also 15 U.S.C. § 1115(b)(4) (2018) (describing the descriptive fair use defense, which can be invoked in response to a trademark infringement claim).

90. *Emoji Co.*, 2022 WL 4465593, at *5–7.

91. See, e.g., supra note 68 (describing an instance in which a court acquiesced to a dubious legal theory in a SAD case).

92. See supra note 54 and accompanying text (describing how Judge Pacold provides plaintiffs in SAD cases with templates for filings).

relate to the items and money associated with the allegedly infringing activity, not the entire account and all funds in possession. Courts have nevertheless rejected this argument. Wish asked a judge for a more tailored asset freeze, but the judge responded that Wish wasn't the right party to raise the objection (because the money was the merchants', not Wish's) and Wish couldn't prove that the money in its possession wasn't from infringing sales.[93]

Furthermore, online marketplaces fear their own liability exposure, and that deters them from voluntarily adopting nuanced policies. It's simpler and lower risk for them to categorically shut down alleged infringers identified in the TRO.

C. *Greater Use of Existing Legal Doctrines*

In addition to more vigorous enforcement of the rules explored in Part III, some other existing FRCP provisions might help curb abusive SAD Scheme lawsuits:

Defendant classes. FRCP 23 contemplates that defendants can form classes, just like rightsowners do.[94] For example, a defendant class could bust the rightsowner's trademark or establish defenses like descriptive fair use. Few individual defendants, however, have enough motivation and resources to fight their case, let alone organize a class.

Attorneys' fees awards. Prevailing defendants may be awarded attorneys' fees in extraordinary patent[95] or trademark cases[96] or at a judge's discretion in copyright cases.[97] Judges could also impose FRCP 11 sanctions if rightsowner's counsel didn't properly do pre-filing investigations, misrepresented the situation to the judge, or made overly generic filings.[98]

Fee shifts can make mass IP enforcement less financially attractive[99] and compensate SAD Scheme defendants willing to fight back. Further,

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93. See Order at 1–2, MSM Design & Eng'g LLC v. P'ships & Uninc. Ass'ns Identified on Schedule "A", No. 20 C 121 (N.D. Ill. July 28, 2021), ECF No. 49; Order at 1–2, Oraldent Ltd. v. P'ships & Uninc. Ass'ns Identified on Schedule "A", No. 20 C 304 (N.D. Ill. Feb. 22, 2021), ECF No. 44.

94. See Fed. R. Civ. P. 23; see also Assaf Hamdani & Alon Klement, The Class Defense, 93 Calif. L. Rev. 685, 690–91 (2005) (proposing a mechanism in which a class of defendants can consolidate their defense claims); Francis X. Shen, The Overlooked Utility of the Defendant Class Action, 88 Denv. U. L. Rev. 73, 79–85 (2010) (summarizing courts' approaches to defendant class actions); Robert R. Simpson & Craig Lyle Perra, Defendant Class Actions, 32 Conn. L. Rev. 1319, 1323 (2000) (noting that defendant class actions have been used in "various types of cases, including, but not limited to, patent infringement cases, suits against local officials challenging the validity of state laws, securities litigation, and actions against employers").

95. 35 U.S.C. § 285 (2018).

96. 15 U.S.C. § 1117(a) (2018).

97. 17 U.S.C. § 505 (2018).

98. Fed. R. Civ. P. 11.

99. For example, fee shifts to defendants helped unravel Righthaven's mass copyright enforcements. See Ian Polonsky, You Can't Go Home Again: The *Righthaven* Cases and

SAD Scheme cases should qualify as "extraordinary" cases for fee shift purposes for the reasons outlined in Part III.[100]

Nevertheless, judges have rejected discretionary fee shifts in SAD Scheme cases. One court explained its fee shift denial:

> [T]his case has followed the same trajectory of many other cases in this District and in districts throughout the country in instances where a plaintiff discovers that its intellectual property has likely been pirated and identical or substantially similar knock-off products are being offered for sale from on-line platforms. To hold that this case is exceptional would topsy-turvy that term—elevating what is ordinary to extraordinary. It would erect an unwarranted barrier to plausible claims by legitimately injured Plaintiffs.[101]

The judge's pro-rightsowner sympathy is not unusual. It's a primary reason why judges might not use fee shifts more aggressively in SAD Scheme cases, even when it's deserved. Plus, rightsowners might avoid fee shifts by dismissing defendants voluntarily,[102] even though judges should award fee shifts in those circumstances to prevent strategic gaming.

Bonds. FRCP 65 says that a "court may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained."[103]

Copyright Trolling on the Internet, 36 Colum. J.L. & Arts 71, 90 (2012); see also Righthaven LLC v. DiBiase, No. 2:10-CV-01343-RLH, 2011 WL 5101938, at *1 (D. Nev. Oct. 26, 2011) (amounting to nearly $120,000 in fees and costs); Righthaven LLC v. Wolf, 813 F. Supp. 2d 1265, 1273 (D. Colo. 2011) (awarding attorney's fees to the defendant); Righthaven, LLC v. Leon, No. 2:10-CV-01672-GMN-LRL, 2011 WL 2633118, at *2 (D. Nev. July 5, 2011) (amounting to over $3,800 in fees); Judgment in a Civil Case at 1, Righthaven LLC v. Hoehn, 792 F. Supp. 2d 1138 (D. Nev. 2011) (No. 2:11-CV-00050-PMP-RJJ) (on file with the *Columbia Law Review*) (reaching over $34,000 in fees).

Some overaggressive rightsowners repeatedly bring ill-advised cases, even after fee shifts and sanctions. See, e.g., Richard Liebowitz, Wikipedia, https://en.wikipedia.org/wiki/Richard_Liebowitz [https://perma.cc/RC3T-X3A8] (last visited Sept. 28, 2023).

100. See Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014) (holding that, in the patent context, the awarding of attorney's fees is warranted in cases "that stand[] out from others with respect to the substantive strength of a party's litigating position . . . or the unreasonable manner in which the case was litigated").

101. Gorge Design Grp. LLC v. Syarme, No. 2:20-cv-1384, 2020 WL 8672008, at *3 (W.D. Pa. Dec. 4, 2020).

102. See id. at *1 (discussing how the rightsowner's voluntary dismissal meant that NeoMagic technically didn't prevail).

The Emojico Declaration, supra note 1, was filed after the rightsowner voluntarily dismissed the defendant. The court summarily denied the defendant's fee shift request without explanation. Order, Emoji Co. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto, No. 21-cv-1739 (N.D. Ill. Mar. 23, 2022), ECF No. 116.

103. Fed. R. Civ. P. 65(c).

Courts set bond amounts at their discretion, but the amount should be high enough to accommodate the losses to all potentially affected parties, including the targeted merchants, the online marketplaces, and consumers.[104] Unfortunately, courts routinely undervalue bonds in SAD Scheme cases because they don't anticipate how much harm the ex parte TRO will cause.[105]

Bonds serve an important gatekeeping function. For example, after one court required a SAD Scheme rightsowner to tender a bond of $10,000 per defendant, the rightsowner dropped the number of defendants from 218 to 5 because the 2% premium to secure funds for a $2.18 million bond was too much.[106]

But bonds suffer some of the same limitations as attorneys' fee shifts: Dismissed or settled defendants aren't likely to seek payment from the bond, and judges won't make awards out of the bond if it seems punitive to the rightsowner to do so.[107] While higher bond amounts could force rightsowners to evaluate their cases more carefully upfront due to the

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104. See Rathmann Grp. v. Tanenbaum, 889 F.2d 787, 790 (8th Cir. 1989) ("The bond should be of an amount adequate to protect [the defendant's] business . . . .").

105. See Appellant NeoMagic Corporation's Opening Brief, supra note 30, at 36 ("Gorge's bond amounted to less than $130 per defendant, and for that it was able to seize over $300,000 of NeoMagic's funds and obtain an order allowing Gorge to take control of NeoMagic's online marketplace . . . .").

106. Plaintiff's Statement Relating to the December 19, 2022 Minute Order No. 19, Blue Sphere, Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto (*Blue Sphere I*), No. 22-cv-5599 (N.D. Ill. filed Dec. 21, 2022), ECF No. 20.

The rightsowner filed a new complaint against the 213 dropped defendants. See Complaint, Blue Sphere, Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Uninc. Ass'ns Identified on Schedule A Hereto (*Blue Sphere II*), No. 22-cv-6502 (N.D. Ill. filed Nov. 21, 2022), ECF No. 1. The first judge did not appreciate the maneuver:

> Plaintiff's counsel engaged in that judicial rug-pulling sub silentio, without telling this Court or Judge Guzman what they were doing. . . . Plaintiff's counsel later explained that they do not like this Court's bond requirements. So they decided to refile the case and get another judge. . . . The Federal Rules and the U.S. Code allow a certain amount of forum shopping. But they do not allow judge shopping. . . . Parties can pick their lawyers, and parties can pick their cases. But parties cannot pick their judges. Plaintiff's counsel cannot drop defendants, and then refile on behalf of those defendants, in an attempt to get what they perceive to be a greener judicial pasture.

Minute Entry, *Blue Sphere I*, No. 22-cv-5599 (N.D. Ill. filed Jan. 18, 2023), ECF No. 28 (citation omitted). The same judge later added: "Clients have some latitude at picking a forum. Clients have no latitude picking a judge. Judge shopping ain't a thing here or anywhere else. . . . This is absolutely beyond the pale." Celeste Bott, 'Judge Shopping Ain't a Thing Here,' Ill. Judge Warns IP Atty, Law360 (May 2, 2023), https://www.law360.com/legalethics/articles/1603426/-judge-shopping-ain-t-a-thing-here-ill-judge-warns-ip-atty (on file with the *Columbia Law Review*) (internal quotation marks omitted) (quoting Transcript of Proceedings at 6–7, 9, *Blue Sphere I*, No. 22-cv-5599 (N.D. Ill. heard Jan. 18, 2023), ECF No. 35).

107. See supra notes 99–100 and accompanying text.

surety fee, more aggressive judicial imposition of bonds isn't likely to materially impact SAD Scheme cases.

D. *Possible Statutory Reforms*

It is unlikely that Congress would adopt any anti–SAD Scheme legislative reforms. Congress is constantly paralyzed by gridlock; it is difficult to pass any reforms that do not benefit rightsowners; and Congress might misconceptualize the SAD Scheme as a regional (i.e., Chicago) problem. If Congress ever considers ways to curb the SAD Scheme, it should evaluate these ideas for reforms:

Filing fees scaled to the number of defendants.[108] Enumerating lots of defendants in a single complaint is critical to the SAD Scheme's financial success. It would change the rightsowners' economic calculus if filing costs reflected this practice.[109] For example, the $402 filing fees might cover only the first X defendants, after which each additional defendant could cost another $402. If X were set high enough so that most legitimate cases would qualify for the fixed pricing, this pricing change could easily cut back on abusive cases.

Stronger presumptions against sealed defendant identities. To emphasize that sealed defendant identities should be exceptional, the FRCP could impose heightened judicial scrutiny of cases with sealed defendant identities. For example: Filing fees could be higher when the complaint has sealed defendant identities; rightsowners could be required to proactively disclose how often they have filed complaints with sealed defendant identities and how those cases resolved; judges could be required to take extra steps upfront to verify the legitimacy of sealing requests before a rightsowner can move forward; and the default rule could be that any sealed defendant identities automatically become unsealed within a statutorily specified number of days or weeks after filing unless the rightsowner shows an extraordinary need to keep the identities sealed.

CONCLUSION

Reading this paper often leaves readers feeling confused, frustrated, and angry. The SAD Scheme seemingly contravenes basic civil procedure and intellectual property rules, and readers cannot understand how rightsowners get away with it. Furthermore, it's hard to believe that judges tolerate or even encourage these practices rather than emphatically shutting them down.

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108. Alternatively, Congress could adopt more restrictive joinder rules for trademark and copyright cases analogous to the patent joinder rules in 35 U.S.C. § 299.

109. Cf. Jonathan S. Masur, Costly Screens and Patent Examination, 2 J. Legal Analysis 687, 688 (2010) (discussing how patent prosecution costs can screen out low-value applications).

Yet, SAD Scheme cases keep growing in number precisely because rightsowners are achieving outcomes they should not be able to obtain. Even if the SAD Scheme does help some rightsowners shut down some counterfeiters, in our jurisprudential system the ends do not justify the means. Instead, judges and regulators should do more to protect the interests of the many thousands of victimized merchants as well as the marketplaces and their consumers. Rightsowners have other ways to combat foreign counterfeiters without denigrating the rule of law.

Astellas Pharma, Inc. v. Sandoz Inc.

United States Court of Appeals for the Federal Circuit

September 18, 2024, Decided

2023-2032, 2023-2063, 2023-2089

Reporter
117 F.4th 1371 *; 2024 U.S. App. LEXIS 23669 **; 2024 LX 97847; 2024 U.S.P.Q.2D (BNA) 1668; 2024 WL 4219374

ASTELLAS PHARMA, INC., ASTELLAS IRELAND CO., LTD., ASTELLAS PHARMA GLOBAL DEVELOPMENT, INC., Plaintiffs-Appellants v. SANDOZ INC., ZYDUS PHARMACEUTICALS (USA) INC., ZYDUS LIFESCIENCES LTD., DBA ZYDUS CADILA, LUPIN LTD., LUPIN PHARMACEUTICALS, INC., LEK PHARMACEUTICALS, D.D., Defendants-Appellees, AUROBINDO PHARMA LTD., AUROBINDO PHARMA USA, INC., AUROLIFE PHARMA LLC, ACTAVIS ELIZABETH LLC, PRINSTON PHARMACEUTICAL INC., ZHEJIANG HUAHAI PHARMACEUTICAL CO., LTD., HUAHAI US INC., SOLCO HEALTHCARE U.S., LLC, WINDLAS HEALTHCARE PVT. LTD., WINDLAS BIOTECH LTD., TEVA PHARMACEUTICALS USA, INC., Defendants

Prior History: [**1] Appeals from the United States District Court for the District of Delaware in Nos. 1:20-cv-01589-JFB-CJB, 1:21-cv-00425-JFB-CJB, 1:21-cv-00664-JFB-CJB, Senior Judge Joseph F. Bataillon.

Astellas Pharma Inc. v. Sandoz Inc., 2023 U.S. Dist. LEXIS 100589, 2023 WL 3934386 (June 9, 2023)

Disposition: VACATED AND REMANDED.

Case Summary

Overview
HOLDINGS: [1]-In a patent dispute, the district court's finding that several of the claims were invalid under 35 U.S.C.S. § 101 as directed to an ineligible natural law, was an abuse of discretion on the basis of the party presentation principle, because it rendered its decision on a ground not raised by any party at any stage of the proceedings; [2]-The extraordinary remedy of reassignment was not warranted because even though there were concerns with the analysis of the district court, the appellate court was not convinced that the judge could not resolve the issues impartially and fairly.

Outcome
Vacated and remanded.

Counsel: PAUL WHITFIELD HUGHES, III, McDermott Will & Emery LLP, Washington, DC, argued for plaintiffs-appellants. Also represented by ANDREW LYONS-BERG, CHARLES H. SEIDELL; JASON ALBERT LEONARD, SIMON ROBERTS, New York, NY; DANIEL M. SILVER, McCarter & English, LLP, Wilmington, DE.

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MICHAEL GAERTNER, Locke Lord LLP, Chicago, IL, for defendants-appellees Zydus Pharmaceuticals (USA) Inc., Zydus Lifesciences Ltd. Also represented by DAVID BRIAN ABRAMOWITZ, HUGH S. BALSAM, CAROLYN ANNE BLESSING, EMILY SAVAS, JONATHAN B. TURPIN.

Judges: Before LOURIE, PROST, [**2] and REYNA, Circuit Judges.

Opinion by: LOURIE

Opinion

[*1374] LOURIE, *Circuit Judge*.

Astellas Pharma, Inc., Astellas Ireland Co., Ltd., and Astellas Pharma Global Development, Inc. (collectively, "Astellas") appeal from the final judgment of the United States District Court for the District of Delaware. Following a five-day bench trial on issues of infringement and validity under 35 U.S.C. § 112, the district court determined, *sua sponte*, that claims 5, 20, and 25 of U.S. Patent 10,842,780 ("the '780 patent") are invalid under 35 U.S.C. § 101 as directed to an ineligible natural law. *Astellas Pharma Inc. v. Sandoz Inc.*, No. 20-cv-1589, 2023 U.S. Dist. LEXIS 100589, 2023 WL 3934386 (D. Del. June 9, 2023) ("*Decision*"). For the reasons set forth below, we vacate the judgment and remand.

BACKGROUND

I

In 2012, the U.S. Food and Drug Administration ("FDA") approved the New Drug Application ("NDA") for extended-release mirabegron tablets for the treatment of overactive bladder ("OAB"), which Astellas markets and sells under the brand name Myrbetriq®. Mirabegron is a beta-3 agonist that stimulates beta receptors in the bladder, thereby inducing bladder relaxation and improving bladder function.

During the development of Myrbetriq, Astellas discovered that immediate-release formulations of mirabegron exhibit an undesirable "food effect," meaning that the bioavailability of the drug is affected by the presence or absence [**3] of food in a patient's stomach. Astellas observed that when patients took the drug with a meal, the levels of mirabegron that were absorbed into the blood were too low to impart any therapeutic benefit. But when patients took the drug on an empty stomach, mirabegron was absorbed too rapidly, reaching potentially toxic concentrations in the blood. To solve this problem, Astellas developed sustainedrelease formulations of mirabegron, which abated the undesirable food effect. Those formulations are covered by the claims of the '780 patent.

The '780 patent contains two independent claims, each of which is directed to a sustained-release pharmaceutical composition comprising mirabegron. Independent claim 1, from which asserted claims 5 and 20 ultimately depend, recites:

> 1. A pharmaceutical composition, comprising 10 mg to 200 mg of [mirabegron], or a pharmaceutically acceptable salt thereof, in a sustained release hydrogel-forming formulation comprising a hydrogel-forming polymer having an average molecular weight of 100,000 to 8,000,000 and an additive having a water solubility of at least 0.1 g/mL at 20±5° C.,
>
> wherein the hydrogel-forming polymer is at least one compound selected from the group consisting of [**4] polyethylene oxide, hydroxypropyl methylcellulose, hydroxypropyl cellulose, carboxymethyl cellulose sodium, hydroxyethyl cellulose, and a carboxyvinyl polymer,
>
> [*1375] wherein the additive is at least one selected from the group consisting of polyethylene glycol, polyvinylpyrrolidone, D-mannitol, D-sorbitol, xylitol, lactose, sucrose, anhydrous maltose, D-fructose, dextran, glucose, polyoxyethylene hydrogenated castor oil, polyoxyethylene polyoxypropylene glycol, polyoxyethylene sorbitan higher fatty acid ester, sodium chloride, magnesium chloride, citric acid, tartaric acid, glycine, β-alanine, lysine hydrochloride, and meglumine, and

> wherein a drug dissolution rate from the pharmaceutical composition is 39% or less after 1.5 hours, and at least 75% after 7 hours, as measured in accordance with United States Pharmacopoeia in 900 mL of a USP buffer having a pH of 6.8 at a paddle rotation speed of 200 rpm.

'780 patent at col. 20, ll. 19-47; J.A. 8617-18 (Certificate of Correction). Asserted claim 5, which depends directly from claim 1, recites:

> 5. The pharmaceutical composition according to claim 1, wherein the hydrogel-forming polymer is at least one compound selected from the group consisting of polyethylene [**5] oxide, hyd[r]oxypropyl methylcellulose, and hydroxypropyl cellulose.

'780 patent at col. 20, ll. 61-65; J.A. 8617-18 (Certificate of Correction). Asserted claim 20, which depends from claim 1 by way of claims 16 and 18, recites:

> 20. A method for treating overactive bladder comprising administering the tablet according to claim 18 to a subject in need thereof.

'780 patent at col. 22, ll. 6-8. Claim 18 recites "[a] tablet, comprising the pharmaceutical composition according to claim 16," *id.* at col. 22, ll. 1-2, and claim 16 recites "[t]he pharmaceutical composition according to claim 1, comprising 10 mg to 200 mg of [mirabegron]," *id.* at col. 21, ll. 30-33.

Independent claim 22, from which asserted claim 25 ultimately depends, recites:

> 22. A pharmaceutical composition, comprising 10 mg to 200 mg of [mirabegron], or a pharmaceutically acceptable salt thereof, in a sustained release hydrogel-forming formulation comprising a means for forming a hydrogel and a means for ensuring penetration of water into the pharmaceutical composition,
>
> wherein a drug dissolution rate from the pharmaceutical composition is 39% or less after 1.5 hours, and at least 75% after 7 hours, as measured in accordance with United States Pharmacopoeia [**6] in 900 mL of a USP buffer having a pH of 6.8 at a paddle rotation speed of 200 rpm.

Id. at col. 22, ll. 13-25. Asserted claim 25, which depends from independent claim 22 by way of claim 23, recites:

> 25. A tablet, comprising the pharmaceutical composition according to claim 23.

Id. at col. 22, ll. 32-33. Claim 23 recites "[t]he pharmaceutical composition according to claim 22, comprising 10 mg to 200 mg of [mirabegron]." *Id.* at col. 22, ll. 26-29.

In short, asserted claims 5, 20, and 25 are generally directed to a pharmaceutical composition comprising mirabegron, a method of treating OAB using that composition, and a tablet comprising that composition, respectively.

II

On November 24, 2020, the day that the '780 patent issued, Astellas sued each of Sandoz Inc., Zydus Pharmaceuticals (USA) Inc., Zydus Lifesciences Ltd., dba Zydus Ca-Dila, Lupin Ltd., Lupin Pharmaceuticals, Inc., and Lek Pharmaceuticals, D.D. (collectively, "Sandoz") for patent infringement under 35 U.S.C. § 271(e)(2)(A) [*1376] based on the Abbreviated New Drug Application ("ANDA") each had submitted in 2016, seeking FDA approval to market and sell generic versions of Myrbetriq.[1] The cases were consolidated and proceeded to discovery.

On July 7, 2021, Sandoz produced [**7] its initial invalidity contentions. *See* J.A. 651-52. In those contentions, Sandoz claimed that the asserted claims were invalid under each of 35 U.S.C. §§ 102 (for anticipation), 103 (for obviousness), and 112 (for each of written description, enablement, and indefiniteness). Astellas Br. 11-12. Over a year later, on August 29, 2022, Sandoz produced its final invalidity contentions, maintaining each of those same

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[1] Astellas previously sued Sandoz in 2016 for infringement of certain then-listed Orange Book patents. *E.g., Astellas Pharma Inc. v. Sandoz Inc.*, No. 16-cv-952 (D. Del. filed Oct. 14, 2016). But the parties thereafter reached a settlement, and those cases were dismissed.

grounds of invalidity. *Id.* at 12; J.A. 1501-02. Sandoz did not pursue an invalidity defense under 35 U.S.C. § 101 during the discovery phase of the litigation.

Nearing the February 6, 2023 trial date, the parties continued to narrow their theories of the case. In mid-January, the parties filed a joint proposed pre-trial order, in which Sandoz agreed to limit its invalidity defenses to obviousness under 35 U.S.C. § 103 and each of written description, enablement, and indefiniteness under § 112. *See generally* J.A. 6505-36 (Sandoz's Statement of Issues of Law that Remain to be Litigated). Then, on February 1, 2023, the parties filed a joint stipulation in which Astellas agreed to assert only claims 5, 20, and 25 of the '780 patent, while Sandoz agreed to limit its invalidity defenses to only those arising under § 112. J.A. 6591-93. Accordingly, in [**8] the days leading up to trial, Sandoz waived any challenge to the asserted claims arising under §§ 102 and 103. The five-day bench trial came and went with no discussion, let alone argument, from the parties as to the patent eligibility of the asserted claims. Nor did that issue arise in the parties' post-trial briefing.

Nevertheless, the district court issued a final decision holding asserted claims 5, 20, and 25 of the '780 patent invalid as directed to patent-ineligible subject matter under 35 U.S.C. § 101. *Decision*, 2023 U.S. Dist. LEXIS 100589, [WL] at *2. Relying on Astellas's statement in its post-trial briefing, that, in the context of enablement under § 112, the "inventive concept of the '780 Patent was discovering the dissolution rate that would address the food effect and achieving it using previously known formulation technology," *id.* (quoting Astellas's post-trial rebuttal brief, J.A. 7416) (emphases omitted), the district court determined that "Astellas concedes that the '780 patent is enabled because it claims invalid subject matter: a natural law applied via routine, conventional, and well-known methods." *Id.* (citing *Mayo Collaborative Servs. v. Prometheus Lab'ys, Inc.*, 566 U.S. 66, 132 S. Ct. 1289, 182 L. Ed. 2d 321 (2012)). Thus, because the claimed invention "reflects merely the discovery of the food-effect-resolving dissolution profile," the district court deemed the [**9] asserted claims invalid as patent ineligible. 2023 U.S. Dist. LEXIS 100589, [WL] at *1.

Following the entry of judgment, Sandoz, the prevailing party, moved pursuant to Federal Rule of Civil Procedure 52(b) for the district court to make additional findings of fact and conclusions of law on the issues actually presented at trial—namely, infringement and validity under § 112. J.A. 8507-11. In that motion, Sandoz argued that it anticipated that Astellas would appeal the judgment and argue that "a § 101 defense [] was not presented at trial or in the post-trial briefing" and that the defense "is currently not set forth in the [c]ourt's opinion in terms of the claim language itself." *Id.* at 8508-09 (citing *Synopsys, [*1377] Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1149 (Fed. Cir. 2016), for the proposition that a § 101 inquiry must be based on the language of the claims themselves). The district court denied that motion, concluding that, despite Sandoz's concerns, "[t]he [c]ourt could not have better invoked [*Mayo*]." *Astellas Pharma Inc. v. Sandoz Inc.*, No. 20-cv-1589 (D. Del. June 27, 2023), ECF 577, J.A. 8512-14 ("*Rule 52(b) Decision*").

Astellas timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I

The Supreme Court has made clear that, "[i]n our adversary system, in both civil and criminal cases, in the first instance and on appeal, we follow the principle of party presentation. That is, we rely on the parties to frame the issues for decision and assign to courts [**10] the role of neutral arbiter of matters the parties present." *Greenlaw v. United States*, 554 U.S. 237, 243, 128 S. Ct. 2559, 171 L. Ed. 2d 399 (2008). By rendering its decision on a ground not raised by any party at any stage of the proceedings, and by expressly declaring that it "sits not [as] an arbiter to resolve the disputes on the parties' favored terrain," *Decision*, 2023 U.S. Dist. LEXIS 100589, [WL] at *2, the district court disregarded the longstanding principle of party presentation and, in doing so, abused its discretion. *United States v. Sineneng-Smith*, 590 U.S. 371, 375, 140 S. Ct. 1575, 206 L. Ed. 2d 866 (2020) (providing that departures from the principle of party presentation are reviewed for abuse of discretion); *United States v. Dowdell*, 70 F.4th 134, 146 (3d Cir. 2023) (same); *see Innogenetics, N.V. v. Abbott Lab'ys*, 512 F.3d 1363, 1371 (Fed. Cir. 2008) ("We review procedural issues not unique to patent law under regional circuit law.").

To be sure, "[t]he party presentation principle is supple, not ironclad," and there are circumstances in which it may be appropriate for a court to take a "modest initiating role" in the shape of the litigation. *Sineneng-Smith*, 590 U.S. at 376. But rendering a patent invalid on a basis not advanced by any party is not such a circumstance.

One cornerstone of patent litigation lies in 35 U.S.C. § 282, which provides that "[a] patent shall be presumed valid" and that "[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity." That statutory prescription mandates that the [**11] party asserting an invalidity defense must prove that defense by clear and convincing evidence. *Microsoft Corp. v. I4I Ltd. P'ship*, 564 U.S. 91, 95, 131 S. Ct. 2238, 180 L. Ed. 2d 131 (2011). It thus follows that, in a court proceeding, a patent is not found "valid." *See Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1569 (Fed. Cir. 1987) ("It is neither necessary nor appropriate for a court to declare a patent valid.") (citing *Env't Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693, 699 n.9 (Fed. Cir. 1984)). Rather, when a patent owner prevails in the face of an invalidity defense or counterclaim, it merely means that the patent challenger has failed to carry its burden of establishing, in that particular case, invalidity by clear and convincing evidence. *See id.* at 1569-70; *accord Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 627 (Fed. Cir. 1984) ("A patent is not held valid for all purposes but, rather, not invalid on the record before the court."). By statute then, the court's role in issues of patentability is straightforward. It "does not require [the court] to conclude whether something was or was not 'invented', or whether the court subjectively considers the invention 'worthy' of patent protection." *Lindemann Maschinenfabrik GMBH v. Am. Hoist & Derrick Co.*, 730 F.2d 1452, 1457 n.1 (Fed. Cir. 1984). Rather, the court's role is simply [*1378] "to determine whether the patent's challenger carried the burden of establishing invalidity." *Id.*

Here, the district court appears to have misapprehended its role in adjudicating the issue of patentability. It interpreted Astellas's "zealous defense" on issues [**12] of § 112 as "conced[ing] that the '780 patent is enabled because it claims invalid subject matter: a natural law applied via routine, conventional, and well-known methods." *Decision*, 2023 U.S. Dist. LEXIS 100589, [WL] at *1. It then used that "concession" to hold the patent invalid on a ground never advanced by Sandoz. That was an abuse of discretion. Curiously, the district court did appear to appreciate that the issue of patent eligibility was not asserted by Sandoz. In its denial of Sandoz's Rule 52(b) motion, the court acknowledged Sandoz's "worry [that] the parties inadequately raised the matter of subject-matter eligibility at trial or in briefing." *Rule 52(b) Decision*, J.A. 8512. But it deemed that worry unwarranted because of the "fundamental flaw" it sensed "in the [parties'] assertion that patent litigants may, in essence, consent around the bounds of patent eligibility." *Id.* And therein lies the problem. It is for the *parties*—not the court—to chart the course of the litigation. *See Lannom Mfg. Co. v. U.S. Int'l Trade Comm'n*, 799 F.2d 1572, 1579 (Fed. Cir. 1986) ("It is beyond cavil that a district court does not have authority to invalidate a patent at its own initiative if validity is not challenged by a party.").

Further, the district court's treatment of patent eligibility suffered from its own "fundamental flaw." It [**13] appears that the district court believed patent eligibility under 35 U.S.C. § 101 to be a threshold inquiry that it had a duty to address—even in the silence of the parties—akin to, for example, subject-matter jurisdiction. But the presumption of validity afforded to patents under § 282 applies equally to *all* grounds of validity, including the eligibility of the claimed subject-matter. *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1319 (Fed. Cir. 2019) ("Th[e] presumption reflects the fact that the Patent and Trademark Office has already examined whether the patent satisfies 'the prerequisites for issuance of a patent,' including § 101." (quoting *Microsoft*, 564 U.S. at 95-96)).[2] Accordingly, to the extent the district court believed that validity under § 101 is treated any differently than validity under §§ 102, 103, and 112 for purposes of the party presentation principle, that was error.

was error.

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[2] To be sure, § 101 is a threshold inquiry in *obtaining* patent protection. *See In re Comiskey*, 554 F.3d 967, 973 (Fed. Cir. 2009) (explaining, in the context of patent prosecution, that "[o]nly if the requirements of § 101 are satisfied is the inventor allowed to pass through to the other requirements for patentability, such as novelty under § 102 and . . . non-obviousness under § 103" (internal quotation marks and citation omitted)).

Sandoz's attempts to excuse the district court's departure from that principle are unavailing. In its view, the district court acted within its authority in light of precedent and Astellas's "stunning admissions" at trial regarding the invention. Sandoz Br. 23. Relying on cases from the late 1800s and certain non-binding out-of-circuit cases,[3] Sandoz argues that "[t]he [*1379] Supreme Court has long held that a court may [**14] consider the eligibility or validity of a patent, even if such a defense is not raised by the defendant in the action." *Id.* at 18 (citing *Slawson v. Grand Street, P.P & F.R. Co.*, 107 U.S. 649, 652, 2 S. Ct. 663, 27 L. Ed. 576, 1883 Dec. Comm'r Pat. 313 (1883); *Brown v. Piper*, 91 U.S. 37, 43-44, 23 L. Ed. 200, 1876 Dec. Comm'r Pat. 464 (1875); *Dunbar v. Myers*, 94 U.S. 187, 188, 24 L. Ed. 34, 1877 Dec. Comm'r Pat. 140 (1876)); *see id.* at 19-20 (citing *Barkeij v. Lockheed Aircraft Corp.*, 210 F.2d 1, 1 (9th Cir. 1954); *Howes v. Great Lakes Press Corp.*, 679 F.2d 1023, 1028 (2d Cir. 1982)). But those decisions were rendered before, or did not address the impact of, the Patent Act of 1952's codification of a patent's presumption of validity and the requirement that a patent challenger affirmatively plead its defenses. *See* Pub. L. No. 82-593, § 282, 66 Stat. 792, 812 (1952) (codified at 35 U.S.C. § 282). We therefore find Sandoz's reliance on those cases unpersuasive.[4]

Sandoz's invocation of public policy to justify the district court's decision is no more persuasive. Sandoz Br. 23-24 (arguing that the "public has a strong interest in the elimination of invalid pharmaceutical patents that delay or deter low-cost generic alternatives"). That argument is entirely irrelevant to the scope of a court's authority to stray from the case as designed by the parties. Indeed, we have long rejected such "public responsibility" concerns in favor of adherence to the party presentation principle. *See Lannom Mfg.*, 799 F.2d at 1579 (rejecting argument that the International Trade Commission has a public responsibility to "verify the validity of any patent brought before it").

Accordingly, [**15] because the district court abused its discretion in holding the asserted claims invalid under 35 U.S.C. § 101, a ground not invoked by Sandoz, we vacate the judgment and remand for adjudication of the issues properly raised and adequately supported by the record. Those issues are limited to infringement and validity under 35 U.S.C. § 112. *See* J.A. 6591-93.

II

We turn now to Astellas's request that this case be reassigned to a different district court judge on remand. Astellas argues that "[t]aken together, the district court's two post-trial decisions are rather extraordinary," Astellas Br. 55, such that reassignment is necessary to maintain an appearance of impartiality and fairness in the forthcoming remand proceedings.

Reassignment is "an exceptional remedy, one that we weigh seriously and order sparingly." *United States v. Kennedy*, 682 F.3d 244, 258 (3d Cir. 2012); *see Lazare Kaplan Int'l, Inc. v. Photoscribe Techs., Inc.*, 714 F.3d 1289, 1298 (Fed. Cir. 2013) (providing that reassignment requests are evaluated "under the law of the regional circuit in which the district court sits"). When reviewing requests for reassignment, the Third Circuit applies "a standard that calls for reassignment when a reasonable person, with knowledge of all [*1380] the facts, would

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[3] Sandoz also relies on *Comiskey* for the proposition that the Federal Circuit has "considered § 101 issues without prompting from the parties." Sandoz Br. 20-21. *Comiskey* was an appeal from a decision of the Board of Patent Appeals and Interferences ("Board"), determining that a patent application was unpatentable under § 103. 554 F.3d at 969. We affirmed the Board's judgment of unpatentability under § 101. *Id.* While neither the examiner nor the Board had made a patentability determination under § 101, we confirmed that both the APA and the Supreme Court's decision in *SEC v. Chenery Corp.*, 318 U.S. 80, 63 S. Ct. 454, 87 L. Ed. 626 (1943), "made clear that a reviewing court can (and should) affirm *an agency decision* on a legal ground not relied on by *the agency* if there is no issue of fact, policy, or agency expertise." *Id.* at 974 (emphases added). The APA and *Chenery* principles that existed in *Comiskey* do not exist in the present case.

[4] For the first time at oral argument, Sandoz argued that it did plead an invalidity defense under § 101, referencing each Defendant-Appellee's answer to Astellas's complaint. *See* Oral Arg. at 16:42-57, *available at* https://oralarguments.cafc.uscourts.gov/default.aspx?fl=23-2032_08072024.mp3 (counsel for Sandoz arguing that "[t]he answers contain affirmative defenses under § 101, and Lupin's [counterclaim] has an express statement under § 101"). Sandoz did not raise that argument anywhere on appeal. Thus, it is forfeited. *See Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 800 (Fed. Cir. 1990) (noting we have discretion to consider arguments not raised in a party's appellate brief).

conclude that the judge's impartiality might reasonably be questioned." *Arrowpoint Cap. Corp. v. Arrowpoint Asset Mgmt., LLC*, 793 F.3d 313, 329 (3d Cir. 2015) (internal quotation marks and citations [**16] omitted). Having considered the parties' arguments and having undertaken our own review of the district court proceedings, we decline to order the extraordinary remedy of reassignment in this case.

Astellas first argues that the district court's failure to abide by the party presentation principle is, "standing alone," enough to warrant reassignment. *See* Astellas Br. 55-56. We disagree. The Third Circuit has made clear that "adverse rulings—even if they are erroneous—are not in themselves proof of prejudice or bias" that warrant judicial reassignment. *Arrowpoint*, 793 F.3d at 330. We have already concluded that the district court abused its discretion, as a matter of procedure, in rendering its judgment. And, although we have serious doubts that, on the merits, the asserted claims—directed to nonnatural compositions of matter and associated methods of use—are ineligible for patent protection (an issue we decline to resolve), those kinds of errors, *i.e.*, errors relating to the propriety of the district court's analysis, are insufficient to warrant reassignment.

Astellas next points to various statements that the district court made in its two decisions on appeal as evidencing judicial bias. For example, in its denial [**17] of Sandoz's Rule 52(b) motion, the district court stated that "[t]he pharmaceutical industry, to put it mildly, has perverted th[e] intent [of the Hatch-Waxman Amendments]. With alarming regularity since, brand and generic drug manufacturers have colluded to protect weak or invalid patents and share in the startling profits." *Rule 52(b) Decision*, J.A. 8513 (citing an unrelated antitrust litigation concerning the sale of a type 2 diabetes drug). The district court further stated that this "case is about the pharmaceutical industry's long-standing 'innovation' of patenting extended-release formulas for soon-to-expire active-ingredient patents," a practice the district court believes the U.S. Patent and Trademark Office has "accommodated" by issuing patents to such inventions. *Id.*

We agree with Astellas that these statements have no relevance to the proceedings in *this* case, which are limited to the issues of infringement and validity under 35 U.S.C. § 112 of three claims of the '780 patent. We further understand Astellas's concern that the district court's commentary may evidence a personal frustration with the pharmaceutical industry as a whole. *See also* Sandoz Br. 43 ("And to the extent that the district court's opinions expressed [**18] a frustration with the pharmaceutical industry, both 'brand and generic manufacturers' were mentioned."). To be sure, these proceedings are not an appropriate venue for those frustrations to be aired, let alone acted upon. *See Sineneng-Smith*, 590 U.S. at 376 ("[Courts] do not, or should not, sally forth each day looking for wrongs to right." (internal quotation marks and citation omitted)).

Although we have concerns with the analysis of the district court, we are not convinced that the judge, who has overseen nearly two hundred patent cases and has ruled in favor of both innovative and generic manufacturers alike, cannot resolve the outstanding issues impartially and fairly, particularly now that we have clarified the proper course for adjudication. Significantly, other than the court's two rulings, Astellas cannot identify any instance in the life of this nearly four-year-old litigation in which the district court judge acted in a way that called into question his ability to do just that. Further, as Sandoz points out, the district court judge [*1381] is currently presiding over two related cases that concern the same or similar validity issues on similar subject matter. *See* Sandoz Br. 48 n.6.

Ultimately, we trust that, [**19] upon remand, the district court can and will take an objective, measured, and thorough look into the legal issues and evidence of record to resolve only those disputes that exist between the parties.

CONCLUSION

We have considered the parties' remaining arguments and find them unpersuasive. For the reasons set forth above, we vacate the district court's judgment and remand for adjudication of the case as it was shaped by the parties.

VACATED AND REMANDED

COSTS

No costs.

Revised April 26, 2022

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

PLAINTIFF,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action No. [ ]
	:	**ANDA CASE**
DEFENDANT,	:	
	:	
Defendant.	:	

SCHEDULING ORDER FOR
HATCH-WAXMAN PATENT INFRINGEMENT CASES[1]

This __ day of _____, 20__, the Court having conducted an initial Rule 16(b) scheduling conference pursuant to Local Rule 16.1(b), and the parties having determined after discussion that the matter cannot be resolved at this juncture by settlement, voluntary mediation, or binding arbitration:

IT IS ORDERED that:

1. Caption Modification. The Caption shall be modified to include the words "ANDA CASE" immediately below the Civil Action Number.

[1] This form order is to be used in cases arising under 21 U.S.C. § 355 where all patents alleged to be infringed were the subject of a Paragraph IV certification of noninfringement and/or invalidity by Defendant(s).

2. Relevant Deadlines and Dates. All relevant deadlines and dates established by this Order are set forth in the chart attached as Exhibit A. The expiration date(s) of any applicable 30-month period(s) imposed pursuant to 21 U.S.C. § 355(j)(5)(B)(iii) are set forth in the first row(s) of the chart.

3. Rule 26(a)(1) Initial Disclosures. Unless otherwise agreed to by the parties, the parties shall make their initial disclosures required by Federal Rule of Civil Procedure 26(a)(1) within five days of the date of this Order.

4. Production of the ANDA(s) and/or NDA(s). As required by the Court's Standing Order Regarding Hatch-Waxman Cases in Which Infringement Is Alleged, upon the filing of a responsive pleading to the Complaint, Defendant(s) shall produce to Plaintiff(s) the entire Abbreviated New Drug Application(s) or New Drug Application(s) that is(are) the basis of the alleged infringement.

5. Preliminary Disclosure of Asserted Claims. No later than seven days after the date of this Order, Plaintiff(s) shall serve Defendant(s) with a "Preliminary Disclosure of Asserted Claims" that lists each claim of each patent alleged to be infringed by Defendant(s), including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted. Unless otherwise agreed to by the parties, Plaintiff(s) may assert no more than ten claims of any one patent and no more than 32 claims in total against any one Defendant. Plaintiff(s) shall produce with the Preliminary Disclosure of Asserted Claims a copy of the file

history for each asserted patent, all documents evidencing ownership of the asserted patent rights by Plaintiff(s), and all agreements, including licenses, transferring an interest in any asserted patent.

6. Noninfringement Contentions. Unless otherwise agreed to by the parties, no later than 30 days after service of the Preliminary Disclosure of Asserted Claims, Defendant(s) shall serve on Plaintiff(s) "Noninfringement Contentions" that shall set forth any defense of noninfringement and include a claim chart that identifies each claim at issue in the case, each limitation of each claim at issue, and any and all claim limitations that are literally absent from the Abbreviated New Drug Application(s) or New Drug Application(s) accused of infringement. Defendant(s) shall produce with the Noninfringement Contentions any document or thing that Defendant(s) intend(s) to rely upon in defense of any infringement allegations by Plaintiff(s).

7. Invalidity Contentions and Preliminary Disclosure of Asserted Prior Art. Unless otherwise agreed to by the parties, no later than 30 days after service of the Preliminary Disclosure of Asserted Claims, Defendant(s) shall serve on Plaintiff(s) "Invalidity Contentions" that shall contain the following information:

(a) The identity of no more than 12 prior art references for any one patent and no more than 30 prior art references in total that Defendant(s) allege(s) anticipates each asserted claim or renders the claim obvious (the

"Preliminary Disclosure of Asserted Prior Art"). Each prior art patent shall be identified by its number, country of origin, and date of issue. Each prior art publication shall be identified by its title, date of publication, and, where feasible, author and publisher. Each alleged sale or public use shall be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity(ies) of the person(s) or entity(ies) that made the use or made and received the offer, or the person(s) or entity(ies) that made the information known or to whom it was made known. For pre-AIA claims, prior art under 35 U.S.C. § 102(f) shall be identified by providing the name of the person(s) from whom and the circumstances under which the invention or any part of it was derived. For pre-AIA claims, prior art under 35 U.S.C. § 102(g) shall be identified by providing the identity(ies) of the person(s) or entity(ies) involved in and the circumstances surrounding the making of the invention before the patent applicant(s);

(b) Whether each item of prior art anticipates each asserted claim or renders it obvious. If obviousness is alleged, an explanation of why the prior art renders the asserted claim obvious, including an identification of any combinations of prior art showing obviousness;

(c) A chart identifying specifically where and how in each alleged item of prior art each limitation of each asserted claim is found, including, for each limitation that such party contends is governed by 35 U.S.C. § 112(f), the identity of the structure(s), act(s), or material(s) in each item of prior art that performs the claimed function; and

(d) Any grounds of invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112(b), or lack of enablement or insufficient written description under 35 U.S.C. § 112(a) of any of the asserted claims.

8. Document Production Accompanying Invalidity Contentions. With the Invalidity Contentions, Defendant(s) shall produce or make available for inspection and copying a copy or sample of the prior art identified pursuant to paragraph 7(a) that does not appear in the file history of the asserted patent(s). To the extent any such item is not in English, an English translation of the portion(s) relied upon shall be produced.

9. Infringement Contentions. Unless otherwise agreed to by the parties, no later than 45 days after service of the Noninfringement Contentions, Plaintiff(s) shall serve on Defendant(s) "Infringement Contentions." Separately for each Defendant, the Infringement Contentions shall contain the following information:

(a) Each claim of each asserted patent that Plaintiff(s) allege(s) Defendant(s) infringe(s), including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted;

(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality ("Accused Instrumentality") of each Defendant of which Plaintiff(s) is(are) aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus that, when used, allegedly results in the practice of the claimed method or process;

(c) A chart identifying specifically where and how each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(f), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function;

(d) For each claim alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of

multiple parties, the role of each such party in the direct infringement must be described;

(e) Whether each limitation of each asserted claim is alleged to be present in the Accused Instrumentality literally or under the doctrine of equivalents;

(f) For any patent that claims priority to an earlier application, the priority date to which each asserted claim is alleged to be entitled; and

(g) If Plaintiff(s) wish(es) to preserve the right to rely, for any purpose, on the assertion that its(their) own or its(their) licensee's apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, Plaintiff(s) shall identify, separately for each asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim ("Embodying Instrumentality").

10. Document Production Accompanying Infringement Contentions. Plaintiff(s) shall produce with the Infringement Contentions or make available for inspection and copying:

(a) Documents (e.g., contracts, purchase orders, invoices, advertisements, marketing materials, offer letters, beta site testing agreements, and third party or joint development agreements) sufficient to

evidence each discussion with, disclosure to, or other manner of providing to a third party, or each sale of or offer to sell, or any public use of, the claimed invention prior to the date of application for the asserted patent(s);

(b) All documents evidencing the conception, reduction to practice, design, and development of each claimed invention, that were created on or before the date of application for the asserted patent(s) or the priority date(s) identified pursuant to paragraph 9(f) of this Order, whichever is earlier; and

(c) If Plaintiff(s) identifies(y) instrumentalities pursuant to paragraph 9(g) of this Order, documents sufficient to show the operation of any aspects or elements of such instrumentalities the patent claimant relies upon as embodying any asserted claims.

Plaintiff(s) shall separately identify by production number the documents that correspond to each category set forth in this paragraph. The production of a document as required by this paragraph shall not constitute an admission that such document evidences or is prior art under 35 U.S.C. § 102.

11. Addition or Substitution of Asserted Claims or Prior Art and Amendment of Contentions. The addition or substitution of asserted claims or prior art and the amendment of the Noninfringement Contentions, Invalidity Contentions, Infringement Contentions, Preliminary Disclosure of Asserted Claims, and Preliminary Disclosure of Asserted Prior Art may be made only by

order of the Court upon a timely showing of good cause. A request to add an asserted claim will likely only be granted if Plaintiff(s) drop(s) a claim or claims previously asserted. A request to add an asserted prior art reference will likely only be granted if Defendant(s) drop(s) a prior art reference or references previously asserted. The duty to supplement discovery responses does not excuse the need to obtain leave of the Court to add or substitute asserted claims or prior art or to amend contentions.

12. Joinder of Other Parties and Amendment of Pleadings. All motions to join other parties, and to amend or supplement the pleadings, shall be filed on or before _____.

13. Discovery.

(a) Discovery Cut Off. All discovery in this case shall be initiated so that it will be completed on or before _____.

(b) Document Production. Document production shall be completed on or before _____.

(c) Requests for Admission. A maximum of __ requests for admission is permitted for each side.

(d) Interrogatories. A maximum of __ interrogatories, including contention interrogatories, is permitted for each side.

(e) Depositions.

(1) Limitation on Hours for Deposition Discovery. Each side is limited to a total of ___ hours of taking testimony by deposition upon oral examination.

(2) Location of Depositions. Any party or representative (officer, director, or managing agent) of a party filing a civil action in this District Court must ordinarily be required, upon request, to submit to a deposition at a place designated within this District. Exceptions to this general rule may be made by order of the Court or by agreement of the parties. A Defendant who becomes a counterclaimant, cross-claimant, or third-party plaintiff shall be considered as having filed an action in this Court for the purpose of this provision.

14. Pinpoint Citations. Pinpoint citations are required in all briefing, letters, and concise statements of facts. The Court will ignore any assertions of controverted facts and controverted legal principles not supported by a pinpoint citation to, as applicable: the record, an attachment or exhibit, and/or case law or appropriate legal authority. *See United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir. 1991) ("Judges are not like pigs, hunting for truffles buried in briefs.").

15. Application to Court for Protective Order. Should counsel find it will be necessary to apply to the Court for a protective order specifying terms and conditions for the disclosure of confidential information, counsel should confer and attempt to reach an agreement on a proposed form of order and submit it to the Court within ten days from the date of this Order.

Any proposed protective order must include the following paragraph:

> Other Proceedings. By entering this Order and limiting the disclosure of information in this case, the Court does not intend to preclude another court from finding that the information may be relevant and subject to disclosure in another case. Any person or party subject to this Order who becomes subject to a motion to disclose another party's information designated as confidential pursuant to this Order shall promptly notify that party of the motion so that the party may have an opportunity to appear and be heard on whether that information should be disclosed.

16. Disputes Relating to Discovery Matters and Protective Orders. Should counsel find that they are unable to resolve a dispute relating to a discovery matter or protective order, the parties shall contact the Court's Case Manager to schedule an in-person conference/argument.

(a) Unless otherwise ordered, by no later than 72 hours prior to the conference/argument, the party seeking relief shall file with the Court a letter, not to exceed three pages, outlining the issues in dispute and the

party's position on those issues. The party shall submit as attachments to its letter (1) an averment of counsel that the parties made a reasonable effort to resolve the dispute and that such effort included oral communication that involved Delaware counsel for the parties and (2) a draft order for the Court's signature that identifies with specificity the relief sought by the party. The party shall file concurrently with its letter a motion that in no more than one paragraph sets forth the relief sought.

(b) By no later than 48 hours prior to the conference/argument, any party opposing the application for relief may file a letter, not to exceed three pages, outlining that party's reasons for its opposition.

(c) Two hard copies of the parties' letters and attachments must be provided to the Court within one hour of e-filing the document(s). The hard copies shall comply with paragraphs 14 and 18 of this Order.

(d) If a motion concerning a discovery matter or protective order is filed without leave of the Court and does not comport with the procedures set forth in this paragraph, the motion will be denied without prejudice to the moving party's right to bring the dispute to the Court through the procedures set forth in this paragraph.

17. Papers Filed Under Seal. When filing papers under seal, counsel shall deliver to the Clerk an original and two copies of the papers. A redacted version of

any sealed document shall be filed electronically within seven days of the filing of the sealed document.

18. Hard Copies. The parties shall provide to the Court two hard copies of all letters filed pursuant to paragraph 16 of this Order, all briefs, and any other documents filed in support of any such letters and briefs. This provision also applies to papers filed under seal.

a. Exhibits and Attachments. **Each exhibit and attachment to a letter, brief, or pretrial order shall be separated by a tab.** (Accordingly, each brief filed in connection with a motion *in limine* in a pretrial order must be separated by a tab.) Each exhibit and attachment shall have page numbers of some sort such that a particular page of an exhibit or attachment can be identified by a page number. The parties shall take all practical measures to avoid filing multiple copies of the same exhibit or attachment. The parties should highlight the text of exhibits and attachments they wish the Court to read. The parties are encouraged to include in an exhibit or attachment only the pages of the document in question that (1) identify the document (e.g., the first page of a deposition transcript or the cover page of a request for discovery) and (2) are relevant to the issue(s) before the Court.

b. Colors of Front Covers. The covers of briefs filed in connection with all motions except for motions *in limine* included in a pretrial order shall be as follows:

i. Opening brief – Blue

ii. Answering brief – Red

iii. Reply brief – Gray

19. Claim Construction Issue Identification. On or before _____, the parties shall exchange a list of those claim term(s)/phrase(s) that they believe need construction and their proposed claim construction(s) of those term(s)/phrase(s). This document will not be filed with the Court. Subsequent to exchanging that list, the parties will meet and confer to prepare a Joint Claim Construction Chart to be filed no later than _____. The Joint Claim Construction Chart, in Word format, shall be e-mailed simultaneously with filing to cfc_civil@ded.uscourts.gov. The text for the Joint Claim Construction Chart shall be 14-point and in Times New Roman or a similar typeface. The parties' Joint Claim Construction Chart should identify for the Court the term(s)/phrase(s) of the claim(s) in issue and should include each party's proposed construction(s) of the disputed claim language with citation(s) only to the intrinsic evidence in support of their respective proposed constructions. A separate text-searchable PDF of each of the patent(s) in issue shall be submitted with this Joint

Claim Construction Chart. In this joint submission, the parties shall not provide argument. Each party shall file concurrently with the Joint Claim Construction Chart a "Motion for Claim Construction" that requests the Court to adopt the claim construction position(s) of that party set forth in the Joint Claim Construction Chart. The motion shall not contain any argument and shall simply state that the party "requests that the Court adopt the claim construction position[s] of [the party] set forth in the Joint Claim Construction Chart (D.I. [ ])."

20. Claim Construction Briefing. The Plaintiff(s) shall serve, but not file, its(their) opening brief, not to exceed 5,500 words, on _____. The Defendant(s) shall serve, but not file, its(their) answering brief, not to exceed 8,250 words, on _____. The Plaintiff(s) shall serve, but not file, its(their) reply brief, not to exceed 5,500 words, on _____. The Defendant(s) shall serve, but not file, its(their) sur-reply brief, not to exceed 2,750 words, on _____. The text for each brief shall be 14-point and in Times New Roman or a similar typeface. Each brief must include a certification by counsel that the brief complies with the type and number limitations set forth above. The person who prepares the certification may rely on the word count of the word-processing system used to prepare the brief.

No later than _____, the parties shall file a Joint Claim Construction Brief. (Should the parties later stipulate or otherwise request to have

this deadline extended, the parties will presumptively lose their claim construction hearing date upon the Court's granting the extension.) The parties shall copy and paste their untitled briefs into one brief, with their positions on each claim term in sequential order, in substantially the form below.

JOINT CLAIM CONSTRUCTION BRIEF

I. Agreed-upon Constructions

II. Disputed Constructions

A. [TERM 1]

1. Opening Position of Plaintiff(s)
2. Answering Position of Defendant(s)
3. Reply Position of Plaintiff(s)
4. Sur-Reply Position of Defendant(s)

B. [TERM 2]

1. Opening Position of Plaintiff(s)
2. Answering Position of Defendant(s)
3. Reply Position of Plaintiff(s)
4. Sur-Reply Position of Defendant(s)

Etc. The parties need not include any general summaries of the law relating to claim construction. If there are any materials that would be submitted in an appendix, the parties shall submit them in a Joint Appendix. Citations to intrinsic evidence shall be set forth in the Joint Claim Construction Brief. Citations to expert declarations and other extrinsic evidence may be made in the Joint Claim Construction Brief as the parties deem necessary, but the Court will review such

extrinsic evidence only if the Court is unable to construe the disputed claim terms based on the intrinsic evidence. *See Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1584 (Fed. Cir. 1996). Declarations shall not contain legal argument or be used to circumvent the briefing word limitations imposed by this paragraph. The Joint Claim Construction Brief and Joint Appendix shall comply with paragraphs 14 and 18 of this Order.

21. Meet and Confer Confirmation and Amended Claim Chart. On or before _____ [no earlier than three weeks before the claim construction hearing and no later than two weeks before the claim construction hearing], Delaware and lead counsel for the parties shall meet and confer and thereafter file an Amended Joint Claim Construction Chart that sets forth the terms that remain in dispute. During the meet and confer, the parties shall attempt to reach agreement on any disputed terms where possible and to narrow the issues related to the remaining disputed terms. The parties shall file with the Amended Joint Claim Construction Chart a letter that identifies by name each individual who participated in the meet and confer, when and how (i.e., by telephone or in person) the meet and confer occurred, and how long it lasted. If no agreements on constructions have been reached or if no dispute has been narrowed as a result of the meet and confer, the letter shall so state, and the parties need not file an Amended Joint Claim Construction Chart.

22. Hearing on Claim Construction. Beginning at _____ _.m. on _____, the Court will hear argument on claim construction. Absent prior approval of the Court (which, if it is sought, must be done by joint letter submission no later than the date on which answering claim construction briefs are due to be served), the parties shall not present testimony at the argument, and the argument shall not exceed a total of three hours.

23. Narrowing of Asserted Prior Art and Claims. Unless otherwise agreed to by the parties, no later than 28 days after the Court issues a claim construction order, Defendant(s) shall serve on Plaintiff(s) a "Final Election of Asserted Prior Art" that reduces the number of prior art references that Defendant(s) allege(s) anticipates each asserted claim or renders the claim obvious. Defendant(s) shall identify in the Final Election of Asserted Prior Art no more than six prior art references for any one patent from among the 12 prior art references identified for that patent in the Preliminary Disclosure of Asserted Prior Art and shall identify no more than a total of 20 references from among the references identified in the Preliminary Disclosure of Asserted Prior Art. No later than 14 days after service of the Final Election of Asserted Prior Art, Plaintiff(s) shall serve on Defendant(s) a "Final Election of Asserted Claims" that shall identify for any one patent no more than five asserted claims from among the 10 claims identified for that patent in the Preliminary Disclosure of Asserted Claims and

shall identify no more than a total of 16 claims from among the claims identified in the Preliminary Disclosure of Asserted Claims.

24. Disclosure of Expert Testimony.

(a) Expert Reports. For the party with the initial burden of proof on the subject matter, the initial Federal Rule 26(a)(2) disclosure of expert testimony is due on or before _____. The supplemental disclosure to contradict or rebut evidence on the same matter identified by another party is due on or before _____. Reply expert reports from the party with the initial burden of proof are due on or before _____. No other expert reports will be permitted without either the consent of all parties or leave of the Court. Along with the submissions of the expert reports, the parties shall provide the dates and times of their experts' availability for deposition. Depositions of experts shall be completed on or before _____.

(b) Objections to Expert Testimony. To the extent any objection to expert testimony is made pursuant to the principles announced in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), as incorporated in Federal Rule of Evidence 702, it shall be made by motion no later than [ ].

25. Case Dispositive Motions. The Court will not entertain summary judgment motions.

26. *Daubert* Motions. A party that files more than one *Daubert* motion shall number each motion to make clear the order in which the party wishes the Court to consider the motions in question. The first motion the party wishes the Court to consider shall be designated #1, the second motion shall be designated #2, and so on. The Court will review the party's *Daubert* motions in the order designated by the party. If the Court decides to deny a motion filed by the party, barring exceptional reasons determined sua sponte by the Court, the Court will not review any further *Daubert* motions filed by the party. If the Court denies a *Daubert* motion and the party that brought the motion does not cross examine the expert witness at trial about the matters raised in the *Daubert* motion, the Court will reduce by an appropriate amount the time allotted to that party at trial.

27. Applications by Motion. Except as otherwise specified herein, any application to the Court shall be by written motion. Any non-dispositive motion should contain the statement required by Local Rule 7.1.1.

28. Pretrial Conference. On _____, the Court will hold a Rule 16(e) final pretrial conference in court with counsel beginning at _____ _.m. The parties shall file a joint proposed final pretrial order in compliance with Local Rule 16.3(c) no later than 5:00 p.m. on _____ [21 days before the pretrial conference]. Unless otherwise ordered by the Court, the parties shall comply with the timeframes set forth in Local Rule 16.3(d) for the

preparation of the proposed joint final pretrial order. The joint pretrial order shall comply with paragraphs 14 and 18 of this Order.

29. Motions *in Limine*. Motions *in limine* shall not be separately filed. All *in limine* requests and responses thereto shall be set forth in the proposed pretrial order. Each party shall be limited to three *in limine* requests, unless otherwise permitted by the Court. Each *in limine* request and any response shall contain the authorities relied upon; each *in limine* request may be supported by a maximum of three pages of argument and may be opposed by a maximum of three pages of argument, and the party making the *in limine* request may add a maximum of one additional page in reply in support of its request. If more than one party is supporting or opposing an *in limine* request, such support or opposition shall be combined in a single three-page submission (and, if the moving parties, a single one-page reply). No separate briefing shall be submitted on *in limine* requests, unless otherwise permitted by the Court. Motions *in limine* shall comply with paragraphs 14 and 18 of this Order.

30. Compendium of Cases. A party may submit with any briefing two courtesy copies of a compendium of the selected authorities on which the party would like the Court to focus. The parties should not include in the compendium authorities for general principles or uncontested points of law (e.g., the standards for claim construction). An authority that is cited only once by a party generally

should not be included in the compendium. An authority already provided to the Court by another party should not be included in the compendium. Compendiums of cases shall not be filed electronically with the Court, but a notice of service of a compendium of cases shall be filed electronically with the Court. Compendiums shall comply with paragraph 18 of this Order.

31. Trial. This matter is scheduled for a ___-day bench trial beginning at 8:30 a.m. on _____, with the subsequent trial days beginning at 8:30 a.m. The trial will be timed, as counsel will be allocated a total number of hours in which to present their respective cases. The Court will limit the number of claims and prior art references asserted at trial. Absent a showing of good cause, no claim may be asserted at trial that was not identified in the Final Election of Asserted Claims, and no prior art reference may be asserted at trial that was not identified in the Final Election of Asserted Prior Art.

32. Requests to Modify the Limits on Asserted Claims and Prior Art References. Any request to increase the limits on asserted claims and prior art references imposed by this Order must demonstrate with specificity why the inclusion of additional asserted claims or prior art references is warranted. *See In*

re Katz Interactive Call Processing Pat. Litig., 639 F.3d 1303, 1312 (Fed. Cir. 2011).

The Honorable Colm F. Connolly
United States District Court Judge

Revised April 26, 2022

EXHIBIT A

Counsel Shall Provide a Chart of All
Relevant Deadlines

EVENT	DEADLINE

VOLUME 138 DECEMBER 2024 NUMBER 2

HARVARD LAW REVIEW

ARTICLES

THE COUNTERFEIT SHAM

Sarah Fackrell

CONTENTS

THE COUNTERFEIT SHAM

Sarah Fackrell[*]

There's a new front in the IP rhetoric wars. Plaintiffs in "Schedule A" cases tell judges that they need to secretly seize the assets of hundreds of defendants all at once in order to defeat the machinations of nefarious foreign "counterfeiters" — even in cases where no counterfeiting (or even plain trademark infringement) is alleged. Proponents of bills that would allow Customs and Border Protection to seize products that might infringe design patents try to equate those products with "counterfeits," invoking the specter of counterfeit drugs to suggest that design patent infringement threatens the health and safety of U.S. citizens. Although design patent infringers may sometimes also be counterfeiters, these two legal offenses are actually and meaningfully different. Unlike counterfeiting, design patent infringement does not require the use of any trademarks or any likely consumer confusion. Even if we're discussing "counterfeiting" in the more colloquial sense, a competitor need not identically copy a product — or do anything deceptive at all — in order to infringe a design patent. A product that infringes a design patent is not necessarily more dangerous or harmful than any other product. For these reasons and others, the direct equation of design patent infringement to counterfeiting is false and the appeal to fear is fallacious. This Article argues that policymakers, judges, and other decisionmakers should not fall for this sham.

INTRODUCTION

There's a new front in the intellectual property (IP) rhetoric wars. In the past, we've seen inflammatory words like "theft" and "piracy" applied to various acts of infringement.[1] The specter of "counterfeiting" is frequently — and it seems, increasingly — invoked in discussions of U.S. design patent law and policy.[2] "Counterfeiting" is a term of art in U.S. IP law.[3] It refers specifically to "the act of producing or selling a product with a sham trademark that is an intentional and calculated

[*] Professor of Law, Chicago-Kent College of Law. The author previously published under the name Sarah Burstein. Thanks to Barton Beebe, Jocelyn Bosse, Rebecca Curtin, Eric Goldman, Joseph Glannon, Camilla Hrdy, Sapna Kumar, Jake Linford, J. Janewa Osei-Tutu, Nicholson Price, Lisa Ramsey, Jason Rantanen, Alexandra Roberts, Linda Sandstrom Simard, Cathay Y. N. Smith, Lorianne Updike Toler, and Rebecca Tushnet for comments on earlier drafts of this Article. Earlier versions of this project were presented at the Intellectual Property Scholars Conference, the New York University School of Law Innovation Policy Colloquium, the M3 IP Scholars Workshop, the Boston University School of Law IP Workshop, the Suffolk University Law School Annual Intellectual Property & Innovation Conference, and the Suffolk University Law School "Bookends" Workshop; thanks to all of the participants in those conferences and workshops for their comments and suggestions. Thanks also to Lauren C. Meoli for research assistance and to Tiffany Souza and Jean Wagner for library support. Finally, thanks to Mike Lissner and the Free Law Project for free docket tracking.

[1] *See infra* Part IV, pp. 517–26.

[2] *See infra* Part II, pp. 487–502. This is the author's impression, not an empirical assertion regarding timing or frequency.

[3] *See infra* section I.A, pp. 475–79.

reproduction of the genuine trademark."[4] But a design patent isn't a trademark.[5] It's a totally different type of IP right.[6]

Why would someone try to conflate design patent infringement with counterfeiting? Because it's a powerful rhetorical device. After all, "commercial counterfeiting has no apologists and no redeeming features."[7] Few would disagree "that intellectual property law should be used to its fullest extent to suppress" things like "counterfeit pharmaceuticals, counterfeit aerospace spare parts, and counterfeit food."[8] Thus, the word "counterfeiting" tends to evoke a stronger emotional reaction than the word "infringing."

This type of emotional appeal may be necessary to convince judges and policymakers to grant design patent owners extraordinary benefits and remedies. It may also help disguise measures that benefit private rightsholders as ones that prevent public harms.[9] Indeed, we've seen a similar rhetorical playbook used before by supporters of increased copyright protections.[10] But those who write, advocate for, and make patent law and policy aren't always aware of copyright literature and policy debates (and vice versa). This Article aims, in part, to bridge that gap.

This is not a matter of mere linguistic imprecision; it's a case of strategic conflation.[11] The problem here is not just that some people are using the word "counterfeit" outside of its specific legal meaning when

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[4] 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:10 (5th ed. 2024); *see also infra* section I.A, pp. 475–79.

[5] At least, it doesn't have to be. For a discussion of when and how these regimes can overlap, see *infra* section I.C, pp. 486–87.

[6] *See infra* section I.B, pp. 480–86

[7] Christopher Wadlow, "*Including Trade in Counterfeit Goods": The Origins of TRIPS as a GATT Anti-Counterfeiting Code*, 2007 INTELL. PROP. Q. 350, 350.

[8] Barton Beebe, *Shanzhai, Sumptuary Law, and Intellectual Property Law in Contemporary China*, 47 U.C. DAVIS L. REV. 849, 872–73 (2014).

[9] *Cf.* J. Janewa Osei-Tutu, *Private Rights for the Public Good?*, 66 SMU L. REV. 767, 769 (2013) (discussing similar arguments made with respect to trademarks and copyrights).

[10] *See infra* section IV.A, pp. 518–19. The attempts to link copyright infringement — as well as unregistered trademark infringement — with counterfeiting continue. *See, e.g.*, Complaint ¶¶ 2–3, 7, 30, Art Ask Agency v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-02163 (N.D. Ill. Apr. 6, 2023), ECF 1 (using the word "counterfeit" liberally in a case alleging copyright and regular trademark infringement, even though the plaintiff did not mention — let alone assert — any registered trademarks); Complaint ¶ 1, Liforme Ltd. v. Individuals, Corps., Ltd. Liab. Cos., P'ships & Unincorporated Ass'ns Identified on Schedule A to the Complaint, No. 1:23-cv-14195 (N.D. Ill. Sept. 27, 2023), ECF 1 ("This action has been filed by Plaintiff to combat online counterfeiters who trade upon Plaintiff's reputation and goodwill by selling and/or offering for sale products in the United States in connection with Plaintiff's copyright, specifically Plaintiff's U.S. Copyright Office Registration No. VA2-311-816 (the 'LIFORME Copyright' or 'LIFORME Copyright Registration') . . . ."); *see also* Complaint ¶¶ 23–24, Antsy Labs, LLC v. Stress Cube, LLC, No. 2:17-cv-09146 (C.D. Cal. Dec. 21, 2017), ECF 1 (alleging infringement of an unregistered trade dress).

[11] Of course, some users of counterfeit rhetoric may be merely copying other, more strategic, actors. But even when a particular user is not acting with subjectively strategic intent, their use of counterfeit rhetoric may still be confusing and harmful.

they talk about design patents.[12] The problem is that some people seem to be using the word counterfeit strategically to try to conflate design patent infringement with the worst kind of intentional IP infringement — actual counterfeiting. In some cases, the use of counterfeit rhetoric seems to be an explicit (and fallacious) appeal to fear, attempting to link design patent infringement to the most dangerous kinds of actual counterfeiting such as intentionally selling unsafe car parts or fake drugs.

This Article argues that commentators, policymakers, and judges should not fall for this sham rationale. Additionally, because the words "counterfeit" and "counterfeiting" are so rhetorically loaded, we should reject the suggestions — made by certain legal academics — that we import the concept of counterfeiting into design patent law.[13] And whenever it is used in good faith, the word "counterfeiting" should be clearly and prominently defined.

This Article will use the word "counterfeiting" by itself only in this strict, U.S. term of art sense unless otherwise noted. When additional clarity seems helpful or necessary, this Article will use the phrase "actual counterfeiting" to describe the same. Defined this way, the word "counterfeit" means something different than it does in everyday English, where it is often used to refer to something that is "made in imitation of something else with intent to deceive."[14] This Article will refer to this type of activity as "colloquial counterfeiting."

This Article will use the phrase "counterfeit rhetoric" to refer to situations where the words "counterfeit" or "counterfeiting" are used but where there is no actual counterfeiting at issue.[15] Counterfeit rhetoric can occur in discussions of any form of IP.[16] But it may be especially pernicious in connection with design patent law because it is an area of IP that isn't taught (at least not in significant depth) at most law schools

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12 At least, outside of its specific legal meaning under U.S. law. International usage varies. For more on this, see *infra* note 26 and accompanying text.

13 *See infra* section VI.B, pp. 529–30.

14 *See Counterfeit*, MERRIAM-WEBSTER, http://www.merriam-webster.com/dictionary/counterfeit [https://perma.cc/7W73-VFZ9]. At least one article has suggested that this definition should be used in the context of design patents. *See* Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World: The Role of Design Patents in the Fashion Industry*, 12 N.C. J.L. & TECH. 251, 254 (2011) ("A counterfeit represents a nearly exact duplicate of an item sold with the intent to be passed off as the original." (citing the Merriam-Webster definition of "counterfeit")).

15 So, for example, if a plaintiff alleged that the sale of a particular product constituted both actual counterfeiting and design patent infringement, they would not be engaging in counterfeit rhetoric if they described the accused product as a "counterfeit." But the plaintiff would be engaging in counterfeit rhetoric if they alleged only design patent infringement and had no colorable claim for actual counterfeiting.

16 *E.g.*, Plaintiff's Complaint for Patent Infringement ¶¶ 33–34, Lead Creation, Inc. v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 8:23-cv-00049 (M.D. Fla. Jan. 6, 2023), ECF 1 (using counterfeit rhetoric in a utility patent case); Complaint for Damages and Injunctive Relief ¶¶ 11, 28, Gorge Design Grp., LLC v. Syarme, No. 2:20-cv-01384 (W.D. Pa. Sept. 15, 2020), ECF 2 (same).

and one which is likely to be less well-understood by practicing attorneys, judges, and lawmakers. These audiences might not know, for example, that a design patent may only cover a small and insignificant portion of a product's overall design.[17] That means a product can infringe a design patent without being a replica.[18]

This Article proceeds in six Parts. Part I provides a brief background of the relevant law, including an explanation of the often misunderstood test for design patent infringement. Part II identifies some ways that counterfeit rhetoric has been used in the context of design patent law and policy, including the (still largely unknown) phenomenon of "Schedule A" litigation.[19] Part III explains why there is no necessary legal or logical connection between design patent infringement and counterfeiting — or safety. Part IV situates the contemporary design patent counterfeit narrative in the larger context of IP lobbying and policy. Part V explains why counterfeit rhetoric matters, especially in the context of design patents. Part VI discusses some additional lessons and implications.

I. THE LAW

This Part explains the technical, legal definition of "counterfeit" under U.S. law. It then surveys the basics of U.S. design patent law, including an explanation of the often-misunderstood infringement test set forth in *Gorham Co. v. White*.[20] It then discusses the limited range of overlap between actual counterfeiting and design patent infringement.

A. The "Counterfeit" in U.S. IP Law

In everyday English, the word "counterfeit" is sometimes used as a synonym for "fake" or even "artificial."[21] But in U.S. IP law, the term "counterfeit" is a defined term of art. The U.S. trademark act (generally

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[17] *See infra* section III.A.2.a.i, pp. 503–07.

[18] *See infra* section III.A.2.a.i, pp. 503–07.

[19] Because the defendants in these cases are usually listed on a document called "Schedule A," judges and others have started referring to them as "Schedule A cases." *E.g.*, Zorro Prods., Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-05761, 2023 WL 8807254, at *2 (N.D. Ill. Dec. 20, 2023) ("The factories churning out fake goods are rivaled by the factories of law firms churning out Schedule A case after Schedule A case."). In an important essay, Eric Goldman identifies and describes this phenomenon. *See* Eric Goldman, *A SAD Scheme of Abusive Intellectual Property Litigation*, 123 COLUM. L. REV. F. 183, 184 (2023). While Goldman focuses on trademark Schedule A cases, *see id.* at 185, this Article will focus on patent Schedule A cases.

[20] 81 U.S. (14 Wall.) 511 (1872).

[21] *See, e.g.*, Carl Franzen, *People Are Making and Selling Counterfeit Jellyfish in China*, POPULAR SCI. (May 9, 2016), http://www.popsci.com/people-are-making-and-selling-counterfeit-jellyfish-in-china [https://perma.cc/S5WG-S5GU] (discussing arrests of "three people accused of making and selling artificial jellyfish"); *id.* (noting that the suspects, "including a 'master' jellyfish counterfeiter," made the fake jellyfish out of "sodium alginate, calcium chloride and aluminum sulfate").

referred to as the Lanham Act[22]) defines a "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark."[23]

This is not a universal definition. As noted above, in everyday English, the word "counterfeit" is often used more broadly, to describe something that is "made in imitation of something else with intent to deceive."[24] This definition might be used, for example, in reference to "counterfeit currency."[25] Complicating matters even further, the word "counterfeit" and its cognates may be used differently in other languages and in other legal systems.[26] Importantly, this means that cross-jurisdictional reports or discussions of counterfeits should be carefully scrutinized; a reader should not assume the word counterfeit means the same thing in every place and in every context.[27]

Returning to the Lanham Act definition, it is important to note that it applies only to marks that have been registered with the U.S. Patent and Trademark Office (USPTO).[28] The Lanham Act defines the word "mark" to "include[] any trademark, service mark, collective mark, or certification mark"[29] and "trademark" to:

> include[] any word, name, symbol, or device, or any combination thereof —
>
> (1) used by a person, or
>
> (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

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[22] 15 U.S.C. §§ 1051–1141n; *see* Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 368 n.7 (1999) (noting that the federal trademark statute "is more popularly known as the Lanham Act, after its principal sponsor, Representative Fritz G. Lanham").

[23] 15 U.S.C. § 1127. A mark does not have to be registered to be protected by the Lanham Act but registration provides the mark owner with a number of important and powerful benefits. *See* Matal v. Tam, 137 S. Ct. 1744, 1752–53 (2017).

[24] *See* MERRIAM-WEBSTER, *supra* note 14.

[25] *See id.* (listing "counterfeit money" as an example of the use in the previously quoted definition).

[26] *See, e.g.*, Clark W. Lackert, *International Efforts Against Trademark Counterfeiting*, 1988 COLUM. BUS. L. REV. 161, 165 n.18 ("Careful analysis of the WIPO [counterfeiting] proposals, however, reveals difficulties in translation. For example, one of the most problematic terms to translate is 'counterfeiting' itself. The French 'contrefaçon' and the Spanish 'contrahacer' do not carry the same intentional nature as the English word. Indeed, in some languages the terms 'infringement' and 'counterfeiting' are synonymous, with no indication as to the intentional nature of the latter."). Notably, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, uses the word "counterfeit" only in connection to trademarks — not with copyrights, patents, or designs — and defines "counterfeit trademark goods" as "any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark." *Id.* at art. 51 n.14.

[27] This linguistic ambiguity can also be exploited by those who use counterfeit rhetoric, because they can use the word "counterfeit" in a way that they know (or should know) will mislead their audience but then claim that they meant to use the word in a different sense if challenged.

[28] 15 U.S.C. § 1127. This definition "requires a closer degree of similarity than is required for traditional trademark infringement or unfair competition." MCCARTHY, *supra* note 4, § 25:10.

[29] 15 U.S.C. § 1127.

> to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.[30]

In 1995, the U.S. Supreme Court reasoned that because "human beings might use as a 'symbol' or 'device' almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive"[31] and interpreted this provision to cover not just word marks and logos[32] but also colors.[33] In 2000, the Court further extended that reasoning to rule that trademark law could also protect product designs.[34] Trademarks for product designs, along with trademarks for packaging, are often referred to as "trade dress."[35] Notably, however, trademark protection is only available for a product design when: (1) the design is

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[30] *Id.*

[31] Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 162 (1995) (interpreting the definition of "trademark" in 15 U.S.C. § 1127).

[32] *Id.* "[B]efore the 1940s, 'the subject matter of trademark [protection] was much narrower [than today] (it included only "technical trademarks," which were words or devices (logos) that did not in any way describe the goods, their geographic origin, etc.)' and 'claims of trademark infringement could only be asserted against direct competitors.'" Pamela Samuelson, John M. Golden & Mark P. Gergen, *Recalibrating the Disgorgement Remedy in Intellectual Property Cases*, 100 B.U. L. REV. 1999, 2009 n.49 (2020) (alteration in original) (quoting Email from Mark McKenna, John P. Murphy Found. Professor of L., Notre Dame L. Sch., to Pamela Samuelson, Richard M. Sherman Distinguished Professor of L., Univ. of California, Berkeley Sch. of L. (Feb. 20, 2020) (on file with the Boston University Law Review)); *see also* Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1862 (2007) ("At some point in the late nineteenth century, American courts . . . divided the universe of distinguishing marks into 'technical trademarks,' which were protected in actions for trademark infringement, and 'trade names,' which could only be protected in actions for unfair competition."); *id.* at 1909 ("Trademark law in the nineteenth century was predominantly concerned with word marks and, on occasion, with labels applied to goods.").

[33] *Qualitex*, 514 U.S. at 162 (noting that "[t]he [lower] courts and the Patent and Trademark Office have authorized for use as a mark a particular shape (of a Coca-Cola bottle), a particular sound (of NBC's three chimes), and even a particular scent (of plumeria blossoms on sewing thread)" and asking: "If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?" (citing The trademark consists of the distinctly shaped contour, or confirmation, and design of the bottle as shown, Registration No. 696,147; The mark comprises the musical notes G, E, C played on chimes, Registration No. 523,616; The mark comprises the musical notes G, E, C played on chimes, Registration No. 916,522; *In re* Clarke, 17 U.S.P.Q.2d 1238, 1240 (T.T.A.B. 1990))).

[34] *See* Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 209 (2000) (concluding that "trade dress constitutes a 'symbol' or 'device' for purposes of the relevant sections" of the Lanham Act); *see also id.* (noting that "trade dress" is a term for a category of things "that originally included only the packaging, or 'dressing,' of a product, but in recent years [had] been expanded by many Courts of Appeals to encompass the design of a product"). The Court has distinguished between at least two types of trade dress — product packaging, which can be inherently distinctive, and product design, which cannot. *See id.* at 212–15.

[35] *See id.* at 209.

not functional;[36] and (2) the trade dress has acquired secondary meaning.[37]

The Lanham Act gives the owner of a registered mark a civil cause of action against anyone who:

> use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . .[38]

If an "identical . . . or substantially indistinguishable" mark "is applied to or used in connection with the goods or services for which the mark is registered," that user may also be subject to criminal liability.[39] Notably, this definition requires that the counterfeiter's product be a *type* of product for which the mark is registered.[40] And neither the criminal law nor the Lanham Act requires that the counterfeit good *look* the same as the registrant's product.[41]

Both civil and criminal counterfeiting require that the offending use be "likely to cause confusion, or to cause mistake, or to deceive."[42] Notably, the relevant type of "confusion" here is confusion as to the source

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[36] *See* TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23, 29 (2001) (referring to "the well-established rule that trade dress protection may not be claimed for product features that are functional" (citing *Qualitex*, 514 U.S. at 164–65; Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 775 (1992))). Readers should be careful not to assume that "functional" means the same thing in both trademark and design patent law. *See* Sarah Burstein, Commentary, Faux Amis *in Design Law*, 105 TRADEMARK REP. 1455, 1456 (2015) ("'[F]unctional' does not mean the same thing in design patent law as it does in trademark law.").

[37] *Wal-Mart*, 529 U.S. at 216. In practice, however, the USPTO may presume that a product design has secondary meaning if it has been sold for more than five years. *See* 15 U.S.C. § 1052(f).

[38] 15 U.S.C. § 1114(1)(a).

[39] 18 U.S.C. § 2320(f)(1)(A) (defining the term "counterfeit mark" for the purposes of the Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 2178 (codified at 18 U.S.C. § 2320)).

[40] *See* United States v. Edwards, No. 2:16-cr-20070, 2019 WL 5196614, at *2 n.1 (D. Kan. Oct. 15, 2019) (reading 18 U.S.C. § 2320(f)(1)(A) as requiring the "mark [be] used in connection with goods that, by virtue of being identical with or substantially indistinguishable from *a mark actually registered and in use for the type of good trafficked*, 'is likely to cause confusion, to cause mistake, or to deceive'" (emphasis added)); United States v. Park, 164 F. App'x 584, 584–86 (9th Cir. 2006) (rejecting the defendant's argument that "the government offered no evidence that . . . those marks were registered for the types of goods and services which were being sold" because "[t]he government introduced the complaint from the prior civil action, which stated that Chanel and Louis Vuitton registered and used trademarks for items like those later found in [the defendant's] Gift Shop").

[41] *See* 18 U.S.C. § 2320(f)(1); 15 U.S.C. § 1114(1)(a). That is not to say that the appearance of the accused product can never impact the question of whether or not a defendant is liable for counterfeiting. Rather, the point is that visual similarity of the product is not a necessary element in every case of counterfeiting. If, for example, the famous stylized NIKE logo is stitched on a shoe that does not look like any existing Nike shoe, consumers might still think that it is a new Nike product.

[42] 15 U.S.C. § 1114(1)(a); 18 U.S.C. § 2320(f)(1)(iv).

(or "origin") of the goods.[43] So, for the purposes of counterfeiting, the relevant question is "who *produced* this product?" not "who came up with this product design or concept?"[44]

Thus, "counterfeiting," as properly understood in the context of U.S. IP law, "is the act of putting someone else's exact [registered] trademark on products that were not produced or authorized by the trademark holder."[45] Defined in this manner, counterfeiting has been aptly described as "a uniquely pernicious form of trademark infringement."[46] It is arguably the worst form of IP infringement. Consumers should be able to rely on registered trademarks to tell them what they are buying.[47] If they take a pill labeled TYLENOL, they should be able to trust that they are taking the same medicine they've previously purchased under that name, not a different drug — or something even more dangerous, like rat poison. The idea that relying on a medicine label could be dangerous (or even fatal) is terrifying. This is what gives the counterfeit narrative so much rhetorical power.[48]

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[43] *See* Arcona, Inc. v. Farmacy Beauty, LLC, 976 F.3d 1074, 1079 (9th Cir. 2020) ("Section 1114 was 'intended to protect consumers against deceptive designations of the origin of goods, not just to prevent the duplication of trademark.'" (quoting Westinghouse Elec. Corp. v. Gen. Cir. Breaker & Elec. Supply Inc., 106 F.3d 894, 899 (9th Cir. 1997))).

[44] *See* Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 31 (2003) ("We think the most natural understanding of the 'origin' of 'goods' — the source of wares — is the producer of the tangible product sold in the marketplace . . . ."). As will be discussed below, this is very different from the "deception" standard used in the design patent infringement test. *See infra* section I.B, pp. 480–86.

[45] Ann Bartow, *Counterfeits, Copying and Class*, 48 HOUS. L. REV. 707, 739 (2011) (citing 15 U.S.C. §§ 1114(1), 1127 (2006); 18 U.S.C. § 2320(e)(1) (2006)).

[46] S. REP. NO. 98-526, at 2 (1984), *reprinted in* 1984 U.S.C.C.A.N. 3627, 3628; *see also Arcona*, 976 F.3d at 1079 ("[A] counterfeit claim is . . . 'the "hard core" or ["]first degree" of trademark infringement' . . . ." (quoting Gibson Brands, Inc. v. John Hornby Skewes & Co., No. 2:14-cv-00609, 2016 WL 7479317, at *5 (C.D. Cal. Dec. 29, 2016))).

[47] *Cf.* Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 517 (2008) (noting that "[t]he currently dominant explanation [of why trademark infringement is harmful] uses the language of economics: confusion about source or sponsorship harms producers by decreasing their incentives to invest in consistent quality and harms consumers by deceiving them into buying unwanted and inferior products"). There is another major normative theory of trademarks — producer reward. *See* Alexandra J. Roberts, *Mark Talk*, 39 CARDOZO ARTS & ENT. L.J. 1001, 1007 (2021) ("Trademark law is said to have two main goals — consumer protection and producer reward."). Under this theory, counterfeiting is uniquely harmful because the counterfeiter directly appropriates the value the producer has built up in the mark. *See id.* at 1008.

[48] *See* Osei-Tutu, *supra* note 9, at 769 ("The suggestion that increased enforcement of intellectual property rights benefits the public has been particularly compelling in the context of counterfeit medicines due to the intimation that there is some health and safety benefit to the public." (citing EXEC. OFF. OF THE PRESIDENT, COUNTERFEIT PHARMACEUTICAL INTER-AGENCY WORKING GROUP REPORT TO THE VICE PRESIDENT OF THE UNITED STATES AND TO CONGRESS 1 (2011), https://trumpwhitehouse.archives.gov/sites/whitehouse.gov/files/omb/IPEC/Pharma_Report_Final.pdf [https://perma.cc/AC9L-Z74G])); *id.* at 771 ("Given the appeal of the counterfeit medicines narrative, pharmaceutical companies and other intellectual property-reliant industries, such as the music and film industries, promulgate the self-serving view that increased public enforcement of intellectual property rights has a salutary effect, not only for private companies, but for all of us.").

B. The U.S. Design Patent

In the United States, there are three types of patents — utility patents, plant patents, and design patents.[49] Design patents are available for "any new, original and ornamental design for an article of manufacture," subject to the requirements of the Patent Act.[50] An "article of manufacture" is "a thing made by hand or machine."[51] So design patents are available for qualifying designs for manufactured products, including packaging and component parts of larger products.[52] Compared to utility patents (the ones that protect technical innovations), design patents can be obtained quite easily, cheaply, and quickly.[53]

While the purpose of trademark law is to protect consumers and to reward those who produce quality goods and services,[54] the purpose of design patent law is to promote the decorative arts.[55] Given these different goals, it is not surprising that these regimes have very different tests for infringement.[56]

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[49] 35 U.S.C. § 101 (utility patents); *id.* § 161 (plant patents); *id.* § 171 (design patents); *see also* U.S. DEP'T OF COM., U.S. PAT. & TRADEMARK OFF., MANUAL OF PATENT EXAMINING PROCEDURE § 201 (9th ed. rev. 07.2022, Feb. 2023) [hereinafter MPEP] (listing the three types of patents).

[50] 35 U.S.C. § 171(a). For more on these requirements, see Sarah Burstein, *Is Design Patent Examination Too Lax?*, 33 BERKELEY TECH. L.J. 607, 613–24 (2018) [hereinafter Burstein, *Lax*] (explaining the current tests for novelty, nonobviousness, and ornamentality); Sarah Burstein, *Uncreative Designs*, 73 DUKE L.J. 1437, 1490 (2024) [hereinafter Burstein, *Uncreative*] (discussing the statutory requirement of originality).

[51] Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429, 435 (2016). For a critique of the Supreme Court's interpretation, see Sarah Burstein, *The "Article of Manufacture" in 1887*, 32 BERKELEY TECH. L.J. 1, 83 (2017).

[52] *See, e.g.*, Product Packaging, U.S. Patent No. D941,680 (issued Jan. 25, 2022); Vehicle Windshield, U.S. Patent No. D992,475 (issued July 18, 2023). Importantly, the phrase "article of manufacture" is not a synonym for "useful article," as the latter phrase is defined in the Copyright Act. *See* Burstein, *Uncreative*, *supra* note 50, at 1447–48 ("The Supreme Court has interpreted the phrase 'article of manufacture' to mean 'simply a thing made by hand or machine.' Notably, under this definition, an 'article of manufacture' is not a synonym for 'useful article' in the copyright sense." (footnotes omitted)); *see also* 17 U.S.C. § 101 ("A 'useful article' is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a 'useful article.'").

[53] *See* Sarah Burstein & Saurabh Vishnubhakat, *The Truth About Design Patents*, 71 AM. U. L. REV. 1221, 1265–71 (2022) (showing that design patent grant rate has been very high in recent years); Burstein, *Lax*, *supra* note 50, at 611 (arguing "that the U.S. Court of Appeals for the Federal Circuit has made it nearly impossible for the USPTO to reject any design patent claim — regardless of how ordinary, banal, or functional the claimed design might be"); Sarah Burstein, *Costly Designs*, 77 OHIO ST. L.J. 107, 124 (2016) (estimating that "a single design patent application costs approximately $5,000").

[54] *See* Roberts, *supra* note 47, at 1007.

[55] Gorham Co. v. White, 81 U.S. (14 Wall.) 511, 524 (1872). ("The acts of Congress which authorize the grant of patents for designs were plainly intended to give encouragement to the decorative arts.").

[56] *See* Sarah Burstein, *The Patented Design*, 83 TENN. L. REV. 161, 177 (2015) (explaining that the design patent test "is one of visual similarity, not a test of actual deception or trademark-like likelihood of confusion").

The test for trademark infringement, like the test for counterfeiting, focuses on consumer confusion in the marketplace.[57] It involves the consideration of multiple factors, such as the similarity of the marks (including similarities in sight, sound, and meaning), how and where the plaintiff's and defendant's products are sold, and how careful the relevant consumers are likely to be in making purchasing decisions.[58] In other words, the factfinder must look to how the relevant products are actually sold in the actual marketplace.

By contrast, the test for design patent infringement involves the consideration of only one factor — visual similarity.[59] A design patent is infringed if a "hypothetical ordinary observer who is conversant with the prior art"[60] would think that the accused product looks "the same" as the claimed design.[61] How similar must it look? According to the Supreme Court's decision in *Gorham Co. v. White*, it must look so similar that "an ordinary observer, giving such attention as a purchaser usually gives" would "purchase one supposing it to be the other."[62] In other words — very similar.

These points are well-established in design patent law. However, those who aren't familiar with design patent law sometimes get confused about what the "ordinary observer" standard means and how it should be applied. Therefore, this section will explain what the *Gorham* language means and how it is applied today.

1. Confusion over Gorham. — In *Gorham*, the Supreme Court held:

> [I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.[63]

To readers who are familiar with contemporary trademark law, this may sound like the Supreme Court set forth a test of consumer confusion.[64]

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[57] *See* 15 U.S.C. §§ 1114(1)(a), 1125(a).

[58] *See* MCCARTHY, *supra* note 4, § 23:19 (explaining "foundational factors" as described in the Restatement); *see also id.* §§ 24:31–:43 (laying out the specific tests used by each circuit).

[59] Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc).

[60] *Id.*

[61] *Id.* at 672; *see also id.* at 681 ("The question before this court under the standard we have set forth above is whether an ordinary observer, familiar with the prior art . . . designs, would be deceived into believing the Swisa buffer is *the same* as the patented buffer." (emphasis added)).

[62] Gorham Co. v. White, 81 U.S. (14 Wall.) 511, 528 (1872).

[63] *Id.*

[64] To readers who are familiar with contemporary copyright law, this formulation may sound like the contemporary "substantial similarity" standard for copyright infringement. But the tests are not the same. *See* Sarah Burstein, *How Design Patent Law Lost Its Shape*, 41 CARDOZO L. REV. 555, 564 (2019) [hereinafter Burstein, *Lost Its Shape*]. It does appear, however, that copyright law may have borrowed the phrase "substantial similarity" from design patent law. *See, e.g.*, Arnstein v. Porter, 154 F.2d 464, 473 (2d Cir. 1946) (citing, inter alia, *Gorham*, 81 U.S. (14 Wall.) at 528 in support of the statement of the copyright infringement standard); Falk v. Donaldson, 57 F. 32, 35 (C.C.S.D.N.Y. 1893) (same). The author thanks Bruce Boyden for this insight and these citations.

It did not. When read in context, it is clear that *Gorham* sets forth a test of visual similarity, not a test of actual or likely consumer confusion.[65]

Before it made this statement of its holding, the Court had already decided that design patent infringement was a matter of visual similarity. The Court started its analysis by noting that "[t]he sole question" in *Gorham* was "one of fact. Has there been an infringement? Are the designs used by the defendant substantially the same as that owned by the complainants?"[66] To answer that question, the Court first had to decide what it meant for two designs to be substantially the same. The Court decided that "the true test of identity of design . . . must be *sameness of appearance*."[67] Having decided that "identity of appearance, or . . . sameness of effect upon the eye, is the main test of substantial identity of design,"[68] the Court went on to consider whether this visual similarity should be judged from the perspective of an expert or the perspective of an ordinary observer.[69] The Court picked the latter, again emphasizing that the test it was creating was a test of visual similarity.[70]

It was in this context that the Court held:

> [I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.[71]

To attorneys trained in contemporary trademark law, this sounds like a consumer confusion test. But the aforementioned context is important. And, in applying its new test, the Court conducted a visual comparison.[72] It did not inquire into how the products were sold in the market,

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Copyright protection is also more limited than design patent protection in that it does require copying, does require minimal creativity, and has exceptions (such as fair use) that are absent in design patent law. Burstein, *Uncreative*, *supra* note 50, at 1445–46, 1452.

65 At least not in the sense that we use the phrase "consumer confusion" in contemporary trademark law. *See* Burstein, *supra* note 56, at 177.

66 *Gorham*, 81 U.S. (14 Wall.) at 524.

67 *Id.* at 526 (emphasis added).

68 *Id.* at 527 (citation omitted) (citing M'Crea v. Holdsworth [1871] 6 Ch App. 418 (Eng.)).

69 *Id.* ("If, then, identity of appearance, or . . . sameness of effect upon the eye, is the main test of substantial identity of design, the only remaining question upon this part of the case is, whether it is essential that *the appearance should be the same* to the eye of an expert. The court below was of opinion that the test of a patent for a design is not the eye of an ordinary observer." (emphasis added) (citation omitted) (citing M'Crea v. Holdsworth [1871] 6 Ch App. 418 (Eng.))).

70 *Id.* at 527–28 (rejecting the view that the perspective should be that of an expert because "[t]here never could be piracy of a patented design, for human ingenuity has never yet produced a design, in all its details, exactly like another, so like, that an expert could not distinguish them. No counterfeit bank note is so identical in appearance with the true that an experienced artist cannot discern a difference. It is said an engraver distinguishes impressions made by the same plate. Experts, therefore, are not the persons to be deceived").

71 *Id.* at 528.

72 *Id.* at 529 ("*Comparing the figure or outline of the plaintiffs' design* with that of the White design of 1867, it is apparent there is no substantial difference." (emphasis added)); *see also id.* at 530–31 (talking at even greater length about the appearances).

the channels of trade, the distinctiveness of the claimed design, whether there was actual confusion, or other factors that go into the contemporary trademark "likelihood of confusion" inquiry.[73] Instead, the Court stated:

> [W]hatever differences there may be between the plaintiffs' design and those of the defendant in details of ornament, they are still the *same in general appearance and effect, so much alike* that in the market and with purchasers they would pass for the same thing — *so much alike* that even persons in the trade would be in danger of being deceived.[74]

This passage emphasizes yet again that the test is not whether the ordinary observer is confused (or deceived) in the trademark sense, but whether the designs are "the same in general appearance and effect."[75] But what does it mean to be "the same"? How similar do the designs need to be? So similar that an observer "would be in danger of being deceived."[76] In other words, the "deception" standard is not a measure of the actual or likely conditions in a marketplace but a measure of the requisite level of visual similarity.

To understand the *Gorham* standard, it's also important to note that, while U.S. trademark rights are based on use of the mark in commerce,[77] design patents have never been subject to a working requirement.[78] While a trademark owner must participate in the marketplace in order to maintain its rights,[79] a design patent owner does not have to make, sell, or license any product at all.[80] If a design patent owner does not have to participate in the marketplace, the test for infringement cannot depend on marketplace confusion or substitution.[81]

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[73] *Compare id.*, *with* sources cited *supra* note 58 (discussing those factors).

[74] *Gorham*, 81 U.S. (14 Wall.) at 531 (emphases added).

[75] *Id.*

[76] *Id.*

[77] *See* 2 MCCARTHY, *supra* note 4, § 16:18 ("[I]t is use in the marketplace, not federal registration, that creates a legally enforceable 'trademark' . . . .").

[78] "A working requirement is a provision of a national patent statute that states that an owner of a patent must practice his or her patented invention (i.e., to manufacture or import the invention) within the country that granted the patent." Marketa Trimble, *Patent Working Requirements: Historical and Comparative Perspectives*, 6 U.C. IRVINE L. REV. 483, 484 (2016) (noting that "[a] patent working requirement . . . is a component of many, though not all, national patent systems"). The United States "never required that U.S. nationals work their patents, but for a short period of time from 1832 to 1836 the U.S. Patent Act did include a working requirement for patent owners who were foreigners." *Id.* at 488; *see also* Cont'l Paper Bag Co. v. E. Paper Bag Co., 210 U.S. 405, 429 (1908). The first design patent act was passed in 1842. Act of Aug. 29, 1842, ch. 263, § 3, 5 Stat. 543, 543–44.

[79] *See* 2 MCCARTHY, *supra* note 4, § 16:18.

[80] Trimble, *supra* note 78, at 489.

[81] Indeed, actual marketplace conditions must sometimes be ignored in analyzing design patent infringement. *See, e.g.*, Arminak & Assocs., Inc. v. Saint-Gobain Calmar, Inc., 501 F.3d 1314, 1324 (Fed. Cir. 2007) ("Under our case law, the ordinary observer test requires, as the district court recognized, the comparing of the accused and patented designs from all views included in the design patent, not simply those views a retail customer seeking to buy would likely see when viewing the

Indeed, the U.S. Court of Appeals for the Federal Circuit, which has exclusive appellate jurisdiction over cases involving design patent claims,[82] reads *Gorham* as setting forth a test of visual similarity. As the court has noted: "Likelihood of confusion as to the source of the goods is not a necessary or appropriate factor for determining infringement of a design patent."[83] In its en banc decision in *Egyptian Goddess, Inc. v. Swisa, Inc.*,[84] where the court reaffirmed that "the [*Gorham*] 'ordinary observer' test should be the sole test for determining whether a design patent has been infringed,"[85] the court restated that test as follows: "[I]nfringement will not be found unless the accused article 'embod[ies] the patented design or any colorable imitation thereof.'"[86] In other words, the accused product must *look* the same as the patented design.[87]

2. The Goddess *Test.* — In *Egyptian Goddess v. Swisa*, the Federal Circuit set forth a two-part framework for analyzing design patent infringement:

> In some instances, the claimed design and the accused design will be sufficiently distinct that it will be clear without more that the patentee has not met its burden of proving the two designs would appear "substantially the same" to the ordinary observer, as required by *Gorham*. In other instances, when the claimed and accused designs are not plainly dissimilar, resolution of the question whether the ordinary observer would consider the two designs to be substantially the same will benefit from a comparison of the claimed and accused designs with the prior art . . . .[88]

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product at the point of sale." (citing Contessa Food Prods., Inc. v. Conagra, Inc., 282 F.3d 1370, 1379 (Fed. Cir.2002))), *abrogated on other grounds*, Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678 (Fed. Cir. 2008); Lanard Toys Ltd. v. Dolgencorp LLC, 958 F.3d 1337, 1341 (Fed. Cir. 2020) ("The infringement analysis must compare the accused product to the patented design, not to a commercial embodiment." (citing Payless Shoesource, Inc. v. Reebok Int'l, Ltd., 998 F.2d 985, 990 (Fed. Cir. 1993); High Point Design LLC v. Buyer's Direct, Inc., 621 F. App'x 632, 642 (Fed. Cir. 2015))).

82 *See* 28 U.S.C. § 1295(a).

83 Unette Corp. v. Unit Pack Co., 785 F.2d 1026, 1029 (Fed. Cir. 1986); *see also* Braun Inc. v. Dynamics Corp. of Am., 975 F.2d 815, 828 (Fed. Cir. 1992) (noting that "purchasers' likelihood of confusion as to the source of a good is a necessary factor for determining trademark and trade dress infringement" but emphasizing that "a different quantum of proof applies to design patent infringement, which does not concern itself with the broad issue of consumer behavior in the marketplace" (citing Coach Leatherware Co. v. AnnTaylor, Inc., 933 F.2d 162, 168 (2d Cir. 1991); *Unette*, 785 F.2d at 1029)); Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983, 1000 (Fed. Cir. 2015) (upholding a jury instruction that said, in relevant part: "You do not need, however, to find that any purchasers actually were deceived or confused by the appearance of the accused Samsung products" (emphasis omitted)), *rev'd and remanded on other grounds*, 137 S. Ct. 429, 432 (2016).

84 543 F.3d 665 (Fed. Cir. 2008).

85 *Id.* at 678.

86 *Id.* (second alteration in original) (quoting Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113, 1117 (Fed. Cir. 1998)).

87 *See id.* at 682 (concluding, based on a visual analysis, that there was no infringement).

88 *Id.* at 678. Note that the *Goddess* test is the sole test for design patent infringement. There is no separate doctrine of equivalents. *See* Minka Lighting, Inc. v. Craftmade Int'l, Inc., 93 F. App'x 214, 217 (Fed. Cir. 2004) ("The . . . test by its nature subsumes a doctrine of equivalents analysis." (citing Lee v. Dayton–Hudson Corp., 838 F.2d 1186, 1189–90 (Fed. Cir. 1988))).

So, at *Goddess* step one, "the claimed design and the accused design must be compared. If the designs don't look the same, when considered in a vacuum, there is no infringement as a matter of law."[89] If the designs are "not plainly dissimilar,"[90] the factfinder can move onto *Goddess* step two, where "the prior art may be used to narrow the presumptive scope of the patent."[91] Importantly, if the inquiry reaches step two, the prior art can only be used to narrow the presumptive scope of a design patent — not to broaden it.[92] It is the accused infringer's burden to produce examples of any narrowing prior art.[93] Therefore, "step two requires an informed and motivated defendant to work well."[94]

The level of visual similarity required to support a finding of design patent infringement is high.[95] But that does not mean that an infringer's entire product must look like a product made or sold by the patent owner. As noted above, there might not be any such product because a design patent owner need not make or sell any products at all.[96] And a design patent claim need not cover the entire design of a product.[97]

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[89] Sarah Burstein, *Intelligent Design &* Egyptian Goddess*: A Response to Professors Buccafusco, Lemley & Masur*, 68 DUKE L.J. ONLINE 94, 98 (2019) (footnotes omitted) (noting that "[w]e might think of this step as setting forth the 'presumptive scope' of a design patent").

[90] *Id.* (quoting *Goddess*, 543 F.3d at 678).

[91] *Id.*

[92] *See Goddess*, 543 F.3d at 678 (explaining the role of the prior art); Ethicon Endo-Surgery, Inc. v. Covidien, Inc., 796 F.3d 1312, 1337 (Fed. Cir. 2015) (rejecting a patent owner's attempt to use the prior art to broaden the scope of its patent); *see also* Burstein, *Lax*, *supra* note 50, at 612 ("[T]he prior art does not have to be considered by the factfinder in every case. The use of the prior art in the design patent infringement analysis is a one-way ratchet — it can be used to narrow the presumptive scope of a claim but cannot be used to broaden it."); Sarah Burstein, *We Need to Talk About the NDIL's Schedule-A Cases*, PATENTLY-O (Oct. 30, 2022), https://patentlyo.com/patent/2022/10/guest-post-about.html [https://perma.cc/7MVP-FYPL] ("[T]he expert appears to have relied on a theory — never adopted by, and in fact, specifically rejected by the Federal Circuit — that posits that a design patent may be entitled to a broader scope if it is 'far from' the prior art. That's not how design patent infringement works."). Some have suggested that the test is whether the accused design looks: (1) more like the claimed design; (2) or more like the closest prior art. *See, e.g.*, David Leason, *Design Patent Protection for Animated Computer-Generated Icons*, 91 J. PAT. & TRADEMARK OFF. SOC'Y 580, 592 (2009). That is incorrect. At all steps in the *Goddess* analysis the ultimate question remains the same: Does the accused product look the same as the patented design?

[93] *Goddess*, 543 F.3d at 678.

[94] Sarah Burstein, *Against the Design-Seizure Bill*, PATENTLY-O (Jan. 3, 2020), https://patentlyo.com/patent/2020/01/against-design-seizure.html [https://perma.cc/E9MT-ZUAC].

[95] For some visual examples of how the Federal Circuit has applied the "plainly dissimilar" standard, see Burstein, *supra* note 89, at 99–102.

[96] *See supra* note 78.

[97] For more on this point, see *infra* notes 209–13 and accompanying text. And technically, design patents are only available for designs for "articles of manufacture," not for all "products." *Compare* Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429, 435 (2016) ("An article of manufacture . . . is simply a thing made by hand or machine."), *with* KARL T. ULRICH & STEVEN D. EPPINGER, PRODUCT DESIGN AND DEVELOPMENT 2 (5th ed. 2011) (defining the term "product" as "something sold by an enterprise to its customers"). For more on the history and interpretation of this term of art, see generally Burstein, *supra* note 51.

A design patent applicant can "claim any 'visual characteristic[] embodied in or applied to an article' as a separate 'design.'"[98] This will be discussed in more detail below.[99] Importantly, a design patent covers only the actual shape or surface design shown in the drawings; it does not cover the larger product idea or concept.[100]

C. The (Limited) Overlap

Design patents and trademarks are different legal regimes with different purposes.[101] But there are two areas where the subject matter of design patents and trademark — that is, the things that can be protected by each regime — currently overlap. First, as noted above, product and packaging designs, or "trade dress," can now be registered as trademarks.[102] That was not always the case.[103] This extension of trademark law has been critiqued by scholars.[104] Nonetheless, and at least for the time being, packaging and product designs can be protected both by design patents and by trademarks.[105] Second, it is possible for a design

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[98] Burstein, *Lost Its Shape*, *supra* note 64, at 556 (alteration in original) (quoting U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1502 (9th ed. rev. 08.2017, Jan. 2018)). This "anything goes" claiming regime, *id.* at 556, can be traced back to "a flawed decision built on poor logic, mis-framed issues, and ipse dixit," *id.* at 557 (referring to *In re* Zahn, 617 F.2d 261, 268 (C.C.P.A. 1980)). For a theory of how to better conceptualize a patentable design, see generally Sarah Burstein, *Whole Designs*, 92 U. COLO. L. REV. 181 (2021) [hereinafter Burstein, *Whole*].

[99] *See infra* section III.A.2.a.i, pp. 503–07.

[100] Ethicon Endo-Surgery, Inc. v. Covidien, Inc., 796 F.3d 1312, 1332 (Fed. Cir. 2015) ("Ethicon's Design Patents cover only the specific ornamental conceptions of the features shown in their figures, and not the general concepts of an open trigger, a rounded button, and a fluted torque knob oriented in some configuration as part of an ultrasonic surgical device."); *see also* Burstein, *supra* note 89, at 111 n.67 ("Coleman appears to have been laboring under what I've referred to as 'the concept fallacy' in design patent litigation — *i.e.*, the mistaken belief that design patents protect general concepts, as opposed to just the claimed designs." (quoting Sarah Burstein, *Design Law*, TUMBLR (July 2, 2014), http://design-law.tumblr.com/post/90571053836/does-this-reflector-for-use-in-golfin-fringe [https://perma.cc/8P7Y-KJWS])).

[101] *See* Auto. Body Parts Ass'n v. Ford Glob. Techs., LLC, 930 F.3d 1314, 1320 (Fed. Cir. 2019) ("Trademarks and design patents serve different purposes . . . .").

[102] *See supra* notes 34–35 and accompanying text.

[103] *See* Mark A. Lemley & Mark P. McKenna, *Trademark Spaces and Trademark Law's Secret Step Zero*, 75 STAN. L. REV. 1, 4 (2023) ("Trademark law was created with words and logos in mind, but it has more recently expanded to include other kinds of designs — particularly those courts generally refer to as 'trade dress.'" (quoting Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 209 (2000))).

[104] *See, e.g.*, Glynn S. Lunney, Jr., *The Trade Dress Emperor's New Clothes: Why Trade Dress Does Not Belong on the Principal Register*, 51 HASTINGS L.J. 1131, 1134 (2000) (arguing that "[a]ny legitimate and serious reading of the Trademark Act of 1946 and its accompanying legislative history will reveal that Congress intended to exclude trade dress from the principal register and relegate it exclusively to the supplemental register"); Caitlin Canahai & Mark P. McKenna, *The Case Against Product Configuration Trade Dress*, *in* RESEARCH HANDBOOK ON TRADEMARK LAW REFORM 137, 140 (Graeme B. Dinwoodie & Mark D. Janis eds., 2021) (arguing that "the inclusion of product configuration trade dress as trademark subject matter was a mistake").

[105] The area of subject matter overlap, however, could and should be smaller. *See* Burstein, *Whole*, *supra* note 98, at 246.

patent applicant to claim a logo or stylized mark in certain circumstances — not as a logo or mark per se but as part of a surface design or graphical user interface.[106] Therefore, in some cases, a design patent may claim subject matter that is also protected (or protectable) by trademark law.

II. THE COUNTERFEIT NARRATIVE IN DESIGN PATENT LAW & POLICY

In recent years, counterfeit rhetoric has been used in discussions about design patents in Congress, in the courts, and elsewhere in the design patent community. This section will provide some examples of how counterfeit rhetoric has been used in these contexts.

A. In Congress

In December 2019, four senators introduced a bill that would have allowed U.S. Customs and Border Protection (CBP) to seize products that infringe design patents at the border.[107] The bill was called the "Counterfeit Goods Seizure Act of 2019."[108] But, as one reporter noted, there was a mismatch between the bill's title and its substance:

> The bill's title, which references counterfeiting, and substance, which allows customs to enforce design patents, might seem confusing to some. Design patent infringement and counterfeiting are not the same concepts and not all items that infringe a design patent are counterfeit. Additionally, brands can be victims of counterfeiting, even if they don't own any design patents.[109]

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[106] *See, e.g.*, Brassiere, U.S. Patent No. D823,575 (issued July 24, 2018) (claiming a logo as a "design for a brassiere"). Note that in this example, the applicant could have used solid lines to claim the stylized word mark instead of — or in addition to — the logo. *See also* Display Screen or Portion Thereof with a Graphical User Interface, U.S. Patent No. D981,450 (issued Mar. 21, 2023) (claiming, essentially, just the Meta logo); Burstein, *supra* note 56, at 204 (explaining how the USPTO's rules for claiming "computer-generated icons" allow applicants to claim an element of a larger surface design simply drawing a dotted line around it (quoting MPEP, *supra* note 49, § 1504.01(a))). This is a descriptive point only; the question of whether applicants should be able to use design patents to protect logos and stylized word marks is beyond the scope of this Article.

[107] *See* S. 2987, 116th Cong. (2019); *see also* Press Release, Sen. Thom Tillis, Tillis, Coons, Cassidy & Hirono Introduce Bipartisan Legislation to Seize Counterfeit Products and Protect American Consumers and Businesses (Dec. 5, 2019), https://www.tillis.senate.gov/2019/12/tillis-coons-cassidy-hirono-introduce-bipartisan-legislation-to-seize-counterfeit-products-and-protect-american-consumers-and-businesses [https://perma.cc/J9QF-MLQZ] [hereinafter Seizure Press Release]. For an explanation of why this would be a bad policy, see Burstein, *supra* note 94. Proponents of these types of bills sometimes argue they will help small businesses. But as Leah Chan Grinvald has persuasively argued, these types of border-seizure measures are more likely to hurt small businesses than to help them. *See* Leah Chan Grinvald, *Resolving the IP Disconnect for Small Businesses*, 95 MARQ. L. REV. 1491, 1496, 1521–22 (2012).

[108] S. 2987 § 1.

[109] Rani Mehta, *Lawyers React to US Plans to Strengthen Design Patent Enforcement*, MANAGING IP (Jan. 14, 2020), https://www.managingip.com/article/2a5bqtj8ume32iy88ms5c/lawyers-react-to-us-plans-to-strengthen-design-patent-enforcement [https://perma.cc/H9L9-TEGH].

One of the bill's sponsors tried to link design patent infringement to counterfeiting as follows:

> While Customs and Border Protection has the authority to seize products that infringe copyrights and trademarks at the border, it lacks this same authority for products that infringe a design patent. *Counterfeiters exploit this loophole* by importing counterfeit products separately from labels containing an infringing trademark, only attaching the label once the counterfeit product has cleared customs. The Counterfeit Goods Seizure Act of 2019 closes this loophole by giving CBP the authority to seize counterfeit products that infringe design patents at the border.[110]

But a definition is not a loophole. A product without an offending label falls outside the legal definition of a "counterfeit" — unless, of course, it "is identical with, or substantially indistinguishable from" a registered trade dress.[111] But CBP can already seize products that infringe a registered trade dress.[112]

Nonetheless, supporters of the bill picked up on the "counterfeits without labels" theme. One asserted that counterfeiters were trying to evade CBP enforcement not just by "omitting labels" during importation but also by "cover[ing] or obscur[ing] the trademark and later remov[ing] the cover or the obscuring element after the goods clear Customs in order to complete the counterfeiting process."[113]

But even if counterfeit labels are sometimes added to or made visible on products after they are imported (then, and only then, making them "counterfeit goods"), the 2019 bill was not limited to — or even reasonably targeted at — such conduct. Instead, it would have empowered CBP to seize *any* "merchandise or packaging in which . . . design patent . . . protection violations are involved."[114] If actual counterfeiting were the real concern, the bill would not need to be this broad. And even if the bill's drafters meant to target counterfeiting in the colloquial sense, it would still be too broad.[115]

The 2019 bill's sponsors also made vague allusions to unspecified "safety risks" of "counterfeit goods" in support of their bill, in an apparent attempt to link things like knockoff shoes with things like fake drugs

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110 *See* Seizure Press Release, *supra* note 107 (emphasis added) (quoting Sen. Mazie Hirono).

111 *See* 15 U.S.C. § 1127 (defining "counterfeit"); *supra* notes 34–35 and accompanying text.

112 19 C.F.R. § 133.21 (2023).

113 Elizabeth Ferrill, *New Bill Would Empower U.S. Customs to Enforce Design Patents at U.S. Border to Combat Imported Counterfeit Goods*, IPWATCHDOG (Dec. 6, 2019, 7:15 AM), https://www.ipwatchdog.com/2019/12/06/new-bill-empower-us-customs-enforce-design-patents-us-border-combat-imported-counterfeit-goods/id=116821 [https://perma.cc/42NT-PJPP].

114 S. 2987, 116th Cong. (2019); Dennis Crouch, *Counterfeit Goods Seizure Act of 2019*, PATENTLY-O (Dec. 5, 2019), https://patentlyo.com/patent/2019/12/counterfeit-goods-seizure.html [https://perma.cc/S6ZH-GDDK] (quoting the proposed statutory language).

115 *See infra* section III.A.2, pp. 503–13.

in the minds of the public and their fellow legislators.[116] One of the sponsors suggested that the bill was necessary to prevent "[c]ounterfeit goods" from "lin[ing] the pockets of organized crime" but made no serious attempt to make any link between counterfeit goods — let alone organized crime — and design patent infringement.[117]

In its letter in support of the 2019 seizure bill, the International Trademark Association (INTA) averred that the bill would "help stem the flood of counterfeit goods entering the United States, and thus help protect consumers and U.S. brand owners alike."[118] INTA quoted some statistics from its own study of "counterfeit and pirated goods" but made no attempt to define "counterfeit" or to explain how that data might be relevant to the issue of design patent infringement or enforcement.[119] This maneuver — we might call it the "pivot-to-stats maneuver" — appears to be a popular one.[120] Essentially, the speaker: (1) refers to "counterfeiting" in a design patent discussion; (2) cites some statistics from a study that uses the word "counterfeiting"; and (3) never explains how (or if) the source they cite for the statistics defines the word "counterfeiting."[121] They jump straight to some scary-sounding statistics without any meaningful attempt to explain how or if those statistics might have anything to do with design patents.[122]

This lack of any serious effort to tie these statistics to design patent infringement would be bad enough even if the statistics seemed to be reliable. But there are reasons to question many of the studies and statistics that often get thrown around in discussions of "counterfeiting."[123]

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[116] *See* Seizure Press Release, *supra* note 107 (quoting Sen. Chris Coons as saying that "[c]ounterfeit goods brought into the United States from overseas . . . pose serious safety risks" and Sen. Mazie Hirono as saying that "counterfeit products put the health and well-being of American consumers at risk"). This Article will use the word "knockoff" to refer to products that copy other products but that do not infringe any IP rights. Importantly, knockoffs are not counterfeits. *See* Julie Zerbo, *Protecting Fashion Designs: Not Only "What?" but "Who?*," 6 AM. U. BUS. L. REV. 595, 601 n.30 (2017) (defining "knockoffs" as "unauthorized copies or imitations of a product" that "do not make use of legally protected intellectual property").

[117] *See* Seizure Press Release, *supra* note 107 (quoting Sen. Chris Coons).

[118] Letter from Etienne Sanz de Acedo, Chief Exec. Officer, Int'l Trademark Ass'n, to Sen. Thom Tillis, Chairman, S. Judiciary Subcomm. on Intell. Prop. & Sen. Chris Coons, Ranking Member, S. Judiciary Subcomm. on Intell. Prop. (Nov. 20, 2019), http://cdn.patentlyo.com/media/2019/12/Tillis-Coons-Design-Counterfeit-Seizure-Bill-11.20.19.pdf [https://perma.cc/T74J-LC6W] [hereinafter INTA Letter].

[119] *See id.*

[120] *See, e.g.*, *infra* notes 138–40 and accompanying text.

[121] *See, e.g.*, INTA Letter, *supra* note 118.

[122] *See id.*

[123] *See, e.g.*, Kenneth L. Port, *A Case Against the ACTA*, 33 CARDOZO L. REV. 1131, 1135–36 (2012) ("In the U.S. government and public media, the hyperbole regarding the negative effects of imitative commodities has become replete. . . . These numbers are suspicious. The claimants of these massive, fuzzy numbers make inaccurate assumptions about purchasing patterns. . . . [T]his fuzzy math and these fuzzy motivations are used to convince people that any amount of imitative commodities is bad, and that the public governments around the world need to enforce private

Finally, it is worth noting that design patent owners are not currently without any border-enforcement remedies. They can file complaints with the U.S. International Trade Commission (ITC).[124] The ITC has the power to enter blocking orders (enforced by CBP at the borders) against products that infringe design patents.[125] But bringing an ITC action isn't free. And it takes time. So the debate over the 2019 bill wasn't about whether design patent owners should be able to get border enforcement. It was about whether design patent owners should be able to get quicker border enforcement — paid by taxpayers.

B. In Enforcement Actions

Counterfeit rhetoric also appears in design patent enforcement actions. This section will provide some examples of how counterfeit rhetoric has been used in the federal courts.[126]

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intellectual property rights."); *see also id.* at 1169 ("Although there seems to be some connection between terrorism and the manufacture of imitative commodities, the significance of that connection is as overstated as the raw data of imitative commodities."); *id.* at 1170 ("Commentators conclude that all imitative commodities in the world support terrorism, or more specifically, that buying an imitative commodity is supporting Al Qaeda. There is no real evidence that this is true."); Joe Karaganis, *Rethinking Piracy*, *in* MEDIA PIRACY IN EMERGING ECONOMIES 1, 37–38 (Joe Karaganis ed., 2011), https://www.ssrc.org/publications/media-piracy-in-emerging-economies [https://perma.cc/4Z5U-B5MM] ("Claims of connections between media piracy and narcotrafficking, arms smuggling, and other 'hard' forms of organized crime have been part of enforcement discourse since the late 1990s . . . . But we found no evidence of systematic links between media piracy and more serious forms of organized crime, much less terrorism, in any of our country studies."); Mike Masnick, *Hey NY Times: Can You Back Up the Claim of $200 Billion Lost to Counterfeiting?*, TECHDIRT (Aug. 2, 2010, 9:53 AM), https://www.techdirt.com/2010/08/02/hey-ny-times-can-you-back-up-the-claim-of-200-billion-lost-to-counterfeiting [https://perma.cc/W3TR-B6FP] ("Stephanie Clifford, reporter for the NY Times, can you give any evidence whatsoever to support the claim that you made in your article this past weekend that counterfeiting 'costs American businesses an estimated $200 billion a year?' I don't think that Clifford can, because that number has been thoroughly debunked time and time again. . . . [B]ack in 2008, Julian Sanchez famously went to hunt down the origins of the claim, and found that it was always totally made up." (emphasis omitted) (quoting Stephanie Clifford, *Economic Indicator: Even Cheaper Knockoffs*, N.Y. TIMES (July 31, 2010), https://www.nytimes.com/2010/08/01/business/economy/01knockoff.html?_r=2 [https://perma.cc/QUY7-L4TB])); Julian Sanchez, *750,000 Lost Jobs? The Dodgy Digits Behind the War on Piracy*, ARS TECHNICA (Oct. 7, 2008, 11:30 PM), https://arstechnica.com/tech-policy/2008/10/dodgy-digits-behind-the-war-on-piracy [https://perma.cc/UXU6-R648] ("If you pay any attention to the endless debates over intellectual property policy in the United States, you'll hear two numbers invoked over and over again, like the stuttering chorus of some Philip Glass opera: 750,000 and $200 to $250 billion. The first is the number of U.S. jobs supposedly lost to intellectual property theft; the second is the annual dollar cost of IP infringement to the U.S. economy. These statistics are brandished like a talisman each time Congress is asked to step up enforcement to protect the ever-beleaguered U.S. content industry. And both, as far as an extended investigation by Ars Technica has been able to determine, are utterly bogus.").

124 Burstein & Vishnubhakat, *supra* note 53, at 1264–65.

125 *Id.*

126 Counterfeit rhetoric is not limited just to enforcement in the federal courts. Skull Shaver, LLC also made use of counterfeit rhetoric in a recent design patent complaint it filed in the ITC. Complaint, *In re* Certain Elec. Shavers, Inv. No. 337-TA-1230 (USITC Oct. 13, 2020) (terminated).

1. Samsung v. Apple. — Counterfeit rhetoric was used by several of the amici in *Samsung Electronics Co. v. Apple Inc.*[127] In that case, Apple accused Samsung of utility patent, design patent, and trademark infringement — but not counterfeiting.[128] Following the blockbuster verdict,[129] one issue on appeal was how to interpret 35 U.S.C. § 289, which sets forth a special "total profit" remedy for certain acts of design patent infringement.[130] The Federal Circuit concluded that § 289 entitles a design patent owner to the total profits of "the entire infringing product," no matter the scope of the infringed patent.[131]

While the case was on appeal at the Federal Circuit, a group of design educators submitted an amicus brief in support of Apple.[132] They argued that "strong protections for design patents and effective remedies for infringement are an indispensable tool for combatting *illicit counterfeiting* that injures the public welfare and robs industrial designers of the value of their work."[133] They asserted that "[c]ounterfeit goods can pose real health and safety concerns," raising the specter of "counterfeit

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In that case, Skull Shaver alleged utility and design patent infringement and referred to at least some of the accused products as "counterfeit electric shavers," even when the accompanying photographs showed no use of anything that might qualify as a counterfeit mark. *Id.* ¶¶ 50–55, 107. And many of the accused products looked so markedly different from Skull Shaver's own product as to preclude any reasonable assertion of colloquial counterfeiting — let alone strong claims for design patent infringement. *See id.* at Exhibits 6A, 6B (disclosing accused products that differed from the claimed shape in ways that are not visually immaterial, including differences in the shape and proportions of the handle).

127 137 S. Ct. 429 (2016). For more on the background of this case and the issues appealed to the Supreme Court, see Burstein, *supra* note 51, at 16–25; Sarah Burstein, *The "Article of Manufacture" Today*, 31 HARV. J.L. & TECH. 781, 791–93 (2018).

128 *See* Complaint, Apple Inc. v. Samsung Elecs. Co., No. 5:11-cv-01846 (N.D. Cal. Apr. 15, 2011), ECF 1 (not alleging counterfeiting); Amended Complaint, *Apple*, No. 5:11-cv-01846 (N.D. Cal. June 16, 2011), ECF 75 (same). Apple did state a claim for registered trade dress infringement. *See* Complaint, *supra*, at 28; Amended Complaint, *supra*, at 41. However, the Federal Circuit concluded that the claimed trade dresses were "functional and therefore not protectable." Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983, 994–96 (Fed. Cir. 2015), *rev'd and remanded*, 137 S. Ct. 429 (2016). This issue was not before the Supreme Court, which granted certiorari on only a single issue of design patent law. *See* Samsung Elecs. Co. v. Apple Inc., 136 S. Ct. 1453 (2016) (mem.) ("Petition for writ of certiorari to the United States Court of Appeals for the Federal Circuit granted limited to Question 2 presented by the petition."); Petition for a Writ of Certiorari at i, *Samsung*, 136 S. Ct. 1453 (No. 15-777), 2015 WL 10013702, at *i (presenting, as Question 2, "Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?").

129 *See* Amended Verdict Form ¶ 22, *Apple*, No. 5:11-cv-01846 (N.D. Cal. Aug. 24, 2012), ECF 1931 (awarding Apple over $1 billion).

130 *Apple*, 786 F.3d at 1001–02 (citing 35 U.S.C. § 289).

131 *Id.* at 1002. In *Samsung*, the design patents that were found to be infringed covered various parts (but not the whole) of the Apple iPhone design. *See* Sarah Burstein, *The* Apple v. Samsung *Retrial: Breaking Down Apple's Design Patent Claims*, COMPAR. PAT. REMEDIES (May 15, 2018), http://comparativepatentremedies.blogspot.com/2018/05/the-apple-v-samsung-retrial-breaking.html [https://perma.cc/5QH6-8WVH].

132 Brief of 26 Design Educators as Amici Curiae in Support of Appellee Apple Inc., Apple Inc. v. Samsung Elecs. Co., No. 14-01335 (Fed. Cir. Aug. 4, 2014), ECF 99 [hereinafter Design Educators' Brief].

133 *Id.* at 3 (emphasis added).

smartphone batteries" that "were recalled because they overheated, causing burn and fire hazards" but making no serious effort to logically or legally connect such risks with the act or concept of design patent infringement.[134]

When the case reached the Supreme Court, other amici took up the "counterfeiting" flag.[135] For example, a group of companies that purported to "represent a cross-section of American industry engaged in the manufacture and sale of a wide variety of consumer products"[136] repeatedly used the word "counterfeit" in their brief in a way that seemed to conflate counterfeiting with design patent infringement.[137] The American Intellectual Property Law Association (AIPLA) argued that the special design patent remedy was "an important weapon in the arsenal of design-patent holders in the fight against counterfeit articles of manufacture,"[138] asserting — without any citation or support — that "many of the run-of-the-mill design patent cases are about counterfeiting."[139] It then rattled off some statistics about but made no attempt to tie those statistics to — or explain how they might be relevant to — the issue of design patent infringement.[140]

Apple also invoked some counterfeit rhetoric, asserting that if the Court overruled the Federal Circuit, it "would *empower counterfeiters* and producers of knock-offs, leading to reductions in investment in

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[134] *Id.* at 22–23 (citing *Asurion Recalls Counterfeit BlackBerry®-Branded Batteries Due to Burn and Fire Hazards*, U.S. CONSUMER PROD. SAFETY COMM'N (Aug. 10, 2010), http://www.cpsc.gov/en/Recalls/2010/Asurion-Recalls-Counterfeit-BlackBerry-branded-Batteries-Due-to-Burn-and-Fire-Hazards [https://perma.cc/6DUR-N2ZF]).

[135] As noted above, the case did not involve any claims of counterfeiting. *See supra* note 128 and accompanying text (noting the case did not involve any claims of counterfeiting).

[136] Brief for Bison Designs, LLC et al. as Amici Curiae in Support of Respondent at 1, Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429 (2016) (No. 15-777), 2016 WL 4239198, at *1.

[137] *Id.* at 7, 24–25, 28–29 ("Thule depends upon effective U.S. design patent remedies to deter counterfeiters of its unique product designs," *id.* at 7; "Design patents are especially important to small companies, such as amicus Design Ideas, Ltd., who suffer from counterfeit lookalikes across their entire line of mesh basket products. Even small volume counterfeits can hurt its business. In 2011, it had a dispute with an importer, Idea Nuova, Inc., of New York, who sold 13,000 units of a product which clearly infringed several design patents," *id.* at 24–25 (italics omitted); "The total [design patent] profit rule was instrumental in convincing counterfeiters to stop their nefarious activities, and provided amicus with effective design patent enforcement without having to resort to litigation. For other competitors inclined to make and sell counterfeits, the total profit rule was a critical deterrent," *id.* at 28–29 (italics omitted)). In a footnote tucked deep in the brief, these amici seemed to admit they weren't using the word "counterfeit" in its technical sense. *See id.* at 15 n.24 ("While trademark anti-counterfeiting laws guard against those who are bold enough to also copy the trademark of the originator, they are ineffective against a copyist who is clever enough to omit the originator's trademark and simply copies the design/shape of the original design." (citing 18 U.S.C. § 232(c))).

[138] Brief of Amicus Curiae American Intellectual Property Law Ass'n in Support of Respondent at 3, *Samsung*, 137 S. Ct. 429 (No. 15-777), 2016 WL 4268252, at *3.

[139] *Id.* at 19.

[140] *See id.*

industrial design, an important sector of our national economy."[141] To support these assertions, Apple alluded only to arguments made by its "amici."[142] It made no attempt to explain how the issue of design patent damages might be relevant to counterfeiting, let alone how the Court's decision, either way, might "empower counterfeiters."[143] In the end, the Supreme Court rejected the proposition that a design patent owner is *always* entitled to the total profits from the defendant's entire end product.[144] But it left open the possibility that a design patent owner *might* be entitled to the total profits from the alleged infringer's entire end product, in appropriate circumstances.[145]

2. "Schedule A" Cases. — In the past decade or so, certain federal courts have received a barrage of complaints accusing large groups of online sellers of infringing various IP rights.[146] In these cases, the defendants are usually listed not on the face of the complaint itself but on a separate document, often labeled "Schedule A."[147] This document is

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141 Brief for Respondent at 27, *Samsung*, 137 S. Ct. 429 (No. 15-777), 2016 WL 4073686, at *27 (emphasis added).

142 *See id.*

143 *See id.* Later in the brief, Apple cited two amicus briefs in particular for the proposition that reversing the Federal Circuit "would remove a powerful deterrent to would-be infringers that can rapidly mass-produce counterfeit or knock-off products." *See id.* at 51 (citing, inter alia, Brief of Nike, Inc. as Amicus Curiae in Support of Neither Party at 8–10, *Samsung*, 137 S. Ct. 429 (No. 15-777); Brief of Amicus Curiae Industrial Designers Society of America in Support of Neither Party at 2, 11–15, *Samsung*, 137 S. Ct. 429 (No. 15-777)). But, as this sentence tacitly admits, counterfeits and knockoffs are two different things. And the Industrial Designers Society of America brief does not use the word "counterfeit," let alone say that design patents deter counterfeiting. *See generally* Brief of Amicus Curiae Industrial Designers Society of America, *supra.* The Nike brief mentions the word "counterfeit" twice, once in correctly defining what constitutes a counterfeit Nike shoe and once in a quotation. *See* Brief of Nike, Inc. as Amicus Curiae, *supra*, at 7 (citing 15 U.S.C. §§ 1116(d)(1)(A), 1117(b); 18 U.S.C. § 2320; WASH. REV. CODE § 9.16.030–.041); *id.* at 24 (quoting Ferrill & Tanhehco, *supra* note 14, at 259). After defining what a counterfeit shoe is, Nike then argues that it needs design patents for situations where there is no counterfeiting — that is, for shoes that "do not have a Swoosh or the Nike wordmark." *See id.* at 7–8. So these briefs do not support the connection Apple tried to draw between design patents and counterfeiting.

144 *See Samsung*, 137 S. Ct. at 434.

145 *See id.* The Court refused to say, however, what those circumstances might be. *Id.* at 436; *see* Burstein, *supra* note 127, at 791–93.

146 These cases appear to target individuals and companies who have funds held by third-party platforms, most commonly sales sites such as Amazon, Walmart, AliExpress, and Etsy. *See, e.g.*, Complaint for Damages and Injunctive Relief at 1–2, Simply Mossy Art Inc. v. Individuals, P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:23-cv-06434 (S.D.N.Y. July 25, 2023), ECF 1 (suing sellers operating on "Amazon.com, Walmart.com, Etsy.com, and other[]" platforms, *id.* at 1); *see also* Schedule A, *Simply Mossy*, No. 1:23-cv-06434 (S.D.N.Y. July 25, 2023), ECF 1-1 [hereinafter Schedule A, *Simply Mossy*] (providing list of sellers sued). This litigation model has also been used to go after individuals and companies that operate on Facebook and YouTube. *See* Complaint at 1–2, Betty's Best, Inc. v. Facebook Advertisers Listed on Schedule A, No. 3:23-cv-04716 (N.D. Cal. Sept. 13, 2023), ECF 1; Complaint ¶ 5, Viral DRM LLC v. YouTube Uploaders Listed on Schedule A, No. 3:23-cv-04300 (N.D. Cal. Aug. 23, 2023), ECF 1.

147 Goldman, *supra* note 19, at 184 & n.3 ("There are many variations, but a typical . . . complaint caption might refer to the defendants as 'the Individuals, Corporations, Limited Liability

usually filed, at least initially, under seal.[148] The plaintiffs often insist that they must keep the names of the defendants — and even sometimes their own names or patent numbers — secret, at least at the start of the case, in order to thwart the evasive efforts of nefarious counterfeiters.[149]

A number of judges, especially in the U.S. District Court for the Northern District of Illinois,[150] have allowed (and, in at least one judge's case, perhaps even encouraged) this practice.[151] These judges routinely grant Schedule A plaintiffs forms of relief that are supposed to be extraordinary, such as *ex parte* orders that freeze the defendants' assets before the defendants even know they have been sued.[152]

Companies, Partnerships, and Unincorporated Associations Identified on Schedule A Hereto,'" *id.* n.3). Some complaints use "Does" nomenclature. *See, e.g.*, Complaint at 1, Guo v. Does 1–181, As Identified in Exhibit 2, No. 1:23-cv-01271 (N.D. Ill. Mar. 1, 2023), ECF 1 [hereinafter Complaint, *Guo*]. Indeed, the oldest case in this format that the author has been able to find, to date, uses a "Does" styling. *See* Verified Complaint at 1, Deckers Outdoor Corp. v. Does 1–55 d/b/a The Aliases Identified on Schedule "A" & Does 56–500, No. 1:11-cv-00010 (N.D. Ill. Jan. 3, 2011), ECF 5 [hereinafter Verified Complaint, *Deckers*]. At least one complaint has styled the defendants as "Joes." *See* Complaint at 1, Jiangsu Huari Webbing Leather Co. v. Joes Identified in Schedule "A," No. 1:23-cv-02605 (S.D.N.Y. Mar. 28, 2023), ECF 1. In some districts, most notably the Southern District of New York, at least some plaintiffs appear to proceed by putting the defendants' aliases on the face of the complaint and filing the whole complaint under seal. *See, e.g.*, Complaint at i–ii, Smart Study Co. v. Acuteye-US, No. 1:21-cv-05860 (S.D.N.Y. Aug. 3, 2021), ECF 4 (trademark and copyright case); *see also* Complaint at 1, Jacki Easlick, LLC v. CJ Emerald, No. 2:23-cv-02000 (W.D. Pa. Nov. 20, 2023), ECF 2 [hereinafter Complaint, *Jacki Easlick*] (design patent case).

148 *See* Goldman, *supra* note 19, at 187–90. The author has found at least one of these cases where the list of defendants was not filed under seal. *See* Schedule A, *Simply Mossy*, *supra* note 146, at 2–6 (listing 104 defendants by online storefront aliases). These documents are sometimes — but not always — unsealed after a temporary restraining order issues. *See, e.g.*, Order Granting Motion to Unseal Case at 1, Jacki Easlick, LLC v. CJ Emerald, No. 2:23-cv-02000 (W.D. Pa. Dec. 8, 2023), ECF 32.

149 *See, e.g.*, Complaint ¶¶ 1, 42, ABC Corp. v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:23-cv-03301 (N.D. Ill. May 25, 2023), ECF 1 (accusing defendants of running a "counterfeiting operation," *id.* ¶ 9, but not accusing them of any trademark infringement, just design patent infringement). For more on how this Article cites cases initially filed pseudonymously, please see *infra* note 169.

150 While the Northern District of Illinois appears to be the epicenter of this litigation phenomenon, there are also a significant number of Schedule A cases filed in the Southern District of Florida. *See* Goldman, *supra* note 19, at 195 ("Of the 3,217 dataset cases, 2,846 cases (over 88%) were filed in the Northern District of Illinois. The Southern District of Florida had 242 cases (7.5%). The remaining jurisdictions had less than 2% each."). The Southern District of New York also appears to be an important venue for Schedule A cases. *See, e.g.*, Jiangsu Huari Webbing Leather Co. v. Joes Identified in Schedule A, No. 1:23-cv-02605, 2024 WL 20931 (S.D.N.Y. Jan. 2, 2024); *see also* Sarah Burstein, *Sanctions & Schedule A*, PATENTLY-O (Jan. 23, 2024), https://patentlyo.com/patent/2024/01/burstein-sanctions-schedule.html [https://perma.cc/V8YK-SSDS] (discussing the *Joes* case).

151 *See* Goldman, *supra* note 19, at 196 (noting that Judge Pacold has actually provided templates for plaintiffs to use in Schedule A cases).

152 *See* Antsy Labs, LLC v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:21-cv-03289, 2022 WL 17176498, at *1 (N.D. Ill. Nov. 23, 2022) ("This case is one of hundreds filed in this District, in which brand owners sue large groups of online merchants (generically 'identified on Schedule A'), alleging theft of intellectual property. In this case, as in most of the other 'Schedule A' cases, the court entered a temporary

It appears that, early on, most (if not all) of these cases involved claims of trademark infringement.[153] Beginning in approximately 2019, however, some of these Schedule A cases started including claims of design patent infringement.[154] But even when these cases allege only design patent infringement — and not trademark infringement of any kind — they still often include counterfeit rhetoric in their complaints.

For example, in one recent design patent case involving snow brushes, the plaintiff defined the accused products as "Counterfeit Copies," then sprinkled that phrase liberally throughout the rest of the complaint.[155] In yet another case alleging infringement of a design patent

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restraining order and asset freeze and, later a preliminary injunction against the defendant merchants.") (copyright case); *see also* Goldman, *supra* note 19, at 190 (describing some typical steps in a Schedule A case). As Judge Seeger has recently noted, there are reasons to doubt the propriety of asset freezes in Schedule A cases. *See* Zorro Prods., Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-05761, 2023 WL 8807254, at *4–5 (N.D. Ill. Dec. 20, 2023) (denying motion to seal because "[i]f you can't freeze it, you can't seal it," *id.* at *5). A judge may have the power to order an initial asset freeze where a plaintiff has a "lien or equitable interest" in certain funds and seeks an "equitable remedy." Grupo Mexicano de Desarrollo, S.A. v. All. Bond Fund, Inc., 527 U.S. 308, 310, 318–19 (1999) (quoting 11A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 2941 (2d ed. 1995)). But as Judge Seeger noted, "Schedule A plaintiffs typically don't request and receive equitable monetary relief. Instead, Schedule A plaintiffs rush into court, request and receive an asset freeze, and obtain a default judgment. And then, the Schedule A plaintiffs ask district courts to unfreeze the money and award statutory damages, not equitable relief." *Zorro,* 2023 WL 8807254, at *4. There are additional reasons to doubt the propriety of these asset freezes in utility patent cases, where equitable disgorgement is not an available remedy, and in design patent cases, where the disgorgement remedy set forth in 35 U.S.C. § 289 might be best described as a hybrid remedy, not a purely legal or equitable one. *See generally* Burstein, *supra* note 51 (drawing lessons and implications for § 289 by examining its predecessor, the 1887 Act, which provided in its total profits provision that remedy was available "either by action at law or upon a bill in equity," *id.* at 58 (quoting Act of Feb. 4, 1887, ch. 105, 24 Stat. 387, 387)). But a full discussion of these issues is beyond the scope of this Article.

153 *See, e.g.*, Verified Complaint, *Deckers*, *supra* note 147, ¶ 3. Plaintiffs continue to file Schedule A cases alleging trademark infringement and actual counterfeiting. For example, Harry Styles filed such a case in December 2022. Complaint ¶ 3, Styles v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:22-cv-07044 (N.D. Ill. Dec. 14, 2022), ECF 1 ("This action has been filed by Plaintiff to combat e-commerce store operators who trade upon Plaintiff's reputation and goodwill by offering for sale and/or selling unauthorized and unlicensed products, including apparel and other merchandise, using infringing and counterfeit versions of Plaintiff's federally registered trademarks . . . .").

154 *See, e.g.*, Complaint ¶ 3, Fitness Anywhere LLC v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:19-cv-04155 (N.D. Ill. June 20, 2019), ECF 1 (alleging infringement of U.S. Patent No. D669,945).

155 Amended Complaint ¶ 24, XYZ Corp. (Ningbo Yongjia Aiduo Auto Parts Manu Co.) v. Individuals, P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:22-cv-24270 (S.D. Fla. Jan. 12, 2023), ECF 7 ("Defendants offer to sell exact copies and/or confusingly similar copies to the claimed designs in Plaintiff's Patent (hereinafter referred to as the Defendants' 'Counterfeit Copies') through Internet based e-commerce stores operating under the Seller IDs."). For more on how this Article cites cases initially filed pseudonymously, please see *infra* note 169. The *Ningbo Yongjia* case was not an isolated example. *See, e.g.*, Complaint ¶ 18, Pat. Holder as Identified in Exhibit 1 v. Does 1–251, as Identified in Exhibit 2, No. 1:23-cv-01488 (N.D. Ill. Mar. 10, 2023), ECF 1 ("Defendants' sales of similar and substandard copies of Plaintiff's Products ('Counterfeit

for an air purifier, the plaintiff alleged that "[t]he Asserted Patent is being infringed by *a cabal of foreign counterfeiters* intent on exploiting unknowing online consumers."[156] The plaintiff then alleged that each defendant "has offered to sell and, on information and belief, has sold and continues to sell counterfeit and/or infringing products that violate Plaintiff's intellectual property rights ('Counterfeit Products')"[157] and proceeded to use variations of the word "counterfeit" throughout the complaint,[158] even though the complaint contained no allegations of trademark infringement — let alone actual counterfeiting.[159]

In another design patent case over "ring toys,"[160] the plaintiff referred to the defendants as "counterfeiters"[161] and attached, as the only publicly filed exhibit, a report on "counterfeit and pirated goods."[162] The attached report does not, however, mention design patents.[163] The plaintiff suggested the report was relevant because:

> Third-party service providers like those used by Defendants do not adequately subject new sellers to verification and confirmation of their identities, allowing counterfeiters and infringers such as Defendants to "routinely

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Products') are in violation of Plaintiff's intellectual property rights and are irreparably damaging Plaintiff.").

156 Complaint, *Guo*, *supra* note 147, ¶ 2 (emphasis added). This appears to be boilerplate language for the firm that filed the complaint. *Compare id.*, *with, e.g.*, Complaint ¶ 2, Beth Bender Holdings, LLC v. Does 1–107, as Identified in Exhibit 2, No. 1:21-cv-06602 (N.D. Ill. Dec. 10, 2021), ECF 1 (alleging that various design patents were "being infringed by a cabal of foreign counterfeiters intent on exploiting unknowing online consumers"). As this quote shows, there appears to be a vein of xenophobia running through at least some of these cases. *See* ANJALI VATS, THE COLOR OF CREATORSHIP: INTELLECTUAL PROPERTY, RACE, AND THE MAKING OF AMERICANS 115 (2020) (discussing how "[h]yperracial infringement constructed Americans as good intellectual property citizens who are innocent and hardworking victims preyed upon by bad intellectual property anti-citizens who pirated and counterfeited the nation's intellectual properties"). A full discussion of this issue, however, is beyond the scope of this Article.

157 Complaint, *Guo*, *supra* note 147, ¶ 4.

158 *See, e.g.*, *id.* ¶¶ 5–9.

159 The plaintiff later redefined "Counterfeit Products" as "similar and substandard copies of Plaintiff's Products." *Id.* ¶ 19. The plaintiff also resumed the counterfeit rhetoric in its motion for a temporary restraining order. *See, e.g.*, Memorandum in Support of Plaintiff's *ex parte* Motion for Entry of a (1) Temporary Restraining Order, (2) Asset Restraining Order, (3) Expedited Discovery Order, and (4) Service of Process by Email and Publication at 1, Guo v. Does 1–181, as Identified in Exhibit 2, No. 1:23-cv-01271 (N.D. Ill. Mar. 9, 2023), ECF 10 ("The Defendants use online merchant platforms to virtually peddle to unknowing consumers goods that are low-quality, unlicensed counterfeits.").

160 Defendant Splinter Woodworking Inc. d/b/a SWOOC Games' Answer & Affirmative Defenses at 9, Doe v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:23-cv-01355 (N.D. Ill. Mar. 31, 2023), ECF 35 (identifying the patent-in-suit as U.S. Patent No. D957,527, which claims a design for a "ring toy").

161 Complaint ¶¶ 13, 22–25, Doe v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:23-cv-01355 (N.D. Ill. Mar. 6, 2023), ECF 1 (alleging only design patent infringement but referring to the defendants as "counterfeiters," *id.* ¶ 13).

162 *Id.* at Exhibit 2 (reproducing OFF. OF STRATEGY, POL'Y & PLANS, U.S. DEP'T OF HOMELAND SEC., COMBATING TRAFFICKING IN COUNTERFEIT AND PIRATED GOODS: REPORT TO THE PRESIDENT OF THE UNITED STATES (2020) [hereinafter COMBATING TRAFFICKING]).

163 *See id.*

> use false or inaccurate names and addresses when registering with these e-commerce platforms." *See* report on "Combating Trafficking in Counterfeit and Pirated Goods" prepared by the U.S. Department of Homeland Security's Office of Strategy, Policy, and Plans (Jan. 24, 2020) attached as Exhibit 2 and finding that on "at least some e-commerce platforms, little identifying information is necessary" for sellers similar to Defendants and recommending that "[s]ignificantly enhanced vetting of third-party sellers" is necessary.[164]

But we only have the plaintiff's word (at least in the publicly filed complaint) that the named defendants were, in fact, "counterfeiters" or "infringers." So it is far from clear that this report is actually relevant at all. Nonetheless, this report (and similar documents) appear to have been attached to Schedule A design patent complaints with some frequency.[165]

Counterfeit rhetoric appears to be playing at least some role in convincing judges to grant Schedule A plaintiffs extraordinary relief on a regular basis. In a recent decision, Judge Durkin stated:

> In this case, and the hundreds like it routinely filed in this District, plaintiffs join dozens or even hundreds of defendants in a single case, saving themselves thousands of dollars in filing fees. *Many judges in this District permit this form of filing because . . . it is the most efficient way to address the epidemic of counterfeit goods* being sold in the United States on the internet by defendants located outside the United States.[166]

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[164] Complaint, *supra* note 161, ¶ 13 (emphasis omitted) (quoting Combating Trafficking, *supra* note 162, at 22, 35). The first quote appears in an article by Daniel Chow. Daniel C.K. Chow, *Alibaba, Amazon, and Counterfeiting in the Age of the Internet*, 40 NW. J. INT'L L. & BUS. 157, 186 (2020).

[165] For example, in a design patent case, the plaintiff attached three documents to its complaint. Complaint, ABC Corp. v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:20-cv-02930 (N.D. Ill. May 18, 2020), ECF 1 (citing OFF. OF TRADE, U.S. CUSTOMS & BORDER PROT., INTELLECTUAL PROPERTY RIGHTS: FISCAL YEAR 2018 SEIZURE STATISTICS (2019); Chow, *supra* note 164; COMBATING TRAFFICKING, *supra* note 162). None of these documents used the phrase "design patent." It's also notable that although Chow's article is attached frequently to Schedule A complaints, he neither mentioned nor endorsed that litigation model. Instead, he proposed a number of measures that online platforms could take to promote transparency and deter the sale of counterfeit products. *See* Chow, *supra* note 164, at 188–95.

[166] Roblox Corp. v. Bigfinz, No. 1:23-cv-05346, 2023 WL 8258653, at *2 (N.D. Ill. Nov. 29, 2023) (emphasis added). In PACER, this case is styled as "Roblox Corporation v. The Individuals, Corporations, Limited Liability Companies, Partnerships, and Unincorporated Associations Identified on Schedule A Hereto." *Roblox Corporation v. The Individuals, Corporations, Limited Liability Companies, Partnerships, and Unincorporated Associations Identified on Schedule A Hereto (1:23-cv-05346)*, COURTLISTENER (May 20, 2024, 5:20 AM), https://www.courtlistener.com/docket/67684608/roblox-corporation-v-the-individuals-corporations-limited-liability [https://perma.cc/X9HC-C7NC]. It is not clear why Judge Durkin chose to restyle the caption for the purposes of this particular decision. But that choice may make this case more difficult to find for researchers and defense counsel who are interested in Schedule A litigation.

In this passage, Judge Durkin seemed to be referring to all Schedule A cases, not just ones involving claims of actual counterfeiting.[167] That would be consistent with his official court website, where Judge Durkin refers to all Schedule A cases as "Counterfeit Product Cases."[168] And, in what would become the Schedule A case to reach the Federal Circuit, Judge Durkin used the word "counterfeit" to describe the accused products,[169] even though that case did not allege any trademark or trade dress infringement — let alone actual counterfeiting.[170] And he's not alone. At least three other judges in the Northern District of Illinois have used the words "counterfeiting," "counterfeit," or "counterfeiters"

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[167] *See Roblox*, 2023 WL 8258653, at *2. It should also be noted that in this case, the plaintiff alleged trademark infringement as well as actual counterfeiting. Complaint ¶¶ 28–34, *Roblox*, No. 1:23-cv-05346 (N.D. Ill. Aug. 11. 2023), ECF 1.

[168] The author has confirmed with Judge Durkin's deputy that, by "counterfeit cases," the judge means Schedule A cases. *See* E-mail from Emily Wall, Courtroom Deputy to J. Durkin, to author (June 1, 2023, 4:04 PM) ("[T]he procedure for 'counterfeit cases' is intended to apply to Schedule A-type cases.") (on file with the Harvard Law School Library). Specifically, under the heading "Counterfeit Product Cases," Judge Durkin states that he "will presumptively require a bond of $1,000 per defendant in counterfeit product cases. Plaintiffs should inform the Court of any circumstances that make such a bond inappropriate." *Judge Thomas M. Durkin*, U.S. DIST. CT. N. DIST. OF ILL., https://www.ilnd.uscourts.gov/judge-info.aspx?HztO2ip/uh7HVAKHYpZ4iA== [https://perma.cc/Y58H-LASP].

[169] This case, as some others that use the Schedule A model, raises difficult issues with respect to citation. The case is still styled on PACER as it was in the original complaint, with pseudonyms: "ABC Corporation I v. The Partnership and Unincorporated Associations Identified on Schedule 'A.'" *ABC Corporation I v. The Partnership and Unincorporated Associations Identified on Schedule "A" (1:20-cv-04806)*, COURTLISTENER (Oct. 18, 2024, 6:19 AM), https://www.courtlistener.com/docket/18424575/abc-corporation-i-v-the-partnership-and-unincorporated-associations [https://perma.cc/5SVR-YVLQ]; *see* Complaint at 1, ABC Corp. I v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:20-cv-04806 (N.D. Ill. Aug. 17, 2020), ECF 1 (listing the plaintiffs as "ABC Corporation I" and "ABC Corporation II"). The judge later ordered the plaintiffs to file an amended complaint under their real names. *See* Minute Entry, ABC Corp. I v. P'ship & Unincorporated Ass'ns Identified on Schedule "A," No. 1:20-cv-04806 (N.D. Ill. Sept. 4, 2020), ECF 36. From that point on, the district court and the parties appear to have restyled the case as "Hangzhou Chic Intelligent Technology Co.; and Unicorn Global, Inc., Plaintiffs, v. The Partnerships and Unincorporated Associations Identified on Schedule 'A', Defendants." *See, e.g.*, Hangzhou Chic Intelligent Tech. Co. v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:20-cv-04806, 2022 WL 1028834, at *1 (N.D. Ill. Apr. 6, 2022) (Durkin, J.). However, on appeal, the Federal Circuit used the "ABC" styling. *See* ABC Corp. I v. P'ship & Unincorporated Ass'ns Identified on Schedule "A," 51 F.4th 1365, 1365–66 (Fed. Cir. 2022). To try to clarify this muddied record and others like it, this Article will, from this point forward, use the following styling for docket citations: "ABC Corp. I (Hangzhou Chic Intelligent Tech. Co.) v. P'ship & Unincorporated Ass'ns Identified on Schedule 'A.'" For court decisions that are published or made available on services like Westlaw or Lexis, this Article will use the official captions.

[170] *Compare Hangzhou Chic*, 2022 WL 1028834, at *1 ("Plaintiffs allege[d] that Defendants sell *counterfeit versions* of Plaintiffs' product." (emphasis added)), *with* Third Amended Complaint ¶¶ 41–56, ABC Corp. I (Hangzhou Chic Intelligent Tech. Co.) v. P'ship & Unincorporated Associations Identified on Schedule "A," No. 1:20-cv-04806 (N.D. Ill. Nov. 19, 2020), ECF 101 (alleging infringement of four design patents and zero trademarks).

in ways that seem to refer to all Schedule A cases.[171] In another district where a significant number of Schedule A cases are filed, the Southern District of Florida,[172] at least some judges seem to have imported language from actual counterfeiting cases about "the inherently deceptive nature of the counterfeiting business" into design patent cases, citing "the inherently deceptive nature of the infringing business" to justify asset restraints in design patent cases.[173] Therefore, it seems like efforts to conflate design patent infringement — and other causes of action — with counterfeiting have had some success in shaping the way the judges see all Schedule A cases, not just ones that allege actual counterfeiting.[174]

To the extent that these judges and advocates may be intending to use the word "counterfeiting" in its colloquial sense, there is still a mismatch, especially in light of the fact that the design patent infringement claims brought in Schedule A cases are often not particularly strong; many could even be characterized as frivolous.[175] One can hardly say

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171 *E.g.*, Chrome Cherry Ltd. v. P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:21-cv-05491, 2021 WL 6752296, at *1 (N.D. Ill. Oct. 20, 2021) (Valderrama, J.) (stating, in a design patent case, that "[t]he Court is aware that some judges in this District have raised concerns regarding joinder in *these types of counterfeiting cases* brought against large numbers of online defendants" (emphasis added) (citing Estée Lauder Cosms. Ltd. v. P'ships & Unincorporated Ass'ns Identified on Schedule A, 334 F.R.D. 182 (N.D. Ill. 2020); Estée Lauder Cosms. Ltd. v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 20-cv-00845 (N.D. Ill. June 22, 2020), ECF 40 (Lee, J.)); Minute Entry at 1, Harai v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-15960 (N.D. Ill. Dec. 1, 2023), ECF 17 (Hunt, J.) (referring to "Schedule A counterfeit products cases" in a copyright case, *see* Complaint at 2, Harai v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-03398 (N.D. Ill. May 30, 2023), ECF 1); Zorro Prods., Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-05761, 2023 WL 8807254, at *2 (Dec. 20, 2023) (Seeger, J.) (seeming to refer to Schedule A cases generally as "lawsuits about foreign counterfeiters").

172 *Patent Litigation in the S.D. Fla. and Schedule A Cases*, LEX MACHINA (Jan. 22, 2024), https://www.lexisnexis.com/community/insights/legal/lex-machina/b/lex-machina/posts/patent-litigation-in-the-s-d-fla-and-schedule-a-cases [https://perma.cc/K5U7-ARZP].

173 *Compare* Gucci Am., Inc. v. Zhang, No. 1:11-cv-23380, 2011 WL 13319484, at *3 (S.D. Fla. Nov. 2, 2011) (Torres, J.) ("In light of the inherently deceptive nature of the counterfeiting business, and Defendants' blatant violation of the federal trademark laws, Plaintiffs have well-founded fears to believe Defendants will hide or transfer their ill-gotten assets beyond the jurisdiction of this Court unless those assets are restrained."), *with* Order Granting Preliminary Injunction at 5, XYZ Corp. v. Individuals, P'ships & Unincorporated Ass'ns Identified on Schedule "A," No. 1:23-cv-24163 (S.D. Fla. Jan. 11, 2024) (Ruiz, J.) ("In light of the inherently deceptive nature of the infringing business, and the likelihood that the Defendants have violated federal patent laws, the Plaintiff has good reason to believe the Defendants will hide or transfer their ill-gotten assets beyond the jurisdiction of this Court unless those assets are restrained."). But while actual counterfeiting is inherently deceptive, design patent infringement is not. *See infra* section III.A.2.b, pp. 511–13.

174 *See, e.g.*, Order at 1, 2, 4, Roadget Bus. Pte. Ltd. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:24-cv-00115 (N.D. Ill. Mar. 6, 2024), ECF 58 (Bucklo, J.) (applying a rule about "counterfeiting" in a copyright case (quoting Monster Energy Co. v. Wensheng, 136 F. Supp. 3d 897, 910 (N.D. Ill. 2015)).

175 *See, e.g.*, Order at 2, Thousand Oaks Barrel Co. v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-03378 (N.D. Ill. July 20, 2023), ECF 45 (Daniel, J.) ("When asked

that defendants are acting with intent to deceive where they are not using the plaintiff's marks and where their products do not look like the claimed designs.[176] That's not counterfeiting. It's competition.[177]

C. Among Academics and Practitioners

Counterfeit rhetoric is also used elsewhere in the design patent community. One particularly dramatic example occurred at Design Day 2018. Design Day is an annual event hosted at the USPTO that is sponsored by organizations such as the Intellectual Property Owners Association (IPO) and the AIPLA.[178] While the USPTO states on the event website that "[a]ny legal opinions expressed at this event do not necessarily represent USPTO policy,"[179] a reasonable audience member might fairly believe that, by choosing someone to be a speaker at this event, the Agency has deemed — at a minimum — that the speaker is an expert with views worth listening to.[180] Indeed, speakers often advertise

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whether the plaintiff's design patents, which show a round or cylindrical top, covered a hexagonal top offered by one of the defendants, the plaintiff's counsel claimed that they did. Given that shape-sorting toys intended for toddlers require one to distinguish between a circle and a hexagon, the plaintiff's argument is unconvincing."); *see also, e.g.*, Complaint, *Jacki Easlick*, *supra* note 147, at 4 (showing examples of accused products that do not infringe because they have different shapes); Complaint, *Liforme*, *supra* note 10, ¶¶ 21, 57 (showing an example of an accused product that does not infringe because it has different surface ornamentation); Complaint, Schedule B & Schedule C-1, Simply Mossy Art Inc. v. Individuals, P'ships, & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-06434 (S.D.N.Y. July 25, 2023), ECF 1, 1-2, 1-3 (including — in a rare unsealed Schedule A case, *see generally* Goldman, *supra* note 19 — a number of accused products that clearly do not infringe because they have different shapes and resemble the claimed design in concept only).

176 If judges are struggling to analyze design patent infringement, they should consider hiring special masters to help them, especially at the TRO stage. In any case, they should demand evidence of infringement by each and every defendant, no matter how many there are. If Schedule A plaintiffs are joining too many defendants to allow the judges sufficient time to review such submissions, they might consider following Judge Hunt's lead and capping the number of defendants they will allow in a Schedule A case. *See, e.g.*, Minute Entry, *supra* note 171, at 1 (allowing a Schedule A case "to proceed with no more than 40 defendants," to make the case "more manageable" and "less burdensome to plaintiffs, defendants, and the judicial system").

177 Indeed, in many — if not most — of the design patent Schedule A cases this author has seen, at least some of the accused products are clearly not infringing at all, let alone counterfeits in any sense of that word. *See supra* notes 153–59 and accompanying text.

178 *See Attend the 16th Annual Design Day*, U.S. PAT. & TRADEMARK OFF., https://www.uspto.gov/about-us/events/attend-16th-annual-design-day [https://perma.cc/CT5J-E6VT] (noting that, for Design Day 2023, "[t]he event is hosted by the USPTO and sponsored by Intellectual Property Owners Association (IPO) and American Intellectual Property Law Association (AIPLA)"). Past events have had additional sponsors. *E.g.*, *Design Day 2018 – Alexandria, VA*, U.S. PAT. & TRADEMARK OFF., https://www.uspto.gov/about-us/events/design-day-2018 [https://perma.cc/DFG8-YGCD] ("This event is co-sponsored by the following: American Intellectual Property Law Association (AIPLA), the IP Law Section of the American Bar Association (ABA-IPL), the Intellectual Property Owners Association (IPO), the Industrial Designers Society of America (IDSA), the International Trademark Association (INTA), the International Association for the Protection of Intellectual Property (AIPPI), and the United States Patent and Trademark Office (USPTO).").

179 *Attend the 16th Annual Design Day*, *supra* note 178.

180 *See id.*

their participation in this event as evidence of their expertise and prominence in the field.[181]

At Design Day 2018, the well-known and respected design patent attorney Robert Katz[182] was one of the featured speakers.[183] During his presentation, Katz suggested that design patent infringement was linked to sex trafficking and terrorism.[184] Katz shared a slide saying that design patent infringers are "tied to terrorism," then listing three terrorist attacks that he described as being linked to counterfeit products.[185]

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[181] *See, e.g.*, Robert S. Katz & Bradley J. Van Pelt, *IP Alert: Highlights of Design Day 2018*, BANNER WITCOFF (May 4, 2018), https://bannerwitcoff.com/ip-alert-highlights-of-design-day-2018 [https://perma.cc/7VMX-5FFF] ("Several Banner & Witcoff attorneys and staff spoke at and/or attended Design Day 2018 at the U.S. Patent and Trademark Office. Design Day brings together design patent examiners, other USPTO representatives, design patent applicants, in-house and outside counsel, and others.").

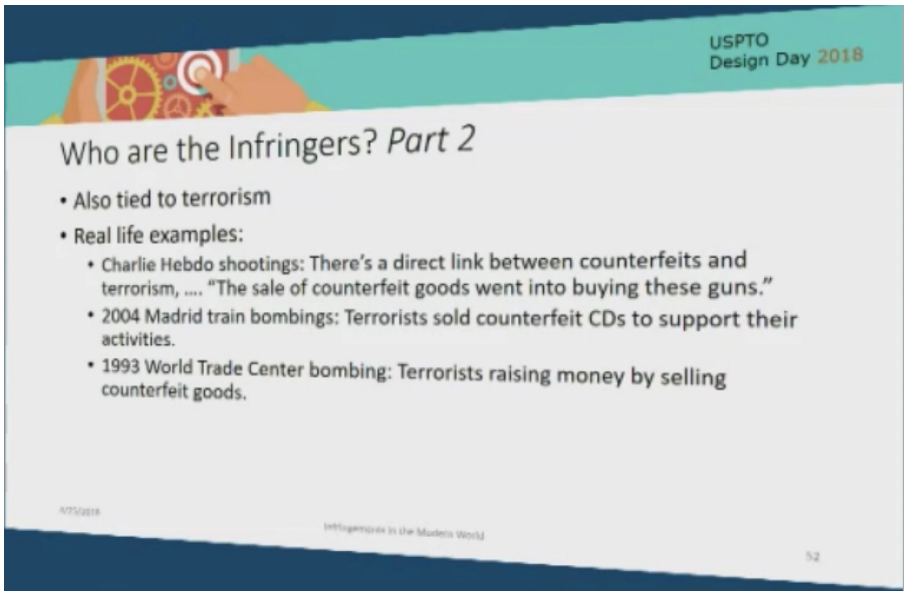
[182] Katz's firm bio states: "Both nationally and internationally, Rob is considered one of the premier practitioners in the field of industrial designs, leading the way in the procurement and enforcement of design patents. . . . He is a frequent speaker on industrial design-related topics and has been invited to speak before industry and legal professional organizations on six continents." *Robert S. Katz*, BANNER WITCOFF, https://bannerwitcoff.com/people/rkatz [https://perma.cc/97TX-2P8L]. Banner Witcoff, where Katz is a principal shareholder, is a top design patent prosecution firm, with design patent clients such as Nike. *See, e.g.*, *Banner & Witcoff Becomes First Law Firm to Exceed 1,000 Design Patents in Single Year*, BANNER WITCOFF (Jan. 30, 2017), https://bannerwitcoff.com/banner-witcoff-becomes-first-law-firm-to-exceed-1000-design-patents-in-single-year [https://perma.cc/6D6B-9ECD] (listing Katz as the relevant attorney).

[183] Mike Masnick, *When in Doubt, Blame Terrorists: Patent Attorney Claims Terrorists Are Infringing and Killing Jobs*, TECHDIRT (May 11, 2018, 9:30 AM), https://www.techdirt.com/2018/05/11/when-doubt-blame-terrorists-patent-attorney-claims-terrorists-are-infringing-killing-jobs [https://perma.cc/GN46-7VUG].

[184] *Id.*

[185] *Id.* As Mike Masnick noted in his coverage of this presentation, the alleged evidence linking these attacks to counterfeiting is questionable at best. *See id.*; *see also* Port, *supra* note 123, at 1169–70 ("The Federal Bureau of Investigation (FBI) has apparently established to its satisfaction that the primary source of funding for the group that carried out the plot in the 1993 World Trade Center bombing was a small t-shirt shop on Fifth Avenue in New York City that sold counterfeit or knockoff shirts. However, nowhere in the relevant FBI report are actual numbers used. This story, stated by the otherwise infallible FBI or not, seems to be too fantastic to be accurate." (footnotes omitted)). And even if there were strong evidence linking these attacks to counterfeiting, that still doesn't mean they were connected to design patent infringement.

Here is the slide:[186]



Katz asserted that "[m]ost of the time that people are using design patents, it's to stop activities like this."[187] He offered no evidence in support of this assertion and made no effort to tie any of these attacks to design patent infringement specifically.

III. THE LEGAL & LOGICAL DISCONNECT

As the previous Part has shown, attempts are sometimes made to link the concepts of design patent infringement and counterfeiting. This Part will explain how both actual counterfeiting and colloquial counterfeiting differ from design patent infringement and demonstrate that there is no necessary logical or legal link between them.[188]

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186 This screenshot was taken by the author, from the author's own recording of this part of Katz's presentation. A wider-angle view showing Katz in the frame is available at Masnick, *supra* note 183.

187 *Id.* Based on the author's review of the recording, Katz said "that" rather than "when," so in that respect the quotation above differs from that in Masnick's article. This difference, however, does not change the quotation's meaning.

188 This is not to say that design patent infringement and counterfeiting can never be linked in practice. A defendant might, of course, sell a product that infringes a design patent *and* bears a counterfeit trademark. The larger empirical question of how often this happens is beyond the scope of this Article. However, it is the author's anecdotal sense, based on years of reviewing complaints alleging design patent infringement, that such cases are rare — at least among cases that make it to federal court. And the point remains that design patent infringement and actual counterfeiting are not necessarily logically or legally linked.

A. Design Patent Infringement ≠ Counterfeiting

1. Design Patent Infringement Is Not the Same as Actual Counterfeiting. — As explained above, counterfeiting and design patent infringement are distinct legal causes of action.[189] The two regimes have different purposes.[190] They have different tests.[191] They are, quite simply, not the same.

It may be the case that the worst counterfeit products — the most dangerous or most deceptive — are the ones that closely resemble the overall appearance of the trademark registrant's product. But cracking down on design patent infringement would not solve the problem of look-alike counterfeits. That is because, as explained in the next section, design patent infringement is not a reliable proxy for overall visual similarity.

2. Design Patent Infringement Is Not the Same as Colloquial "Counterfeiting." — Even if we assume that some or all of these speakers are attempting to invoke the colloquial meaning of "counterfeit" — that is, something "made in imitation of something else with intent to deceive"[192] — there is still a conceptual mismatch. That is because, as the next two sections will show, design patent infringement can occur where two products look different overall and can be absent even when products look very similar.[193] Moreover, design patent infringement is a strict liability tort that does not require any intent at all, let alone an intent to deceive.[194]

(a) Design Patent Infringement Is Not a Reliable Proxy for Overall Visual Similarity. —

(i) A Product Can Look Different, Overall, And Still Infringe a Design Patent. — A design patent does not necessarily (or even usually) cover the entire design of a product.[195] A design patent applicant can claim: (1) a design for just the surface design that is applied to an article of manufacture; (2) a design for just the shape (or "configuration") of an article; or (3) the combination of both.[196] The applicant doesn't have to

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189 *See supra* Part I, pp. 475–87.

190 *Compare* Arcona, Inc. v. Farmacy Beauty, LLC, 976 F.3d 1074, 1079 (9th Cir. 2020) (stating that the federal trademark law "was 'intended to protect consumers against deceptive designations of the origin of goods, not just to prevent the duplication of trademark'" (quoting Westinghouse Elec. Corp. v. Gen. Cir. Breaker & Elec. Supply Inc., 106 F.3d 894, 899 (9th Cir. 1997))), *with* Gorham Co. v. White, 81 U.S. (14 Wall.) 511, 524 (1872) ("The acts of Congress which authorize the grants of patents for designs were plainly intended to give encouragement to the decorative arts.").

191 *See supra* notes 57–62 and accompanying text.

192 *See* MERRIAM-WEBSTER, *supra* note 14.

193 *See infra* section III.A.2.a, pp. 503–11.

194 *See infra* section III.A.2.b, pp. 511–13.

195 *See, e.g.*, Bag, U.S. Patent No. D838,605 fig.1 (issued Jan. 22, 2019) (claiming only the handle of a bag as a design); Spectacles, U.S. Patent No. D980,309 figs.1, 4 (issued Mar. 7, 2023) (claiming only shapes of bolts and screws at hinges of eyeglasses).

196 MPEP, *supra* note 49, § 1502; *see also* Burstein, *Lost Its Shape*, *supra* note 64, at 563 (noting that "the terms 'configuration' and 'shape' are generally used as synonyms in U.S. design law").

claim the whole shape, surface, or combination design.[197] When the applicant claims less than the whole design, they can claim any part or parts they like.[198] There is no requirement that a design patent claim be limited to "important, distinctive or otherwise salient" visual elements.[199]

In order to claim less than a whole design, the applicant uses broken lines to disclaim one or more parts of an article's overall shape or surface design.[200] When this drawing convention is used, the parts shown in broken lines "form[] no part of the claimed design."[201] These types of disclaimers are commonly depicted using dashed lines.[202] An applicant can also use broken lines to claim an area up to — but not including — a boundary that "does not exist in reality."[203] These types of boundary lines are commonly depicted using dot-dash lines.[204]

For example, in this patent, Apple claims as its design just one handle and a fragment of the top edge of a "bag"[205]:

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[197] Burstein, *Lost Its Shape*, *supra* note 64, at 556 ("Today, the U.S. Patent and Trademark Office (USPTO) allows applicants to claim any 'visual characteristic embodied in or applied to an article' as a separate 'design.'" (quoting MPEP, *supra* note 49, § 1502)). For an argument that applicants should have to claim whole designs, see generally Burstein, *Whole*, *supra* note 98.

[198] *See* Burstein, *Lost Its Shape*, *supra* note 64, at 565.

[199] Burstein, *supra* note 53, at 116.

[200] *See* MPEP, *supra* note 49, § 1503.02(III) (explaining the uses of broken lines in design patent applications). The USPTO also allows some applicants to use different visual disclaimer conventions. *See* Burstein, *Lost Its Shape*, *supra* note 64, at 565 n.45. For more on design patent claiming, see SARAH BURSTEIN, SARAH R. WASSERMAN RAJEC & ANDRES SAWICKI, PATENT LAW: AN OPEN-ACCESS CASEBOOK 532–535 (2021), https://patentlawcasebook.com [https://perma.cc/MKS2-MQHZ].

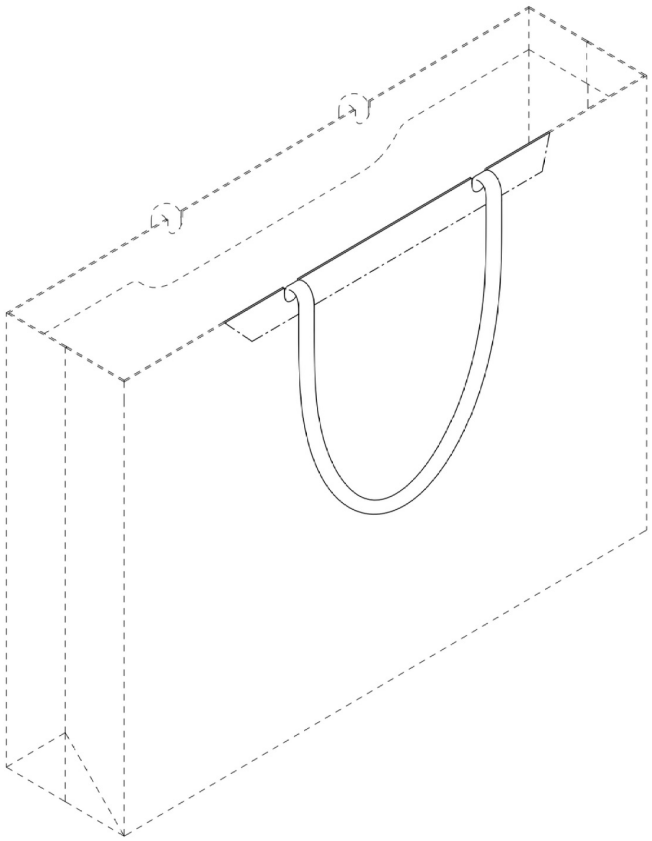
[201] MPEP, *supra* note 49, § 1503.02(III) ("The two most common uses of broken lines are to disclose the environment related to the claimed design and to define the bounds of the claim. . . . Unclaimed subject matter must be described as forming no part of the claimed design . . . .").

[202] *See, e.g.*, *infra* note 205 and accompanying text.

[203] MPEP, *supra* note 49, § 1503.02(III) (noting that, in this case, "[i]t would be understood that the claimed design extends to the boundary but does not include the boundary").

[204] *See, e.g.*, *infra* note 205 and accompanying text.

[205] Bag, *supra* note 195, fig.1. The claim covers only the parts shown in solid lines. *See* MPEP, *supra* note 49, § 1503.01(III) ("Full lines in the drawing show the claimed design."). This Article will use the term "fragment" to mean a "physical part of an article that is not, and was not manufactured as, a complete article." *See* Burstein, *Lost Its Shape*, *supra* note 64, at 558 (setting forth this definition).



As can be seen here, the claimed design comprises part of the top edge of the bag as well as a single-looped handle extending from that edge.[206] The overall shape of the bag is disclaimed using dashed lines.[207] Dot-dash lines are used to show that the claimed fragment extends to, but does not include, a dividing line that does not appear in the larger design.[208]

Design patent applicants can also claim a design for the entire shape of an article that forms a component of a larger product.[209] For

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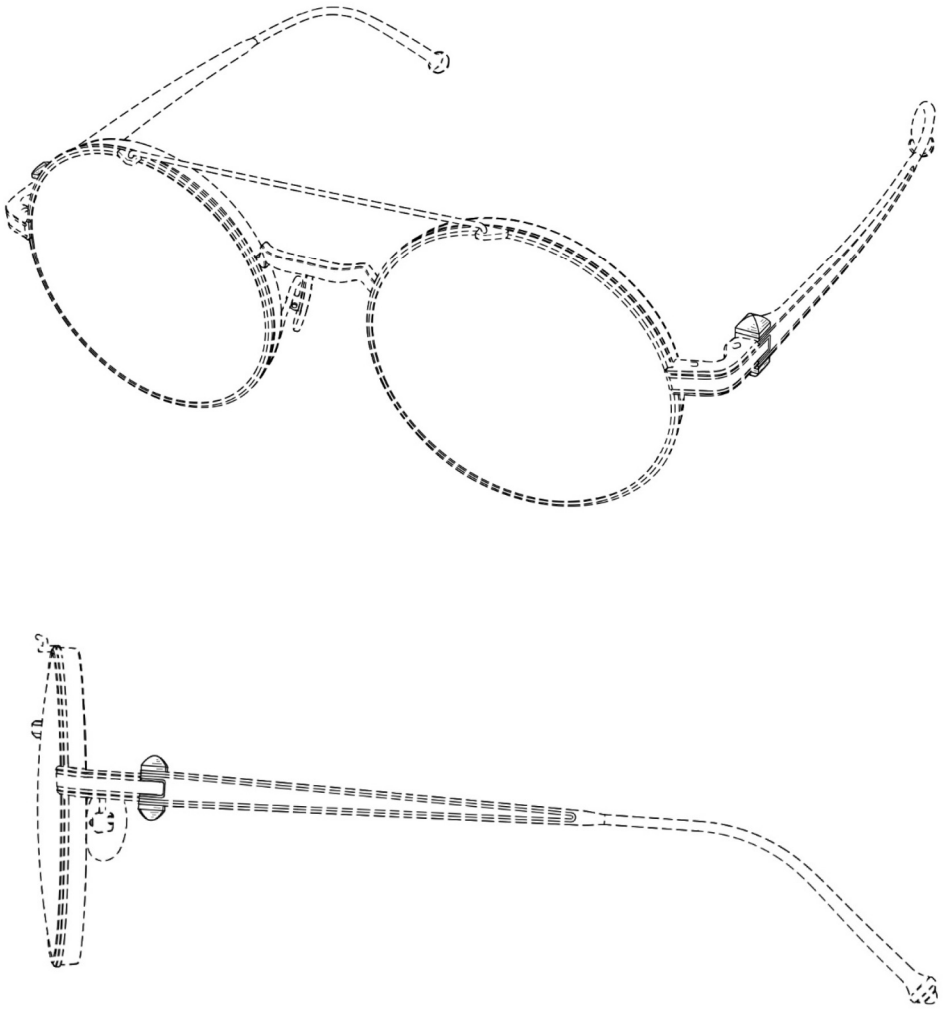
[206] *See* Bag, *supra* note 195, fig.1.

[207] *Id.* at 2 (disclaiming that "[t]he dashed broken lines in the figures show portions of the bag that form no part of the claimed design").

[208] *See id.* fig.1.

[209] This Article will use the term "component" to mean "an article that is joined with one or more others to form a composite article." *See* Burstein, *Lost Its Shape*, *supra* note 64, at 558; *see also id.* (defining "composite article" as "an article that is made from physically joining together one or more smaller articles").

example, in this patent, Cartier appears to be claiming just the shapes of the bolts and screws at the hinges of a larger pair of eyeglasses[210]:



This kind of disclaimer practice broadens the scope of the design patent claim because the test for infringement compares only "the patented design" (that is, the claimed design) to the accused product.[211] That means

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[210] Spectacles, *supra* note 195, figs.1 & 4. For more examples of design patents that claim small parts of larger designs, see also Burstein, *Lost Its Shape*, *supra* note 64, at 597–98, 604–06, 611–12.

[211] Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc) ("[W]e hold that the 'ordinary observer' test should be the sole test for determining whether a design patent has

that if the relevant part of the accused product looks the same as what is shown in solid lines, the patent is infringed — even if the claimed design covers only a small or insignificant design element.[212] The patent is infringed even if the accused product looks quite different, overall, from any product made or licensed by the patent owner.[213] So a pair of eyeglasses that looks very different from the eyeglasses made by Cartier could infringe the design patent shown above, as long as the screws and bolts look the same.[214] And unless the design patent uses color illustrations, the claim is not limited to any specific color or colors.[215] So, the bag patent shown above would be infringed by a bag that was a replica of an Apple Store bag (i.e., in the same shape, in white with gray handles). But it would *also* be infringed by white-and-pink bags, polka-dot bags, bags decorated with landscape paintings, bags shaped like hexagons, or any other number of bags that looked nothing like Apple's bags, save for the handle and edge shapes. Accordingly, design patent infringement is not a reliable proxy for overall visual similarity.

(ii) A Product Can Look Similar, Overall, But Not Infringe a Design Patent. — Because the standard of visual similarity required to support a finding of design patent infringement is high, and because design patent scope can vary, two products may look "similar" (in the lay meaning of that word) without infringing. For example, at the preliminary injunction hearing in *Apple, Inc. v. Samsung Electronics Co.*,[216] the trial judge famously "held up the [Apple] iPad and [accused Samsung] Galaxy Tab above her head and asked Samsung's counsel to distinguish the

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been infringed. Under that test, as this court has sometimes described it, infringement will not be found unless the accused article 'embodies *the patented design* or any colorable imitation thereof.'" (emphasis added) (quoting Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., 162 F.3d 1113, 1116–17 (Fed. Cir. 1998)) (citing Arminak & Assocs., Inc. v. Saint-Gobain Calmar, Inc., 501 F.3d 1314, 1319 (Fed. Cir. 2007))).

212 *See* Burstein, *supra* note 53, at 116 (noting that "there is no requirement that the smaller portion or portions claimed in a [design patent application] represent an important, distinctive or otherwise salient design" element). For the purposes of this Article, I will use the word "'features' to refer to physical parts of a product; 'elements' to refer to visual sub-parts of a claimed design; and 'aspects' to refer to intangible attributes of an element, feature, product, or design." Burstein, *supra* note 89, at 109 (setting forth this terminology).

213 *See* Burstein, *supra* note 51, at 11 ("[I]n analyzing infringement, the fact finder must compare the claimed portion of the design — i.e., whatever is shown in solid lines in the patent drawings — to the corresponding portion of the accused design. If the relevant portion looks 'the same,' in light of the prior art, the patent is infringed." (footnote omitted) (citing Hutzler Mfg. Co. v. Bradshaw Int'l, Inc., No. 1:11-cv-07211, 2012 WL 3031150, at *9–10 (S.D.N.Y. July 25, 2012); *Egyptian Goddess*, 543 F.3d at 672)). For one visual example of how adding broken lines can broaden a design patent claim, see Burstein, *Whole*, *supra* note 98, at 189–90.

214 It may be that, in obtaining a patent for a commonly replaced eyeglass part, Cartier was more interested in cornering the repair market. But the larger point remains.

215 *See* Burstein, *supra* note 53, at 113 (quoting MPEP, *supra* note 49, § 1503.02(V)).

216 920 F. Supp. 2d 1116 (N.D. Cal. 2013).

gadgets."[217] According to one courtroom report, "[t]he lawyers struggled to get it right."[218]

But the jury (quite correctly) found that Samsung's tablets did not infringe the asserted Apple design patent.[219] How can this be, if the products looked so similar? One reason is that the asserted tablet patent, U.S. Patent No. D504,889, did not actually cover the design of the Apple iPad. Instead, it disclosed an older, clunkier design[220]:

Here are some additional views[221]:

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[217] Cecilia Kang, *As Apple and Samsung Vie over Tablet Patents, Judge at Center of a Tech Storm*, WASH. POST (July 18, 2012), https://www.washingtonpost.com/business/technology/as-apple-and-samsung-vie%20-over-tablet-patents-judge-at-center-of-a-tech-storm/2012/07/18/gJQAl8VeuW_story.html [https://perma.cc/G5SS-UQDM].

[218] *Id.*

[219] Amended Verdict Form, *supra* note 129, ¶ 8 (finding that U.S. Patent No. D504,889 was not infringed by either the Galaxy Tab 10.1 (WiFi) or Galaxy Tab 10.1 (4G LTE)).

[220] Electronic Device, U.S. Patent No. D504,889 fig.9 (issued May 10, 2005). This patent claim was filed on March 17, 2004, *see id.* col. 1 l. 22, and appears to claim the shape of an early iPad prototype. *See* Devin Coldewey, *Photos Emerge of 2004 iPad Prototype*, NBC NEWS (July 18, 2012, 7:35 PM), https://www.nbcnews.com/tech/gadgets/photos-emerge-2004-ipad-prototype-flna893404 [https://perma.cc/999E-UTXH] ("Court documents in the Apple vs. Samsung lawsuit have yielded photos of an iPad prototype dating back to 2004 or earlier. NetworkWorld found them among court document filings that were confidential until a recent legal action exposed them. . . . The device they show is definitely clunkier than the first real iPad, introduced in 2010 . . . ." (linking to Yoni Heisler, Opinion, *Earliest Known Photos of an Apple iPad Prototype*, NETWORKWORLD (July 18, 2012), https://www.networkworld.com/article/2222798/earliest-known-photos-of-an-apple-ipad-prototype.html [https://perma.cc/MT3X-DESR])). *See generally* Roger Fingas, *A Brief History of the iPad, Apple's Once and Future Tablet*, APPLE INSIDER (Apr. 3, 2018), https://appleinsider.com/articles/18/04/03/a-brief-history-of-the-ipad-apples-once-and-future-tablet [https://perma.cc/3SCS-49TJ] ("Work on the iPad itself actually traces back to 2004, when designer Jonathan Ive and others crafted a new tablet prototype.").

[221] Electronic Device, *supra* note 220, figs.1 & 2.

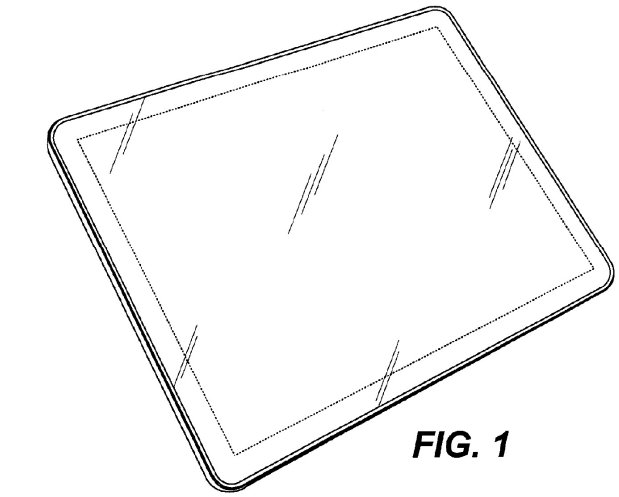

FIG. 1

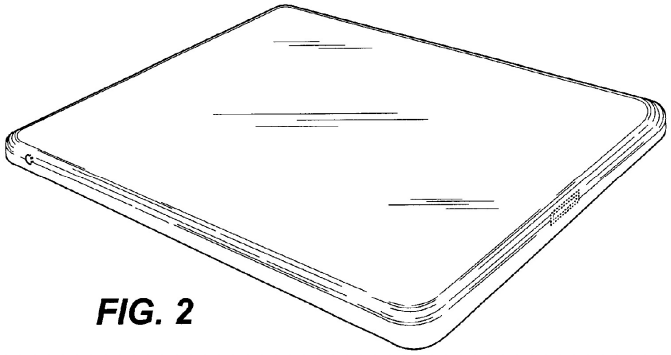

FIG. 2

Note that the entire shape of the tablet is shown in solid lines, without any broken-line disclaimers.[222] And the oblique lines make the scope even narrower. As the district judge noted in construing this claim:

> The D'889 also includes oblique line shading on several of the figures. The oblique line shading in Figures 1-3 and Figure 9 depicts a transparent, translucent, or highly polished or reflective surface from the top perspective view of the claimed design, the top view of the claimed design, and the bottom perspective view of the claimed design.[223]

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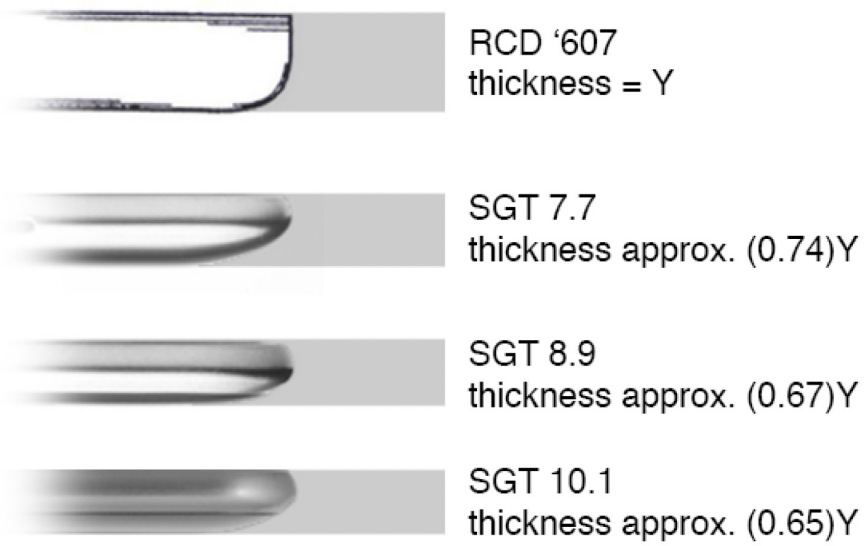
[222] *Id.* col. 2 l. 57 (using broken line disclaimer language only in connection with the depiction of a human shown in figure 9).

[223] Final Jury Instruction No. 43 at 59, Apple, Inc. v. Samsung Elecs. Co., No. 5:11-cv-01846 (N.D. Cal. Aug. 21, 2012), ECF 1903; *see also* Order Regarding Design Patent Claim Construction,

The accused tablets had rear surfaces that were matte.[224] So those tablets did not infringe.[225]

And even if the claim had not contained the oblique lines, the infringement claim should have failed because the claimed shape had totally different, much clunkier, proportions than the accused tablets. These differences are perhaps most easily seen in these comparison images, which were submitted by Apple's counsel in the U.K. case[226]:



The "SGT" labels indicate accused Samsung products.[227] The label "RCD" refers to Apple's Registered Community Design,[228] which has the same drawings as the U.S. design patent.[229] As the UK court noted,

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No. 5:11-cv-01846, 2012 WL 3071477, at *9–10 (N.D. Cal. July 27, 2012) (construing the claimed design); *id.* at *6–7 ("The MPEP explains 'while surface shading is not required under 37 CFR 1.152, it may be necessary in particular cases to shade the figures to show clearly the character and contour of all surfaces of any 3-dimensional aspects of the design. . . . Oblique line shading must be used to show transparent, translucent and highly polished or reflective surfaces, such as a mirror.'" (quoting MPEP, *supra* note 49, § 1503.2(II))).

[224] *See* Apple, Inc. v. Samsung Elecs. Co., 920 F. Supp. 2d 1116, 1127 (N.D. Cal. 2013) ("Apple argues that, contrary to this Court's construction, the D'889 Patent does not require a shiny back surface, and thus, the Galaxy Tab 10.1, with its matte surface, infringes.").

[225] Amended Verdict Form, *supra* note 129, ¶ 8.

[226] Samsung Elecs. (UK) Ltd. v. Apple Inc [2012] EWCA (Civ) 1339 [43] (noting that this image comes from an exhibit submitted by Apple).

[227] *See id.*

[228] *See id.*

[229] *Compare* Registered Community Design No. R000181607–0001, at 55, *with* Electronic Device, *supra* note 220, figs.1, 2, 3, 4, 5, 6 & 8.

the accused products differ noticeably from the claimed design in both profile shapes and proportions.[230]

Accordingly, a product can look the same as a patentee's product without infringing the patentee's patent. Design patent infringement is not the same thing as overall visual similarity.

(b) Design Patent Infringement Does Not Require Intent to Deceive. — As noted above, the colloquial definition of "counterfeit" implies an intent to deceive.[231] And it is difficult to imagine actual counterfeiting occurring unintentionally.[232] Design patent infringement, on the other hand, requires no intent to deceive.[233]

You don't need to know a patent exists in order to infringe it.[234] You don't need to engage in any copying in fact.[235] You don't need to engage in any deceptive or inherently blameworthy behavior at all — let alone intend to deceive anyone about anything. All you need to do to infringe a design patent is make, use, offer to sell, or import an article that embodies a patented design.[236]

In some cases, a product may not even *be* infringing when it is first designed, produced, or sold. A sophisticated competitor can use the design patent system to write claims that cover existing products ex

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[230] *See Samsung Elecs. (UK) Ltd.*, [2012] EWCA (Civ) at [43] ("By contrast with the crisp edge of the design, all three of the Samsung products have a side which curves a little *outwards* (so a bit bezel-like) before curving back in and under. And none of them have a vertical portion.").

[231] *See supra* note 24 and accompanying text.

[232] Recall that, for civil counterfeiting, "counterfeit" is defined as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. Although the Lanham Act contemplates that someone might possibly be liable for counterfeiting without intent or knowledge, *see* 15 U.S.C. § 1117(b), it seems unlikely in practice. And criminal counterfeiting requires that the proscribed acts be done "intentionally." 18 U.S.C. § 2320(a). Indeed, McCarthy defines "counterfeiting" as "the act of producing or selling a product with a sham trademark that is an *intentional and calculated* reproduction of the genuine trademark." MCCARTHY, *supra* note 4, § 25:10 (emphasis added).

[233] *See* 35 U.S.C. § 271; *see also* William J. Seymour & Andrew W. Torrance, *(R)evolution in Design Patentable Subject Matter: The Shifting Meaning of "Article of Manufacture*," 17 STAN. TECH. L. REV. 183, 214 (2013) ("[P]atent infringement is a strict liability offense."). *See generally* Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665 (Fed. Cir. 2008) (en banc) (not mentioning any scienter requirement). As discussed *supra* section I.B.1, pp. 481–84, the test for design patent infringement is a test of visual similarity, *not* deception or confusion in the trademark sense.

[234] Of course, if you do know it exists, that may be relevant to the question of damages. *See* Halo Elecs., Inc. v. Pulse Elecs., Inc., 579 U.S. 93, 105 (2016) ("The subjective willfulness of a patent infringer, intentional or knowing, may warrant enhanced damages . . . .").

[235] *See* JEANNE C. FROMER & CHRISTOPHER JON SPRIGMAN, COPYRIGHT LAW: CASES & MATERIALS 214 (Version 5.0 2023) (distinguishing between "copying in fact" and "copying in law" in copyright and stating: "The element of 'copying in fact' is established by showing that the defendant actually used some elements of the plaintiff's work . . . . That is, the first part of the infringement tests asks whether, as a factual matter, the defendant copied from the plaintiff's work."). For more on how and why design patent infringement might occur without copying in fact, see *supra* notes 59–62 and accompanying text.

[236] *See* 35 U.S.C. § 271(a).

post.[237] So a product can be noninfringing when it is manufactured but infringing by the time it is sold. Or it can be noninfringing when introduced on the market and later become infringing. This means that even someone who intentionally designs around an existing design patent may still be caught in an infringing net.[238]

By linking design patent infringement with counterfeiting, those who seek increased design patent protection may be trying to insinuate that design patent infringers, like counterfeiters, are intentional wrongdoers — and perhaps that they are intentional wrongdoers who would have no qualms about selling shoddy or unsafe products.[239] As Patricia Loughlan noted, "it is in fact quite hard to think of a thief as any sort of good guy at all once you have begun thinking about him, even just impressionistically, as a thief."[240] Linking design patent infringement to counterfeiting immediately paints design patent infringers (or accused infringers) as bad guys, an impression that may be difficult for judges, policymakers, and others to shake.[241]

Some may argue that because design patent infringement requires a high degree of visual similarity, any infringement must be intentional. That may be true in cases where a design is creative and the patent covers the whole design. It may be difficult to infringe such a patent without copying in fact.[242] But not all design patents claim whole designs.[243] And even when they do, the Federal Circuit does not currently require patentable designs to rise to even the low standard of visual creativity required by the Supreme Court in *Feist Publications, Inc. v. Rural Telephone Service Co.*[244] A design patent for an uncreative design

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[237] *See* Burstein, *Costly Designs*, *supra* note 53, at 115–17 (explaining this ex post claiming strategy). For an example, see Perry J. Saidman, *The Crisis in the Law of Designs*, 89 J. PAT. & TRADEMARK OFF. SOC'Y 301, 319–22 (2007).

[238] Designing around an existing patent is not, of course, legally or morally wrong. Indeed, we generally think that designing around a patent is a good thing.

[239] *See infra* section III.B, pp. 514–17.

[240] Patricia Loughlan, Opinion, *"You Wouldn't Steal a Car . . .": Intellectual Property and the Language of Theft*, 29 EUR. INTELL. PROP. REV. 401, 401 (2007).

[241] *See id.*

[242] On the concept of "copying in fact," see FROMER & SPRIGMAN, *supra* note 235, at 214–24. Of course, one can copy a product without knowing that the product is the subject of a design patent.

[243] *See supra* section III.A.2.a.i, pp. 503–07.

[244] 499 U.S. 340 (1991). *See id.* at 345 ("Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity."). In *Feist*, the Supreme Court was interpreting the Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified as amended in scattered sections of the U.S. Code). But the word "original" also appears in the design patent statutory subject matter provision. *See* 35 U.S.C. § 171(a). And if, as the Supreme Court held, originality is a requirement of the Constitution, not just the Copyright Act, then it may well be a requirement for patents as well. *See Feist*, 499 U.S. at 346 ("Originality is a constitutional requirement. The source of Congress' power to enact copyright laws is Article I, § 8, cl. 8, of the Constitution . . . ."); *see also* Burstein, *Uncreative*, *supra* note 50, at 1488–98 (discussing this issue in more detail and arguing that design owners should not be able "to use the design patent system to evade the low bar set by *Feist*," *id.* at 1488).

could be duplicated without any copying in fact.[245] Similarly, a design patent that claims a design for a small or functional (in the lay sense of the word) part of a larger design might be duplicated without copying.[246]

Even if someone does copy, they might not know the product is patented, might think the patent is invalid, or may have other reasons to believe their copying is legally justified. These beliefs won't get them off the hook for infringement but they are relevant to questions of general blameworthiness and intent.[247]

And there's nothing inherently — let alone legally — wrong with copying someone else's product design. As the Supreme Court noted in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*[248]:

> [I]n many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy.[249]

Not only is copying an unpatented product generally allowed but, as the Court also noted, "[a]llowing competitors to copy will have salutary effects in many instances."[250] So copying isn't inherently bad. And design patent infringement — whether it arises from copying or not — isn't inherently morally suspect.

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[245] *Cf.* Douglas Lichtman, *Copyright as a Rule of Evidence*, 52 DUKE L.J. 683, 705 (2003) ("[O]ne reason a sensible copyright regime would distinguish uncreative from creative work is that uncreative work introduces extraordinary problems of proof. Were two litigants to step forward with remarkably similar uncreative works, a court would find it virtually impossible to determine whether one copied from the other (impermissible infringement), or whether instead any similarity simply resulted from the fact that both works lack creativity.").

[246] For more on how the Federal Circuit has defined the concept of "functionality" in design patent law, see Burstein, *supra* note 36, at 1456–57.

[247] The question of knowledge is also relevant to arguments about deterrence. *See* Samuelson et al., *supra* note 32, at 2064 ("The deterrence justification is particularly weak when a defendant is unaware it is violating a design patent or has reasonable grounds to believe it is not infringing a valid patent.").

[248] 532 U.S. 23 (2001).

[249] *Id.* at 29 (citing Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 160 (1989)); *see also* Smith v. Chanel, Inc., 402 F.2d 562, 563, 567 (9th Cir. 1968) ("Since appellees' perfume was unpatented, appellants had a right to copy it, as appellees concede.").

[250] *TrafFix*, 532 U.S. at 29; *see also Bonito Boats*, 489 U.S. at 151 ("The attractiveness of [the patent] bargain, and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a backdrop of free competition in the exploitation of unpatented designs and innovations."); MCCARTHY, *supra* note 4, § 1:2 ("Imitating a successful commercial idea that is not protected by intellectual property is the essence of free competition. The second comer who imitates by offering an equivalent product or service at a lower price or with better quality is to be encouraged because legitimate imitation is essential in a competitive economy.").

B. There Is No Necessary Link Between Design Patents and Safety

Some who use the counterfeit rhetoric point to concerns about quality or safety.[251] For example, in a blog post supporting the border seizure bill, the well-known and respected design patent attorney Elizabeth Ferrill stated that:

> The U.S. Joint Strategic Plan [on IP Enforcement] also described the ramifications of these counterfeiting techniques. In addition to the large negative fiscal impact that counterfeit goods have on the U.S. economy, the report also noted that the goods may pose consumer safety concerns. For example, the Joint Strategic Plan reported on the risk to consumer health and safety posed by counterfeit versions of personal care products, consumer electronics, and automotive parts, *all of which are often protected by design patents*. According to the Plan, counterfeit personal care products (e.g., sunscreen, cosmetics, and perfume) often include dangerous contaminants (e.g., carcinogens and urine) or lack the effective ingredients (e.g., SPF). Likewise, counterfeit consumer electronics (e.g., power adapters, chargers, and devices) may fail or overheat leading to fire and electrocution risks. Counterfeit automotive parts (e.g., wheels, headlights, and windshields) often have higher failure and malfunction rates than genuine parts.[252]

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[251] *See, e.g.*, Letter from Henry Hadad, President, Intell. Prop. Owners Ass'n (IPO) & Barbara A. Fiacco, President, Am. Intell. Prop. L. Ass'n (AIPLA) to Sens. Thom Tillis & Chris Coons (Dec. 5, 2019), https://cdn.patentlyo.com/media/2019/12/Joint-Letter_Counterfeit-Good-Seizure-Act.pdf [https://perma.cc/5NPG-GFLZ] ("Products incorporating knockoff and counterfeit designs are often not manufactured to the same quality and safety standards as a genuine product, posing usability problems and safety risks to the unsuspecting consumer."); David Brzozowski & Teresa Lavenue, *Bi-Partisan Legislation Would Permit U.S. Customs to Seize Counterfeits Infringing Design Patents*, MONDAQ (Jan. 2, 2020), https://www.mondaq.com/unitedstates/trademark/879148/bipartisan-legislation-would-permit-us-customs-to-seize-counterfeits-infringing-design-patents [https://perma.cc/U2SL-PLGK] (stating that the border seizure bill would "expand the breadth of counterfeit goods that U.S. Customs can seize, including potentially hazardous counterfeits such as personal hygiene items containing contaminates and consumer electronics that may fail when in use"). Some of these arguments may be, at least in part, a response to prior arguments that distinguish designer bags and films, on one hand, from unauthorized medicines. *See, e.g.*, Osei-Tutu, *supra* note 9, at 772 (noting that "the demands for state enforcement of private intellectual property rights are not limited to industries where there is some clear health and safety issue, but extend to a variety of intellectual property goods, ranging from designer bags to films" (citing Letter on Trans-Pac. P'ship Negotiations from Various Indus. Ass'ns to the President of the U.S. (May 8, 2012))).

[252] Ferrill, *supra* note 113 (emphasis added) (not citing any sources to support the empirical assertion at the end of the quote). In a blog post supporting the same bill, Perry Saidman made a similar point using eerily similar language. *See* Perry Saidman, *Legislation Introduced to Make Design Patents Enforceable at the U.S. Border, Like Copyrights and Trademarks*, DESIGN L. PERSPS. (Dec. 20, 2019), https://www.designlawperspectives.com/blog/legislation-introduced-to-make-design-patents-enforceable-at-the-us-border-like-copyrights-and-trademarks [https://perma.cc/N3NC-2FYQ] ("[C]ounterfeit consumer electronics (e.g., power adapters, chargers, and devices) may fail or overheat leading to fire and electrocution risks. Counterfeit automotive parts (e.g., wheels, headlights, and windshields) often have higher failure and malfunction rates than genuine parts."). The latter post also appears to copy another paragraph from Ferrill almost verbatim. *Compare* Ferrill, *supra* note 113 (paragraph starting with: "The infringement test for design patents was simplified in 2008 . . . ."), *with* Saidman, *supra* (paragraph starting with: "The infringement test for design patents was simplified in 2008 . . . ."). The link to the report Ferrill cited is broken now.

Ferrill thus seemed to be suggesting that because a report had discussed safety risks related to certain types of products and because those types of products "are often protected by design patents," that means that increasing design patent enforcement could promote safety.[253]

But there is no legal or logical link between design patents and safety. You don't need to make any product — let alone a safe one — to get a design patent. No one at the USPTO performs a quality or safety check of the applicant's product (if any) as a part of the patent examination process. A design patent is not, in any way, a guarantee of quality.[254] Signaling a producer's reputation for quality or safety is the role of trademark law, not design patent law.[255] If, for example, an airplane manufacturer were to develop a reputation for prioritizing profits over safety, consumers may decide to avoid (and airlines may decide to stop buying) airplanes made by that manufacturer.[256] But the fact that a given airplane is the subject of — or in some way infringes upon — a

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See Ferrill, *supra* note 113 (linking to https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/IPEC/2016jointstrategicplan.pdf). But it appears that she was referring to a document created by the Office of the Intellectual Property Enforcement Coordinator entitled "Supporting Innovation, Creativity & Enterprise: Charting a Path Ahead, U.S. Joint Strategic Plan on Intellectual Property Enforcement (FY 2017–2019)." The report does not clearly define what it means by "counterfeit" and largely seems to lump "counterfeit and infringing goods" into one large category. *See generally* OFF. OF THE INTELL. PROP. ENF'T COORDINATOR, SUPPORTING INNOVATION, CREATIVITY & ENTERPRISE: CHARTING A PATH AHEAD, U.S. JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT FY 2017–2019 (2016), https://obamawhitehouse.archives.gov/sites/default/files/omb/IPEC/2016jointstrategicplan.pdf [https://perma.cc/T7AX-K9RH].

253 Ferrill, *supra* note 113.

254 *Cf.* Juicy Whip, Inc. v. Orange Bang, Inc., 185 F.3d 1364, 1368 (Fed. Cir. 1999) ("Other agencies [i.e., agencies other than the Patent Office], such as the Federal Trade Commission and the Food and Drug Administration, are assigned the task of protecting consumers from fraud and deception in the sale of food products."); *In re* Watson, 517 F.2d 465, 476 (C.C.P.A. 1975) ("Congress has given the responsibility to the FDA, not to the Patent Office, to determine in the first instance whether drugs are sufficiently safe for use that they can be introduced in the commercial market . . . ."); *cf. also* Webber v. Virginia, 103 U.S. 344, 344–48 (1880) ("Congress never intended that the patent laws should displace the police powers of the States, meaning by that term those powers by which the health, good order, peace, and general welfare of the community are promoted." *Id.* at 347–48.).

255 *See, e.g.*, Jake Linford, *Placebo Marks*, 47 PEPP. L. REV. 45, 52–53 (2019) ("Trademark law allows the mark owner to internalize consumer goodwill (i.e. repeat custom) as the reward for truthfully signaling consistent product quality.") (footnote omitted); Aaron Perzanowski, *Unbranding, Confusion, and Deception*, 24 HARV. J.L. & TECH. 1, 18 (2010) ("Trademarks also influence product quality. If consumers can easily and consistently identify products based on source indicators, producers have greater incentives to maintain product quality.") (citing William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 269–70 (1987)).

256 *See* Elizabeth Chuck, *Some Nervous Travelers Are Changing Their Flights to Avoid Boeing Airplanes*, NBC NEWS (Mar. 23, 2024, 10:00 AM), https://www.nbcnews.com/news/us-news/travelers-changing-flights-avoid-boeing-airplanes-rcna144158 [https://perma.cc/JP3D-JYXS] (reporting that, "after a series of quality control incidents, starting with the dramatic door panel blowout on a Boeing 737 Max midair during an Alaska Airlines flight in January" 2024, some airline customers have changed their travel plans to avoid flying on Boeing airplanes). Of course, in this scenario, the travelers are not purchasers of the airplanes. But their choices may impact future purchasing decisions by airlines.

design patent does not, in and of itself, convey any similar type of safety-related information.[257]

Design patent infringement is not a sign of a lack of quality. If the visual similarity test is met, the product infringes — safe or unsafe, high quality or low quality.[258] Even if someone knowingly copies another person's product, that does not suggest (let alone prove) that the copier is more likely than others to make or sell unsafe products. Therefore, when counterfeit rhetoric is used to invoke concerns about safety, it constitutes a fallacious appeal to fear.

Some design patent infringers may, in fact, sell unsafe or low-quality products. But that does not mean that all (or even most) design patent infringers sell unsafe products or that there is any necessary logical or legal connection between design patent enforcement and consumer safety.[259]

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All of this is not to say that there are never any acts of design patent infringement that also constitute counterfeiting — or any design patent infringers who are also counterfeiters (in either sense of the word).[260] Instead, the point here is that the counterfeiting and design patent infringement are not inextricably linked. If the problem is counterfeiting, Congress (and the courts) should deal with it directly. Because there is no necessary logical or legal connection between these two types of infringement, there is no guarantee that legislative or judicial interventions aimed at the lesser offense (design patent infringement) will have any effect on the frequency or magnitude of the worse offense (counterfeiting). To make an analogy to criminal law: Some trespassers may also be murderers. That does not mean the law should treat all trespassers as murderers. And it certainly does not justify the use of taxpayer funds

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[257] Some may argue that there is a link because a producer may wish to use a design patent to "bootstrap" trade dress protection — that is, they may wish to use a design patent to obtain an artificial monopoly on the design that may allow the producer to develop secondary meaning. But the fact that some producers may wish to use this strategy does not change the reality of the pre-secondary-meaning marketplace.

[258] *See supra* notes 57–87 and accompanying text.

[259] The larger empirical question of how often products that infringe design patents are, actually, unsafe is beyond the scope of this Article. But those who suggest that there is, in fact, a connection should bear the empirical burden of proof.

[260] There almost certainly are some. But we need more than attorney *ipse dixit* to establish the actual or likely amount of overlap.

to guard every piece of private property,[261] which is basically what design patent owners are asking for with respect to border enforcement.[262]

IV. THE LARGER COUNTERFEIT NARRATIVE

The use of moralizing rhetoric in discussions of intellectual law and policy is, of course, not new. There are strong parallels in the way the word "counterfeit" is being used in discussions of design patent law with the way words like "theft" and "piracy" have been used in discussions of copyright law and policy. This kind of "[l]inkage, where words are repeatedly placed together or near to each other, is recognised by scholars of rhetoric as an important device by which the meanings associated with one word can become incorporated into or transferred to another."[263] As Patricia Loughlan notes, in discussions of copyright, "[t]he language of theft . . . reduces a difficult policy debate, with significant economic and cultural consequences, to a crude and simplistic moral drama."[264] We see the same thing with the use of counterfeit rhetoric in connection with design patents. When people refer to design patent infringement as "counterfeiting," they may not be making an express statement of law. But, by using a word that is also a legal term of art, they are "draw[ing] upon and mobilis[ing] the ordinary, almost instinctive response [of] ordinary people to dislike, disdain and despise the unauthorised user of [a design patent] as they would dislike, disdain and despise" an actual counterfeiter.[265]

The words "counterfeit" and "counterfeiting" themselves have shown up before in debates about copyright and trademark law and policy (and to a lesser extent, in discussions of utility patent protection for pharmaceuticals). But those involved in design patent law and policy may not be aware of that history and literature. One goal of this Article is to bridge that gap and to bring lessons learned in debates about other areas of IP into debates about design patent law.

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[261] To be clear, I'm just making an analogy, not taking a position in the "is IP 'property'?" debate. *Compare, e.g.*, Adam Mossoff, *Introduction* to *Intellectual Property and Property Rights*, *in* INTELLECTUAL PROPERTY & PROPERTY RIGHTS, ix, ix (Adam Mossoff ed., 2013), *with* Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1032 (2005).

[262] It is true that Customs already polices copyright and trademark infringement. *See supra* note 113 and accompanying text. But that doesn't mean design patent owners are being unfairly excluded; it may simply mean we have too much border enforcement already. And even if border enforcement of registered trademarks and copyrights is a good policy, that doesn't mean the same is true for design patents. Because of the way the *Goddess* test works, *ex parte* procedures, such as border enforcement, are especially ill-suited to the adjudication of design patent claims. *See supra* note 94 and accompanying text.

[263] Loughlan, *supra* note 240, at 401 (footnote omitted) (citing BARRY BRUMMETT, RHETORIC IN POPULAR CULTURE 120 (2d ed. 2006)).

[264] *Id.* at 405.

[265] *Id.* at 403 ("When the background authoritative voice in the MPAA film quoted above intones that 'downloading a pirated film is stealing,' no statement of law is being made.").

A. We've Seen This Before

As Janewa Osei-Tutu has observed, those who sought to expand copyright and trademark protections have used arguments about counterfeiting — and, in particular, arguments about counterfeit medicines — to try to expand copyright and non-counterfeiting trademark protections in draft treaties like the Anti-Counterfeiting Trade Agreement[266] (ACTA) and Trans-Pacific Partnership[267] (TPP).[268] Using this kind of rhetoric, "[w]ealthy corporations are successfully making the case for increased state enforcement of intellectual property rights by effectively framing the issue of intellectual property enforcement as a health and safety issue in order to advance their commercial interests."[269] And:

> [I]n line with industry, the government narrative is that intellectual property rights are not the problem but, rather, that intellectual property is critical to the development and marketing of new medicines. . . . This narrative, which suggests that intellectual property is beneficial to the public, serves the interest of all intellectual property industries broadly, not just the pharmaceutical industry. Once the case for increased intellectual property enforcement is successfully made based on the dangers posed by counterfeit medicines, the argument is extended — often without merit — to other consumer and industrial products.[270]

We've seen a similar dynamic at play with the rhetoric of "piracy" and copyright.[271] Additionally, "some commentators have connected counterfeit medicines not only to petty criminals, but also to terrorist

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266 Oct. 1, 2011, 50 I.L.M. 243 (not in force).

267 Feb. 4, 2016, https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text [https://perma.cc/8RQ3-P55V] (not yet in effect, and signed but not ratified by the United States).

268 *See* Osei-Tutu, *supra* note 9, at 770 (observing that "international intellectual property agreements, like the recent Anti-Counterfeiting Trade Agreement (ACTA), increasingly contemplate government monitoring and enforcement of these rights, and industry associations requested similar measures in the highly secretive Trans-Pacific Partnership (TPP) negotiations" (footnotes omitted)); *id.* at 769 ("[P]otential health risks from counterfeit medicines provide a powerful counter-narrative to the 'access to medicines' critique of intellectual property. The dangers created by counterfeit medicines thereby artificially bolster the case for public enforcement of private intellectual property rights." (footnotes omitted)).

269 *Id.* at 771. Of course, ACTA and the TPP did not get enacted. But that does not mean we will not see similar arguments being made in the future.

270 *Id.* at 784 (footnotes omitted) (citing OFF. OF THE U.S. TRADE REPRESENTATIVE, TRANS-PACIFIC PARTNERSHIP TRADE GOALS TO ENHANCE ACCESS TO MEDICINES 1 (2011), https://ustr.gov/sites/default/files/uploads/TPP%20Trade%20Goals%20to%20Enhance%20Access%20to%20Medicines.pdf [https://perma.cc/W4QK-VEKU]; James M. Cooper, *Piracy 101*, 36 CAL. W. INT'L L.J. 89, 100 (2005)). Although ACTA and the TPP did not ultimately become treaties, that doesn't mean this rhetoric doesn't matter. And these failures may be due, at least in part, to the critics who pointed out problems with their supporters' counterfeiting arguments. In any case, it's still worth discussing how big, sophisticated companies use the rhetoric of counterfeiting to try to sell private harms as public ones.

271 *Cf.* Debora Halbert, *Intellectual Property Piracy: The Narrative Construction of Deviance*, 10 INT. J. SEMIOTICS L. 55, 71 (1997) (noting that piracy rhetoric creates a narrative where "multimillion dollar industries become the victims").

organizations, thus portraying intellectual property enforcement as a national security issue."[272] According to Susan Sell, at least part of this has been a result of a concerted effort to conflate "tales of exploding cell phones and toxic counterfeit drugs" and "unsubstantiated allegations of organized crime and even terrorist involvement" with things like copycat handbags and unauthorized DVDs.[273]

Similarly, the rhetoric discussed in this Article deliberately conflates design patent infringement with actual counterfeiting, in order to justify increased design patent protections based on an appeal to fear. Because there is no necessary logical or legal connection between design patent infringement and counterfeiting, this appeal to fear is fallacious.

B. What's Really Going On?

So what's really going on here? This section discusses some motivations that seem to underlie the use of counterfeit rhetoric in the design space.

1. IP Owners Want to Foist Enforcement Costs onto Taxpayers. — Sometimes, counterfeit rhetoric is used to try to shift IP enforcement costs to the public.[274] In general, private parties must pay to enforce

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[272] Osei-Tutu, *supra* note 9, at 784 (citing Cooper, *supra* note 270, at 97; Beverley Earle, Gerald A. Madek & Christina Madek, *Combating the New Drug Trade of Counterfeit Goods: A Proposal for New Legal Remedies*, 20 TRANSNAT'L L. & CONTEMP. PROBS. 677, 687 (2012)). Others have noted similar rhetorical moves in other IP contexts. *See, e.g.*, Glyn Moody, *EU's Gallo Report: Rubbish Recycled*, OPEN . . . (Jan. 29, 2010), https://opendotdotdot.blogspot.com/2010/01/eus-gallo-report-rubbish-recycled.html [https://perma.cc/9VVR-U932] ("I've noted several times an increasingly popular trope . . . : since counterfeiting is often linked with organised crime, and because counterfeiting and copyright infringement are vaguely similar, it follows as surely as night follows day that copyright infringement is linked with organised crime. Well, that apology of an argument is now being recycled in the draft of the Gallo Report . . . .") (discussing Eur. Parliament Comm. on Legal Affs., *Draft Report on Enhancing the Enforcement of Intellectual Property Rights in the Internal Market* (Jan. 13, 2010), http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+COMPARL+PE-438.164+01+DOC+PDF+V0//EN&language=EN [https://perma.cc/Y5RS-V788]).

[273] Susan K. Sell, *The Global IP Upward Ratchet, Anti-Counterfeiting and Piracy Enforcement Efforts: The State of Play* (Am. U. Wash. Coll. of L. Joint PIJIP/TLS Rsch. Paper Series No. 2010-15), https://digitalcommons.wcl.american.edu/research/15 [https://perma.cc/93LQ-8JJY] ("At a CropLife America meeting on December 1, 2007, Dan Glickman, head of the Motion Picture Association, recommended that advocates underscore the danger of counterfeited and pirated goods. Through fearmongering, IP enforcement agenda advocates are constructing a big tent that includes all types of intellectual property: trademarks, patents, copyrights. . . . This campaign is characterized by strategic obfuscation; its message is intentionally misleading. For example, it is difficult to imagine a 'dangerous' counterfeit handbag, or a 'dangerous' DVD. The fearmongering ranges from tales of exploding cell phones and toxic counterfeit drugs, to unsubstantiated allegations of organized crime and even terrorist involvement.").

[274] *See* Osei-Tutu, *supra* note 9, at 768–69; *see also* Port, *supra* note 123, at 1179–80, 1182 ("In the end, the real issue is whether we should make the international enforcement of intellectual property rights against producers of imitative commodities a public, rather than a private, matter. To date, this has largely been conceived of as a private cause of action, where intellectual property rights holders sue to prevent the importation or distribution of imitative commodities." *Id.* at 1182.).

their own private rights.[275] But that is expensive.[276] By invoking "[t]he dangers [of] counterfeit medicines" and framing IP enforcement as a public safety issue that merits public support, IP owners and their supporters seek to "artificially bolster the case for public enforcement of private intellectual property rights."[277]

This appears to be a big part of what is happening in the debates about design patents and border enforcement.[278] For example, some of the sponsors of the 2019 seizure bill invoked some unspecified "safety risks" to "the health and well-being of American consumers."[279] This is a straightforward appeal to fear. But as explained here, that appeal to fear is fallacious.[280] When the counterfeit rhetoric is stripped away, all that is left is a naked attempt to get the public to pay for the private enforcement efforts of IP owners.[281]

2. IP Owners Want to Circumvent Due Process Protections. — It also appears that, at least sometimes, people use counterfeit rhetoric to justify or argue for circumventing the normal requirements of due process in order to obtain *ex parte* adjudications. Design patent owners might want to circumvent the procedures that normally protect due process values in order to save themselves money, to put undue pressure on their competitors, or for other reasons. In many cases, the suggestion seems to be that counterfeiting is — and the people who do it are — so bad that it justifies abandoning normal procedural safeguards.[282]

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[275] Osei-Tutu, *supra* note 9, at 770 ("Intellectual property rights are private rights that are normally enforced by the rights holders.").

[276] *Id.* ("[M]onitoring and enforcing intellectual property rights is expensive.").

[277] *Id.* at 769; *see also id.* at 785 (noting that "the definition of 'counterfeit' medicines is not uniform"); *id.* at 769 n.16 (defining "[a] counterfeit medicine . . . as a fake or illegitimate version of a patented drug or a fake or illegitimate version of a generic drug").

[278] *Cf.* Grinvald, *supra* note 107, at 1528 (noting that the border-enforcement measures proposed in ACTA "would shift the costs of enforcement from the budgets of the trademark bullies onto the CBP"); Burstein, *supra* note 94 (discussing a design patent bill that would allow private design patent holders to transfer their enforcement costs to the public).

[279] Seizure Press Release, *supra* note 107 (quoting Sens. Coons and Hirono).

[280] *See supra* section III.B, pp. 514–17.

[281] *See* Osei-Tutu, *supra* note 9, at 771–72. Tellingly, many attorneys who wrote in support of the 2019 bill emphasized the potential cost savings for design patent owners. *See, e.g.*, Ferrill, *supra* note 113 (noting that CBP enforcement would make enforcement "faster and less expensive for the design rights holders"); Daniel S. Block & Deirdre M. Wells, *Senators Propose Bill to Strengthen Anti-Counterfeiting Toolkit with Design Patents*, STERNE KESSLER (Dec. 6, 2019), https://www.sternekessler.com/news-insights/client-alerts/senators-propose-bill-strengthen-anti-counterfeiting-toolkit-design [https://perma.cc/6HC9-2LG2] (stating that the seizure bill would "mak[e] it easier and less expensive to enforce design patents at the U.S. border").

[282] Indeed, Congress may have made just such a determination with respect to actual counterfeiting, when it passed the Trademark Counterfeiting Act of 1984. *See* Steven N. Baker & Matthew Lee Fesak, *Who Cares About the Counterfeiters? How the Fight Against Counterfeiting Has Become an* In Rem *Process*, 83 ST. JOHN'S L. REV. 735, 760 (2009) ("[T]he Senate Judiciary Committee, upon listing the Trademark Counterfeiting Act's safeguards, stated its belief 'that these safeguards are fully adequate to satisfy the constitutional requirements of due process, in light of the

For example, at least some Schedule A plaintiffs seem to be using counterfeit rhetoric to convince courts to grant them types of relief that are supposed to be extraordinary, such as *ex parte* temporary restraining orders (TROs) that include seizures of the defendants' assets without prior notice.[283] Once those assets are seized, a plaintiff may demand a disproportionate amount of those assets to settle the case.[284] Accordingly, the Schedule A model allows a plaintiff to extract more money from defendants than they would be able to in a full and fair adjudication. And it allows them to do so at a much lower cost.[285]

We also see this in the border-enforcement context. Supporters of design patent Customs seizures argue that it's too time consuming and expensive to seek an exclusion order at the ITC.[286] But cheap enforcement brings its own costs. For example, it may erode the accused infringer's right to due process.[287] And it may encourage overzealous enforcement — especially if there are no significant downsides to bringing weak or even frivolous claims.[288] The normal cost of bringing an enforcement action may act as a costly screen, pushing design patent

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extraordinary bad faith exhibited by many commercial counterfeiters, and the need for effective means of stemming the current epidemic of counterfeiting.' We learn two important things from this statement: First, Congress was aware of the constitutional implications of seizing property pursuant to an ex parte order. Second, and perhaps more importantly, we learn that *Congress, aware of the potential constitutional pitfalls, considered the interests of trademark owners and the evils of counterfeiting to be sufficient to override those pitfalls*." (emphasis added) (footnote omitted) (quoting S. REP. NO. 98-526, at 8 (1984))).

[283] *See supra* section II.B.2, pp. 493–500; *see also* Gorge Design Grp. LLC v. Syarme, No. 2:20-cv-1384, 2020 WL 8672008, at *3 (W.D. Pa. Dec. 4, 2020) ("The Court holds that there is nothing exceptional about this case. In fact, this case has followed the same trajectory of many other cases in this District and in districts throughout the country in instances where a plaintiff discovers that its intellectual property has likely been pirated and identical or substantially similar knock-off products are being offered for sale from on-line platforms. To hold that this case is exceptional would topsy-turvy that term — elevating what is ordinary to extraordinary."), *aff'd sub nom.* Gorge Design Grp. LLC v. Xuansheng, No. 2021-1695, 2023 WL 2808069 (Fed. Cir. Apr. 6, 2023).

[284] *See, e.g.*, Appellant NeoMagic Corporation's Opening Brief, Gorge Design Grp. LLC v. Xuansheng, No. 2021-1695 (Fed. Cir. Oct. 25, 2021), ECF 19 ("Gorge still demanded payment of $9,500 for Gorge to release the over $300,000 of NeoMagic money that remained frozen (crippling NeoMagic's ability to do business)" where the record showed that the NeoMagic had only sold "a single unit of a $4.99 product."); Appellees' Brief, Gorge Design Grp. LLC v. Xuansheng, No. 2021-1695 (Fed. Cir. July 20, 2022), ECF 35 (not disputing these factual assertions).

[285] For example, as Eric Goldman notes, if a Schedule A plaintiff joins 200 defendants in a single case, it only pays a single filing fee of $402, as opposed to the $80,000 it could cost to file cases against each defendant separately. *See* Goldman, *supra* note 19, at 199. Additionally, because these cases appear to rarely — if ever — get to the discovery stage, the plaintiffs also avoid many of the costs incurred in a normal IP case.

[286] *See, e.g.*, Joint Letter from Henry Hadad, *supra* note 251 ("For design patents, CBP's authority is currently limited to enforcing exclusion orders issued by the U.S. International Trade Commission (ITC), which are rare and expensive to obtain.").

[287] *See, e.g.*, Grinvald, *supra* note 107, at 1534–36 (discussing some due process costs to border enforcement of trademarks).

[288] *See id.* at 1546 ("Without costs to enforcement, there would be no disincentive for abuse.").

owners to pursue only their strongest and most important claims.[289] Without that screen, and if judges remain unwilling to sanction parties who assert nonmeritorious claims,[290] the incentive to bring only strong claims is weakened — if not destroyed altogether.[291]

Quicker and cheaper enforcement can also raise error costs.[292] Design patent infringement is particularly ill-suited to *ex parte* adjudication because of the way the *Goddess* test works.[293] Even if an accused design is not "plainly dissimilar" to the claimed design when considered in the abstract, differences may appear when the designs are considered in the light of the prior art.[294] If there is no defendant present to direct the court (or the CBP) to the closest prior art, the likelihood of false positives — that is, incorrect findings of infringement — increases.[295] If judges are not already familiar with the standard of design patent infringement and there is no defendant to direct them to the relevant cases, judges may misapply the test in other ways.[296] Or the plaintiff may

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[289] *See generally* Jonathan S. Masur, *Costly Screens and Patent Examination*, 2 J. LEGAL ANALYSIS 687 (2010) (discussing the role of costly screens with respect to patent law).

[290] *See, e.g.*, Jiangsu Huari Webbing Leather Co. v. Joes Identified in Schedule A, No. 1:23-cv-02605, 2024 WL 20931, at *6–7 (S.D.N.Y. Jan. 2, 2024) (refusing to sanction a plaintiff who, among other acts of "possible misconduct," *id.* at *6, brought numerous nonmeritorious claims of utility patent infringement against Schedule A defendants).

[291] *See* Burstein, *supra* note 150. Yes, attorneys are still bound by Rule 11. But there is a difference between a claim that is weak and one that is frivolous. Even if Rule 11 serves as an effective deterrent to the filing of frivolous claims, the costly screen goes beyond that to also deter the assertion of weak claims. And that is a good thing. *See generally* Burstein, *supra* note 53.

[292] *See* Mark P. McKenna, *Criminal Trademark Enforcement and the Problem of Inevitable Creep*, 51 AKRON L. REV. 989, 1021 (2017) (discussing situations in which the government has made mistakes, "many of which could have been avoided with a little due process").

[293] *See supra* note 92.

[294] Egyptian Goddess, Inc. v. Swisa, Inc., 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc) ("[W]hen the claimed and accused designs are not plainly dissimilar, resolution of the question whether the ordinary observer would consider the two designs to be substantially the same will benefit from a comparison of the claimed and accused designs with the prior art, as in many of the cases discussed above and in the case at bar. Where there are many examples of similar prior art designs, as in a case such as *Whitman Saddle*, differences between the claimed and accused designs that might not be noticeable in the abstract can become significant to the hypothetical ordinary observer who is conversant with the prior art.").

[295] It is no answer to say "that customs will be able to make use of prior art cited on the face of the patent and could require a design patent owner to provide copies of the prior art as part of the regulations that it develops." Mehta, *supra* note 109 (reporting on comments made by Elizabeth Ferrill). While design patent examiners are experienced searchers, they have limited time to consider each design patent case. So there may be prior art that they miss. Accordingly, one cannot assume the prior art listed on the patent itself is the closest prior art. *See* Burstein, *supra* note 94.

[296] *See, e.g.*, Memorandum Opinion and Order, Zhaoshi v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-04587 (N.D. Ill. Jan. 4, 2024), ECF 88. In this case, the court determined that some of the accused products were not plainly dissimilar. *See id.* at 1–2. The court was wrong. *See* Defendants' Motion to Dismiss the Complaint and Incorporated Memorandum of L. at 5, Zhaoshi v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:23-cv-04587 (N.D. Ill. Oct. 9, 2023), ECF 50 (showing that this accused product was, in fact, plainly dissimilar); Burstein, *supra* note 89, at 98 (citing *Egyptian Goddess*, 543 F.3d at 678; Ethicon Endo-Surgery,

submit an expert report that uses the wrong infringement standard.[297] Normally, we rely on the adversarial system to alert the courts to these kinds of mistakes. But in an *ex parte* proceeding, there is no defendant to point out these kinds of errors.

For example, in the first Schedule A case to reach the Federal Circuit, the court reversed the grant of the preliminary injunction because, among other reasons, "[e]ven a cursory review of the four accused products shows that they are different from each other, display features not found in the asserted patents, and lack features shown in the asserted patents."[298] In an appendix, the Federal Circuit included pictures of one of the accused products to show how different it was from the claimed designs.[299] Here is one view[300]:

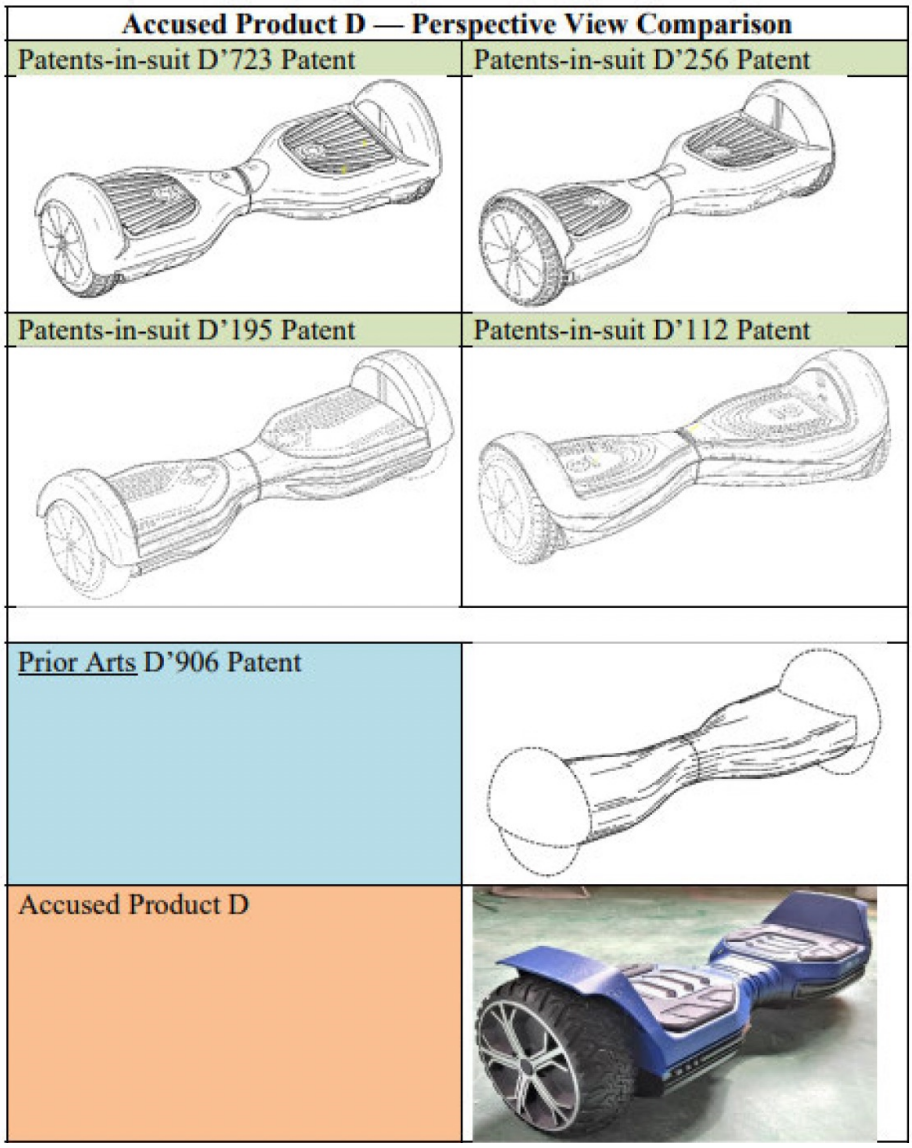
Inc. v. Covidien, Inc., 796 F.3d 1312, 1337 (Fed. Cir. 2015)) (explaining that, under the two-step test set forth in *Egyptian Goddess*, a design cannot infringe if it is plainly dissimilar to the patented design).

[297] *See infra* note 302.

[298] *See* ABC Corp. I v. P'ship & Unincorporated Ass'ns Identified on Schedule "A," 52 F.4th 934, 944 (Fed. Cir. 2022); *see also* Burstein, *supra* note 92 (noting that "the panel was correct that, overall, the plaintiffs failed to prove they were likely to succeed on the merits").

[299] *ABC Corp. I*, 52 F.4th at 947–52.

[300] *See id.* at 949. The infringement claim did not fare any better in the other views. *See, e.g.*, *id.* at 947–52.



As can be seen in this image, the specific, overall shape of this accused product is plainly dissimilar from the shapes claimed in the asserted design patents. There is no infringement as a matter of law.[301]

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[301] *Cf. Egyptian Goddess*, 543 F.3d at 678 (stating that if designs are "sufficiently distinct," there is clearly no design infringement).

But the district court granted the preliminary injunction anyway.[302] This kind of false positive is a significant problem.[303] It's true that judges get design patent infringement wrong in regular design patent infringement cases. But they're not doing it in secret. Or in bulk.[304]

3. IP Owners Want Other Forms of Extraordinary Relief. — In *Samsung v. Apple*, we saw counterfeit rhetoric being used to support arguments in support of an incredibly broad reading of 35 U.S.C. § 289 — that is, that a design patent owner should always get the "total

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[302] Preliminary Injunction Order, ABC Corp. I v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:20-cv-04806 (N.D. Ill. Apr. 6, 2022), ECF 456. The court appears to have been led astray, at least in part, by an expert report submitted by the plaintiff. *See* Burstein, *supra* note 92. In that report, a "recently retired CEO of . . . a global product design consultancy" opined that "an ordinary observer would find the Accused Products to be substantially similar to the Claimed Designs." *See* Expert Declaration of Paul Hatch at 3, 26, Hangzhou Chic Intelligent Tech. Co. v. P'ships & Unincorporated Ass'ns Identified on Schedule A, No. 1:20-cv-04806 (N.D. Ill. Aug. 24, 2021), ECF 388 [hereinafter Hatch Report]; *see also ABC Corp. I*, 52 F.4th at 943 ("The district court appeared to rely on the infringement discussion in the Hatch reports . . . ."). Setting aside for a moment the question of whether expert reports are appropriate on the issue of infringement — which is supposed to be analyzed from the perspective of an ordinary observer, *Egyptian Goddess*, 543 F.3d at 678 — this expert used the wrong test for infringement, *see* Hatch Report at 16. Although he recited the correct one, *id.* at 5, he appeared to actually use an incorrect one, *see id.* at 16 (stating, without any citations or support, that: "The prior art is used to compare to the claimed design of the patent to find the scope of the design in the ordinary observer test. It is also used to compare the accused product to the claimed designs to evaluate if the accused product is closer to the claimed design than the prior art."). Hatch seemed to be under the mistaken impression that a design patent's scope is broadened where the claimed design is very different from the prior art. *See id.* ("The Cited Prior Art Show The Patents-In-Suit Have A Broad Scope."); *id.* at 17 ("The prior art is vastly different in many ways and therefore the '723 and '256 Patents enjoy a very broad scope."). That is not correct. *See* Ethicon Endo-Surgery, Inc. v. Covidien, Inc., 796 F.3d 1312, 1337 (Fed. Cir. 2015) (rejecting the patent owner's argument that the prior art can be used to broaden the scope of the claim).

[303] In *ABC Corp. I (Hangzhou Chic Intelligent Technology Co.) v. Partnership & Unincorporated Ass'ns Identified on Schedule "A,"* Judge Durkin did eventually reach the right result on infringement. *See* Hangzhou Chic Intelligent Tech. Co. v. Gyroor, No. 1:20-cv-04806, 2024 WL 148966, at *6, *8 (N.D. Ill. Jan. 12, 2024) (granting summary judgment of noninfringement). But that was after three and a half years of litigation, 686 docket entries, and the aforementioned Federal Circuit appeal. *See id.* And how much damage did the wrongful injunctions cause? How much time and money did the defendants who challenged the injunction have to spend litigating design patent infringement claims that were facially nonmeritorious? How many settlements was the plaintiff able to extract while the injunction was pending? Wrongful injunctions always cause damage, but when there are many defendants *and* their assets are frozen, the error costs are that much higher. Burstein, *supra* note 150 ("[A]s the defendants' submissions show, significant damage can be done in these cases, even in a short period of time."); *see, e.g.*, Hyponix Brands, Ltd.'s Memorandum in Support of Motion for Bond Damages, Sanctions, & Attorney Fees at 1, Jiangsu Huari Webbing Leather Co. v. Joes Identified in Schedule A, No. 1:23-cv-02605 (S.D.N.Y. May 1, 2023), ECF 50 (arguing plaintiff brought spurious infringement claims and "committed numerous acts of litigation misconduct"); Ninjasafe LLC's Memorandum in Support of Motion for Bond Damages, Sanctions, & Attorney Fees at 1, Jiangsu Huari Webbing Leather Co. v. Joes Identified in Schedule A, No. 1:23-cv-02605 (S.D.N.Y. May 2, 2023), ECF 55 (same).

[304] The lack of adversarial process in these cases leads to other serious errors, such as granting a TRO (with an asset freeze) against infringement of an expired design patent. *See* Temporary Restraining Order, Casio Comput. Co. v. Individuals, Corps., LLCs, P'ships & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-00895 (N.D. Ill. Feb. 15, 2023), ECF 23 (enjoining defendants from using a design claimed in an expired patent).

profits" from any infringing product a defendant sells, even if the patent is directed to only a small or insignificant part of the overall visual design.[305] The Supreme Court ultimately rejected that reading.[306] But throughout the case, counterfeit rhetoric helped provide a fig leaf of purported public interest to those who actually sought to protect private interests.

In a way, these arguments were also about making design patent enforcement cheaper. If a design patent owner could definitely recover a huge award at the end of a case, that would offset the litigation costs they would have to expend to get there. But perhaps more importantly, if a design patent owner could credibly threaten competitors with the certainty of a huge award at trial, the owner could likely get competitors to stop (or pay) without having to expend any litigation costs at all.[307] Even if the asserted design patent infringement claims were weak or frivolous, a targeted competitor would have to think twice about what an erroneous verdict would cost them. This is true even post-*Samsung*. Total-product rewards are not required but they are still possible. Therefore, design patent owners can still credibly threaten them.[308]

V. WHY COUNTERFEIT RHETORIC MATTERS

We've seen that counterfeit rhetoric doesn't always carry the day — for example, the 2019 seizure bill didn't become a law.[309] But that doesn't mean that it doesn't matter. It just means that counterfeit rhetoric isn't some kind of magic bullet. No legal argument always carries the day. Bills fail for all kinds of reasons. And a bill that fails at one point may be reintroduced successfully later.[310] Consider the 2019 seizure bill.[311] This wasn't the first time counterfeit rhetoric was used in support of design patent border control measures[312] and it seems unlikely to be the last — especially considering how many powerful

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[305] *See supra* notes 127–45 and accompanying text.

[306] Samsung Elecs. Co. v. Apple Inc., 580 U.S. 53, 58–59 (2016) (declining to state "total profits" always means all profits from any infringing product).

[307] *See* Burstein, *supra* note 127, at 800 (discussing the *in terrorem* value of huge § 289 claims).

[308] *See id.* (noting that, "[i]n terms of empowering *in terrorem* threats," an open-ended approach that just throws the § 289 issue to the jury is "almost as bad as the *Apple/Nordock* rule").

[309] *See* S. 2987, 116th Cong. (2019) at § 1.

[310] *Frequently Asked Questions: Law Library of Congress*, LIBR. OF CONG. (July 11, 2024), https://ask.loc.gov/law/faq/334496?loclr=bloglaw [https://perma.cc/U8G5-3GR2].

[311] *See supra* section II.A, pp. 487–90.

[312] In 2008, Greg P. Brown, Counsel, Ford Global Technologies, invoked the specter of "counterfeiting" in arguing for a design registration system with rights that would be enforceable by Customs. *Customs Reauthorization: Strengthening U.S. Economic Interests and Security: Hearing Before the S. Comm. on Fin.*, 110th Cong. 34–38 (2008) (written testimony of Greg P. Brown, Counsel, Ford Global Technologies); *see also id.* at 9 (statement of the same).

supporters the bill had.[313] But even if this debate was over forever, it would still be worth analyzing how counterfeit rhetoric has been used in attempts to support bills in Congress.

And even though counterfeit rhetoric might not have carried the day with the 2019 bill, we have seen some evidence that it may be playing a role in convincing judges to allow the Schedule A litigation model.[314] The Schedule A model only works if judges choose to exercise their discretion in several key areas, perhaps most notably in granting *ex parte* asset-freezing injunctions. The judges are not required to issue these orders. They must be persuaded to do so. And counterfeit rhetoric seems to be one reason they keep doing so.[315] Even if counterfeit rhetoric is not used in a particular case, it is used often enough that it seems to be creating a halo of suspicion around all Schedule A cases.

Stepping back, it is important to see the role counterfeit rhetoric is playing in the various situations analyzed here. Design patent owners need a public harm story to attempt to justify certain self-serving legal or policy interventions, especially where there are important interests weighing against such interventions. Design patent owners who want to get the public to pay their enforcement costs need a reason to diverge from the general rule that IP owners must pay to enforce their own private rights and justify imposing those costs onto taxpayers.[316] Design patent owners who want to bring Schedule A cases have to convince judges that there is a good reason to bypass the defendants' constitutional due process rights.[317] Design patent owners who wanted courts to adopt a maximal view of § 289 have to convince them to abandon basic principles of proportionality.[318] In all of these cases, counterfeiting is offered as that critical (or at least one critical) counterweight to the competing interests. But design patent infringement isn't counterfeiting. So the story doesn't fit.

Because design patent law is one of the less widely understood areas of IP law, judges, policymakers, and others might not understand the differences between design patent infringement and

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313 *See* Elizabeth D. Ferrill & Eric A. Liu, *New Legislation Would Empower U.S. Customs to Seize Products Infringing Design Patents at the U.S. Border*, IPOWNERS Q. (Mar. 31, 2020), https://www.finnegan.com/en/insights/articles/new-legislation-would-empower-us-customs-to-seize-products-infringing-design-patents-at-the-us-border.html [https://perma.cc/L9GT-NVR5] (noting that "[c]ompanies such as Nike Inc., 3M Company, Wolverine Worldwide, Columbia Sportswear, Decker Brands, and professional associations, including the Footwear Distributors & Retailers of America, the Intellectual Property Owners Association, the International Trademark Association, and the American Intellectual Property Law Association" supported the bill, *id.* n.16).

314 *See supra* notes 166–77 and accompanying text.

315 As noted before, there may be other factors, including xenophobia, at play here. *See supra* note 156.

316 *See* Osei-Tutu, *supra* note 9, at 770–71.

317 *See* Grinvald, *supra* note 107, at 1534.

318 *See* Burstein, *Lost Its Shape*, *supra* note 64, at 612–13 (discussing how the contemporary fragment claiming regime can lead to disproportionate damage awards under § 289).

counterfeiting — actual or colloquial. This may be different than what we've seen with allegations of theft and piracy in other IP contexts. When a copyright owner calls an accused infringer a "pirate," no one is likely to think that the defendant has literally committed an act of hostility on the high seas.[319] The audience would likely understand it is a rhetorical flourish, even if they are persuaded by it. Is the same true for design patents and counterfeiting? It seems less likely. For this reason, the use of counterfeit rhetoric seems meaningfully different than mere zealous advocacy. This is especially true where advocates use the terms "counterfeit" or "counterfeiting" without defining them.

And in some situations, design patent owners might be using counterfeit rhetoric to try to get a type of backdoor trade dress. In the past, concerns have been raised about people using trademark law protection to obtain a kind of "backdoor patent."[320] But perhaps we should be concerned about the opposite problem — are people using design patent law to get backdoor trademarks?

Consider again the 2019 seizure bill. As noted above, CBP can already seize products that infringe a registered trade dress.[321] So the bill, if enacted, would only be needed in cases where there is no registered trade dress. If a company owns a product design that is distinctive and nonfunctional, they could simply register the trade dress and take advantage of the existing enforcement mechanism. They wouldn't need any statutory amendment. That suggests that the 2019 bill was mainly aimed at designs that have not yet acquired distinctiveness (in which case they wouldn't have confused consumers) or that are functional (and were thus excluded from trade dress protection for policy reasons). In either case, it would seem like the bill was aimed — at least in part — at granting the benefits of trademark law to designs that didn't or couldn't qualify for trademark protection.[322] This is especially true with regard

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[319] *Cf.* 18 U.S.C. § 1652 ("Whoever, being a citizen of the United States, commits any murder or robbery, or any act of hostility against the United States, or against any citizen thereof, on the high seas, under color of any commission from any foreign prince, or state, or on pretense of authority from any person, is a pirate, and shall be imprisoned for life.").

[320] *E.g.*, Viva R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Protection*, 19 BERKELEY TECH. L.J. 1473, 1476 (2004) ("[I]n *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, the Court rejected a request to use trademark law to [effectively] extend a patent past its expiration. . . . An attempt to gain additional protections for an item that falls within the subject matter of patent law may be termed a 'backdoor patent.'" (footnotes omitted)).

[321] *See supra* note 112 and accompanying text.

[322] Some may argue that this is appropriate because it promotes doctrinal bootstrapping. *See generally* Dennis D. Crouch, *A Trademark Justification for Design Patent Rights* 8 n.31 (U. of Mo. Sch. of L. Legal Stud. Rsch. Paper Series, Research Paper No. 2010-17), http://ssrn.com/abstract=1656590 [https://perma.cc/96UJ-82NN] ("Doctrinal bootstrapping is the process of using rights granted under a first doctrine to aid in procuring rights under a second doctrine. . . . [D]esign patents are being used to help obtain trade dress protection over the same industrial design."). A full discussion of the concept of doctrinal bootstrapping is beyond the scope of this Article. But it's

to the latter category. If a design is functional in the way that excludes it from trade dress protection, we shouldn't grant it trademark-like rights without some compelling justification. Granting those rights merely because someone called the design a "counterfeit" would be insufficient — and circular.

VI. LESSONS & IMPLICATIONS

A. Be Careful with the Word "Counterfeit" When Discussing Design Patents

As this analysis shows, counterfeiting and design patent infringement are legally and logically separate topics. Judges, policymakers, defense counsel, and others should recognize the use of the word "counterfeit" in the design patent context might be a result of cross-jurisdictional definitional differences or deliberate rhetorical tactics.[323] Those who use the word "counterfeit" in good faith should define it, clearly and explicitly, to communicate their intended meaning.[324] And those who seek to use studies about "counterfeiting" should clarify how those studies define that term and clearly explain how, if at all, those statistics are relevant to design patent infringement.[325] Judges and others presented with such studies should view them with skepticism and push advocates to actually establish the relevance, if any, of such studies to design patents.

B. We Should Not Import the Term "Counterfeiting" into Design Patent Law

Some commentators have used or suggested using the term "counterfeiting" in connection with design patent law. In a 2013 article, Mark

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worth noting here that granting trademark-like rights to design patent owners is different from allowing those owners to use their design patents to establish actual trademark rights.

[323] *See supra* notes 24–26 and accompanying text.

[324] Sell, *supra* note 273, at 20 ("First, one should insist that IP enforcement proponents define terms such as trademark counterfeiting and copyright piracy quite explicitly."); *see also* Charles R. McManis, *The Proposed Anti-Counterfeiting Trade Agreement (ACTA): Two Tales of a Treaty*, 46 HOUS. L. REV. 1235, 1247–48 (2009) ("Attacking the problem of counterfeiting and piracy without first defining the parameters of the problem to be addressed, however, creates a risk that some of the negotiating parties, or the private stakeholders for whom they speak, under the guise of combating one problem, such as trade in counterfeit or pirated goods, will attempt to combat another, more controversial problem, such as generic medicines or digital file-sharing — a phenomenon not entirely unknown to international intellectual property negotiations." (footnotes omitted)).

[325] *See* Port, *supra* note 123, at 1140 ("Before we shift the burden of enforcement of private intellectual property rights from private parties to public entities, we ought to gather and rely on better data. We ought not to simply vilify all imitative commodities. If the various federal governments are to be asked to come to the aid of some manufacturers who claim they are being imitated (as if that is a new and shocking occurrence) in the form of the ACTA, we need to have better, verifiable data that imitative commodities are doing the harm claimed."); *see also id.* at 1133–34 (stating that the author is "adopting the neutral term imitative commodities to describe what the literature and the press refer to as counterfeit goods or knockoffs, among other pejorative terms" (emphases omitted) (footnotes omitted) (citing CONSUMERS AND LUXURY: CONSUMER CULTURE IN EUROPE 1650–1850, at 164 (Maxine Berg & Helen Clifford eds., 1999))).

Janis and Jason Du Mont used the term to "refer[] to cases in which the accused design is identical to the patented design, and where the accused design is used in connection with" the same article of manufacture.[326] In a 2018 article, Janis suggested the creation of "a new concept" of "design patent counterfeiting."[327] Specifically, he suggested that this new concept would include using "a standard of comparison that is more exacting than the conventional infringement standard" and could require "that the article of manufacture associated with the patented and accused designs must be identical."[328]

But the standard for design patent infringement already requires a high degree of visual similarity,[329] though the accused design need not look like it was "struck from the same die."[330] And after Du Mont's and Janis's articles were published, the Federal Circuit ruled that design patent infringement always requires that the design be used in connection with the same article of manufacture.[331] So it is not clear what this conception of "counterfeiting" would really add to design patent law, especially in light of the larger counterfeit narrative discussed here.[332] We don't need another *faux ami* in design law.[333]

CONCLUSION

Actual counterfeiting is a real problem. But not all infringement is counterfeiting. Describing it as such is a real problem. It is particularly problematic in discussions of design patent law and policy. As this Article has explained, there is no necessary logical or legal connection

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[326] Jason J. Du Mont & Mark D. Janis, *Virtual Designs*, 17 STAN. TECH. L. REV. 107, 171 (2013).

[327] Mark D. Janis, *How Should Damages Be Calculated for Design Patent Infringement?*, 37 REV. LITIG. 241, 277–79 (2018).

[328] *Id.* at 278.

[329] *See supra* note 95 and accompanying text.

[330] Gorham Co. v. White, 81 U.S. (14 Wall.) 511, 531 (1872); *see also* Int'l Seaway Trading Corp. v. Walgreens Corp., 589 F.3d 1233, 1243 (Fed. Cir. 2009) ("Just as 'minor differences between a patented design and an accused article's design cannot, and shall not, prevent a finding of infringement,' so too minor differences cannot prevent a finding of anticipation." (citation omitted) (quoting Litton Sys., Inc. v. Whirlpool Corp., 728 F.2d 1423, 1444 (Fed. Cir. 1984))).

[331] *See In re* SurgiSil, LLP, 14 F.4th 1380, 1382 (Fed. Cir. 2021) ("A design claim is limited to the article of manufacture identified in the claim; it does not broadly cover a design in the abstract."); Curver Luxembourg, SARL v. Home Expressions Inc., 938 F.3d 1334, 1339 (Fed. Cir. 2019) ("Curver's argument effectively collapses to a request for a patent on a surface ornamentation design *per se*. . . . We decline to construe the scope of a design patent so broadly here merely because the referenced article of manufacture appears in the claim language, rather than the figures."). Prior to *Curver* and *SurgiSil*, Janis and Du Mont had suggested that design patents did protect designs *per se*, arguing that a "hypothetical patented daisy [screen] icon design" would be infringed if "replicated on a t-shirt without the design patent owner's authorization." Du Mont & Janis, *supra* note 326, at 171–72. But the Federal Circuit did not adopt that view.

[332] At worst, this kind of definition might not just be confusing — it might be used as a wedge to expand the scope of a design patent by requiring less visual similarity for "normal" infringement.

[333] *See* Burstein, *supra* note 36, at 1455 (discussing "words that appear the same in the key legal regimes (design patent, trademark, and copyright) but which can have problematically different meanings," such as "functional" and "ornamental").

between design patent infringement and actual counterfeiting.[334] Even when the word "counterfeit" is used in its colloquial sense, there is still a mismatch because design patent infringement does not always require product replication and never requires any intent to deceive.[335] Using the word "counterfeiting" in the context of design patents is, at best, confusing. At worst, it's a deliberate attempt to mislead that may be coloring how judges (and others) think about design patent issues and cases.

To be clear, the problem isn't merely that those who use counterfeit rhetoric are using the word "counterfeit" incorrectly. The problem is that they seem to be misusing the word "counterfeit" deliberately, to evoke the specter of dangerous and intentional malfeasance. Used in this way, counterfeit rhetoric is "an inaccurate and manipulative distortion of legal and moral reality."[336]

Judges, policymakers, and others should be skeptical when the words "counterfeit" or "counterfeiting" are used in connection with design patents. They should actively question how and why those terms are being used and realize that these terms may be being used as a rhetorical tactic, not as a factual description.[337] While these audiences may be likely to understand that talk of "piracy" is a rhetorical flourish in cases involving copyright, they might not necessarily understand that the same thing is happening when plaintiffs talk about "counterfeiting" in design patent cases.

Judges in Schedule A cases should be particularly careful. If they keep letting plaintiffs use the Schedule A model for design patent claims, they should consider hiring special masters to help them evaluate the merits of the infringement claims, especially at the TRO stage.[338] They should not let the aura of counterfeiting blind them to potential problems with the extraordinary forms of relief, such as *ex parte* asset freezes, that are regularly granted in these cases.[339] And, to counter the imbalances inherent in the Schedule A model and to encourage the filing of only meritorious claims, they should not hesitate to impose sanctions where defendants are wrongfully restrained.[340] If judges believe that

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[334] *See supra* section III.A, pp. 503–13.

[335] *See supra* section III.A.2.b, pp. 511–13.

[336] *Cf.* Loughlan, *supra* note 240, at 402 (using the same phrase to describe rhetoric involving use of words like "theft" in the context of intellectual property).

[337] *See supra* note 7 and accompanying text.

[338] Burstein, *supra* note 150.

[339] *Id.* ("[A]s Judge Seeger has noted, 'Schedule A plaintiffs typically don't request and receive equitable monetary relief' at the end of their cases, even when equitable relief is available." (quoting Zorro Prods., Inc. v. Individuals, Corps., Ltd. Liab. Cos., P'ships, & Unincorporated Ass'ns Identified on Schedule A Hereto, No. 1:23-cv-05761, 2023 WL 8807254, at *4 (N.D. Ill. Dec. 20, 2023))).

[340] *Id.* ("If judges were willing to sanction plaintiffs — or at least shift fees — when Schedule A defendants were wrongfully restrained, that would do a lot to help level the playing field and incentivize the plaintiffs to bring better claims.").

the Schedule A model is necessary to combat counterfeiting, they should limit its use to cases that actually involve counterfeiting.

More broadly, those who use the words "counterfeit" or "counterfeiting" in good faith should always define it. Those who use it in connection with design patents should explain why they think it is a relevant concept, instead of pretending or suggesting the connection is obvious. Those who cite studies about counterfeits or counterfeiting in connection with design patents should disclose how those studies define those words. They should also clearly explain how they think that any such studies are relevant to design patents. Finally, in light of all of the rhetorical and historical baggage the word "counterfeiting" carries, we should not intentionally import that term into design patent law to create a doctrine or concept of "design patent counterfeiting."

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

EICHER MOTORS LIMITED, Plaintiff, v. THE PARTNERSHIPS AND UNINCORPORATED ASSOCIATIONS IDENTIFIED ON SCHEDULE "A", Defendants.	No. 25-cv-02937 Judge John F. Kness

MEMORANDUM OPINION AND ORDER

This case involves claims of trademark infringement against a group of online foreign-merchant Defendants who, Plaintiff asserts, are acting in coordinated fashion to pillage Plaintiff's intellectual property rights. It is but one of thousands of similar trademark, copyright, and patent infringement actions that, since the early 2010s, have proceeded under the so-called "Schedule A" model that originated and remains paramount in the Northern District of Illinois. Called "Schedule A" because of the practice of listing the dozens (often hundreds) of defendants in a document attached to the complaint as "Schedule A," the model involves a brand owner suing multiple joined defendants for trademark, copyright, or patent infringement.

A typical Schedule A case follows a well-worn path: the plaintiff files a complaint, generally under seal and often under a pseudonym. Along with the complaint, the plaintiff also files motions to restrain the defendants' assets held in

online marketplace accounts (most defendants are foreign storefronts doing business on popular e-commerce platforms such as Amazon, Etsy, and Walmart) and to enter a temporary restraining order barring further infringement. But these requests are typically not litigated in adversarial fashion, as plaintiffs almost always seek and obtain leave to proceed under seal and ex parte. By the time any defendant appears in the case, it is most often after the defendant's account has been frozen and its funds restricted. Schedule A cases almost exclusively get resolved after the entry of a preliminary injunction, dismissal of some defendants, settlements with others, and a default judgment against the remainder.

This inventive scheme had its origins in a genuine and well-documented problem: domestic IP rightsholders' contention with the threat of foreign competitors, often located in the People's Republic of China,[1] misappropriating their IP in sales through online marketplaces. That brand owners would seek to curb costly and damaging infringement through innovative means is both understandable and predictable.

Many judges in the Northern District of Illinois have accepted the Schedule A mechanism as a well-established method of redress for IP rightsholders. But as legal scholars and judges have increasingly recognized, in part due to the deluge of

[1] *See* Lei Zhu, *Made in China, Sued in the U.S.: The Exploitation of Civil Procedure in Cross-Border E-Commerce Trademark Infringement Cases*, 34 Duke J. Comp. & Int'l L. 139, 140 (2023) ("It is estimated that the Chinese cross-border e-commerce industry reached a market size of more than $3.5 trillion in 2020. However, many do not know that these Chinese sellers are being targeted by a wave of trademark infringement lawsuits in U.S. federal courts . . . that began in the early 2010's, with the Northern District of Illinois being the most-favored forum to file such suits.").

Schedule A cases filed in only a small number of judicial districts, the Schedule A mechanism works only by stretching applicable procedural rules past their breaking point.

Having imposed an across-the-board stay in all newly-filed Schedule A cases on its docket, this Court has taken a fresh and close look at the propriety of the Schedule A mechanism. That review has not been flattering: as explained below, the routine granting of preliminary injunctive relief in the absence of adversarial proceedings; the widespread sealing of judicial documents from public scrutiny; the pell-mell prejudgment freezing of defendants' assets to ensure the practical availability of a legal remedy; and the mass joinder of multiple defendants is unjustified under the procedural rules and should not continue. Although the scourge of intellectual property theft and abuse is real, persistent, and highly damaging, the remedy for that problem must be sought by other means. Accordingly, Plaintiff's motion for a temporary restraining order is denied.

I. BACKGROUND

A. The "Schedule A" Phenomenon

Combatting pernicious infringement of the intellectual property rights of individuals and entities has been a goal of brand owners and others for many years, but the effectiveness of those efforts has been blunted by the ubiquitous availability of online suppliers and their confederates in the supply chain—many of whom are based overseas. As here, plaintiffs in Schedule A cases often cite in affidavits and include as exhibits literature on the problem of foreign counterfeiting. (*See, e.g.,* Dkt. 12-3 ¶ 3 ("According to an intellectual property rights seizures statistics reports

issued by Homeland Security, the manufacturer's suggested retail price (MSRP) of goods seized by the U.S. government in 2024 was $5.4 billion. 32.3 million products were seized in 2024, up from 23 million in 2023. From fiscal year 2020 to fiscal year 2024, the total number of goods seized has increased 311% and the MSRP of seized goods has increased 415%."); Dkt. 12-5 at 4 ("China and Hong Kong are consistently the top two countries for IPR seizures. In FY 2024, seizures from China and Hong Kong accounted for approximately 90% of the total quantity seized.").)

Starting well over a decade ago (the provenance is not clear), some plaintiffs and their counsel created a mechanism by which IP owners can hit infringers where it hurts: in the pocketbook. As argued by experienced and able plaintiffs' counsel in another case, the "Schedule A" mechanism has been effective in blunting the harm wrought by the wholesale pillaging of legitimate IP rights by primarily overseas actors. *See Collegiate Licensing Co., LLC v. Schedule "A,"* No. 24-cv-06219 (N.D. Ill. Sept. 27, 2024), Dkt. 23 at 8 ("Schedule A cases are one of the few effective mechanisms for brand owners to combat the onslaught of online infringement from offshore bad actors (located primarily in China and Vietnam). Schedule A cases are extremely effective at deterring infringers because there are real consequences for infringement. Specifically, the [prejudgment] asset restraint ensures that infringers are required to turn over ill-gotten profits.").

Schedule A litigation commences when a plaintiff files a single case with a voluminous list of defendants attached as a separate document (the so-called "Schedule A" to the complaint). In the paradigmatic case, the Schedule A plaintiff

uses this maneuver to assert IP rights against a mass of anonymous and (most often) foreign defendants, who operate stores on popular e-commerce sites and allegedly sell infringing or counterfeit products. Schedule A complaints ordinarily are drafted at a high level of generality (bordering on boilerplate) and lack specifics as to each defendant or how the defendants relate to one another. Schedule A cases are also typically brought on an ex parte basis and are accompanied by (1) a motion seeking an emergency TRO against the allegedly infringing behavior; (2) a request for a prejudgment asset restraint; (3) a motion to keep a portion, or even all, of the proceedings sealed; and (4) a motion for electronic service of process. *See, e.g.*, Eric Goldman, *A Sad Scheme of Abusive Intellectual Property Litigation*, 123 Colum. L. Rev. F. 183, 186–93 (2023) (case study of typical Schedule A case); Sarah Frackrell, *The Counterfeit Sham*, 138 Harv. L. Rev. 471, 493–95 (2024). The prevalence of Schedule A cases, and the pro forma manner by which they are filed, has spurred commentary from the academy, the judiciary, and beyond.[2]

Judges in this District have routinely granted plaintiffs' initial requests in Schedule A cases. But as time has passed, and as Schedule A cases have inundated

[2] Because the topic has been covered extensively elsewhere, this opinion will not tarry over a lengthy explanation of the development of Schedule A cases and how the mechanism has worked. *See, e.g.*, *Sad Scheme* at 186–93; *The Counterfeit Sham* at 493–95; *Zorro Prods., Inc. v. Individuals, Corps., Ltd. Liab. Companies, Partnerships, & Unincorporated Associations Identified on Schedule A Hereto*, No. 23-CV-5761, 2023 WL 8807254 (N.D. Ill. Dec. 20, 2023); Bianca E. Ciarroni & Marcus S. Harris, *Understanding Schedule A Trademark Litigation - A Step-by-Step Guide*, Taft Stettinius & Hollister LLP (Feb. 20, 2025), https://www.taftlaw.com/news-events/law-bulletins/understanding-schedule-a-trademark-litigation-a-step-by-step-guide/.

judges' dockets in this District,[3] the validity of the present approach has become less convincing. Schedule A defendants now regularly appear to contest, among other issues, jurisdiction, joinder, and the plaintiff's entitlement to an asset restraint, often with success. The subject matter of Schedule A litigation has also grown to encompass complex IP disputes, including design and even utility patent infringement. This complexity renders the sound adjudication of the TRO request all but impossible in the absence of adversarial briefing. Schedule A plaintiffs routinely ask judges in this District to decide issues that are not properly amenable to resolution on an ex parte, emergency basis (which of course should be a rare occurrence). That lack of an adversarial presentation at the critical early stage of these cases has forced this Court to reassess, on its own initiative, the standard approach to Schedule A cases.[4]

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[3] Although the reasons why are unclear, the Northern District of Illinois started out as and remains the epicenter of Schedule A litigation. *See Sad Scheme* at 194–96. Even a cursory review of public dockets using the methodology described by Professor Goldman, *see id.*, confirms that this District continues to be the overwhelmingly preferred forum by Schedule A plaintiffs, with hundreds or thousands of such cases pending (nearly three quarters of which involve allegations of trademark infringement).

[4] It appears that no Seventh Circuit decision has comprehensively addressed whether the Schedule A mechanism comports with the Federal Rules of Civil Procedure or general principles of procedural due process. Other judges in this District, however, have increasingly voiced concerns or asked for additional briefing on aspects of the Schedule A approach. *See*, *e.g.*, *Zorro*, 2023 WL 8807254 (Seeger, J.); *Estee Lauder Cosms. Ltd. v. Partnerships & Unincorporated Associations Identified on Schedule A*, 334 F.R.D. 182 (N.D. Ill. 2020) (Chang, J.); *Roadget Bus. Pte. Ltd. v. Individuals, Corps., Ltd. Liab. Companies, Partnerships, & Unincorporated Associations Identified on Schedule A Hereto*, No. 24-cv-00607, 2024 WL 5438707 (N.D. Ill. Feb. 13, 2024) (Jenkins, J.); *Mercis, B.V. v. Individuals, Corps., Ltd. Liab. Companies, Partnerships, & Unincorporated Associations Identified on Schedule A Hereto*, No. 24-cv-03780, 2024 WL 5440025 (N.D. Ill. Nov. 18, 2024) (Alonso, J.); *Bailie v. Partnerships & Unincorporated Associations Identified on Schedule A*, 734 F. Supp. 3d 798 (N.D. Ill. 2024) (Gottschall, J.); *Zaful (Hong Kong) Ltd. v. Individuals, Corps., Ltd. Liab. Companies, Partnerships, & Unincorporated Associations Identified on Schedule A*, No. 24-cv-11111, 2025 WL 71797 (N.D. Ill. Jan. 10, 2025) (Perry, J.); *Viking Arm AS v. Partnerships & Unincorporated Associations Identified on Schedule A*, No. 24-cv-01566, 2024 WL 2953105 (N.D. Ill. June 6, 2024) (Hunt, J.).

B. Procedural History

In this case, Plaintiff Eicher Motors Limited alleges that Defendants have committed federal trademark infringement and counterfeiting, common law trademark infringement, false designation of origin, and a violation of the Illinois Uniform Deceptive Trade Practices Act. (Dkt. 1 ¶¶ 24–50; Dkt. 12 at 14–22.) Specifically, Plaintiff, a motorcycle brand, alleges that fifty Defendants (listed on a provisionally sealed Schedule A) are selling products bearing counterfeit versions of Plaintiff's ROYAL ENFIELD trademarks through online marketplaces such as Aliexpress and Alipay. (Dkt. 1 ¶¶ 3–23; Dkt 8.)

Upon filing the complaint, Plaintiff moved for an ex parte TRO, temporary asset restraint, expedited discovery, and service of process by email or electronic publication. (Dkt. 11.) To justify those requests, Plaintiff states that, "[i]n light of the covert nature of offshore counterfeiting activities and the vital need to establish an economic disincentive for trademark infringement, courts regularly issue such orders." (Dkt. 12 at 11.) More specifically, Plaintiff justifies joining fifty Defendants to this action because "there are numerous similarities among the Defendants' Internet Stores" in their design, and "upon information and belief," they are interrelated. (*Id.* at 16.)

Plaintiff also asserts that, as a general proposition, "counterfeiters like Defendants will often register new online marketplace accounts under new aliases once they receive notice of a lawsuit." (*Id.* at 17.) In "the absence of a temporary

restraining order without notice," Plaintiff states, "Defendants can and likely will modify registration data and content, change hosts, redirect traffic to other websites in their control, and move any assets from U.S.-based bank accounts, including Aliexpress and Alipay accounts." (*Id.* at 19.) According to Plaintiff, the need for ex parte relief is therefore "magnified in today's global economy where counterfeiters can operate over the Internet in an anonymous fashion." (*Id.* at 35.) Ex parte relief is also justified because Plaintiff is unaware of the identities and locations of Defendants and because "[m]any courts have authorized immediate injunctive relief in similar cases involving the unauthorized use of trademarks and counterfeiting." (*Id.* (citing cases).)

II. STANDARD OF REVIEW

It has been long established that a TRO is "an extraordinary and drastic remedy," *Goodman v. Ill. Dep't of Fin. & Prof'l Regulation*, 430 F.3d 432, 437 (7th Cir. 2005), and may only be issued without notice to the opposing party or its attorney if "specific facts in an affidavit or a verified complaint *clearly* show that immediate and irreparable injury, loss, or damage will result to the movant before the adverse party can be heard in opposition." Fed. R. Civ. P. 65(b)(1)(A) (emphasis added). Preliminary injunctive relief "require[s] a clear showing that the movant is entitled to it." *Xped LLC v. Entities Listed on Ex. 1*, 690 F. Supp. 3d 831, 853 (N.D. Ill. 2023). To obtain a TRO, a plaintiff must satisfy the required injunction factors and demonstrate: (1) a likelihood of success on the merits; (2) that it has no adequate remedy at law; and (3) that it will suffer irreparable harm if the relief is not granted. *See, e.g.*, *GEFT Outdoors, LLC v. City of Westfield*, 922 F.3d 357, 364 (7th Cir. 2019). If each of those

factors is met, the Court, employing a sliding scale approach, first weighs the harm the plaintiff will suffer absent an injunction against the harm to the defendant from an injunction; it next considers whether an injunction is in the public interest. *See id.*

III. DISCUSSION

A. The Requested Relief is Unwarranted

1. Ex Parte Proceedings Ought to be Reserved for Extraordinary Circumstances Not Typically Present in Schedule A Cases

Plaintiffs in Schedule A cases typically seek, as Plaintiff does here, an emergency TRO on an ex parte basis. But a TRO is itself an "extraordinary and drastic remedy," made even more so when it is sought without providing notice to the other side. *Goodman*, 430 F.3d at 437. That is why Rule 65(b) of the Federal Rules of Civil Procedure heightens the burden on plaintiffs seeking ex parte injunctive relief to aver specific facts justifying a departure from the general rule in favor of adversarial proceedings and public access to the courts. *See*, *e.g., Granny Goose Foods v. Bhd. of Teamsters & Auto Truck Drivers*, 415 U.S. 423, 439 (1974) ("[O]ur entire jurisprudence runs counter to the notion of court action taken before reasonable notice and an opportunity to be heard has been granted both sides of a dispute."); *Am. Can Co. v. Mansukhani*, 742 F.2d 314, 321 (7th Cir. 1984) (district court may not "disregard[] the strict procedural requirements of Fed. R. Civ. P. 65(b) for the issuance of such ex parte orders" because, even though Rule 65(b) expressly contemplates their issuance, "the circumstances in which an ex parte order should be granted are extremely limited."). Indeed, under Rule 65(b), a court may issue a TRO without written or oral notice to the adverse party or its attorney only if:

> (A) **specific facts** in an affidavit or a verified complaint **clearly show that immediate and irreparable injury, loss, or damage will result** to the movant before the adverse party can be heard in opposition; and
>
> (B) the movant's attorney certifies in writing any efforts made to give notice and the reasons why it should not be required.

Fed. R. Civ. P. 65(b)(1) (emphasis added). These are not trivial requirements.

Start with the requirement of specific facts. Without the benefit of adversarial briefing, the Court "has no choice but to rely on the plaintiff's truthfulness." *Xped*, 690 F. Supp. 3d at 859. It is therefore essential that facts be stated specifically and under penalty of perjury. Accordingly, an ex parte TRO should be granted only under "extremely limited" circumstances and with "stringent restrictions." *Am. Can.*, 742 F.2d at 321. Ex parte TROs should be "restricted to serving their underlying purpose of preserving the status quo and preventing irreparable harm just so long as is necessary to hold a hearing, and no longer." *Granny Goose*, 415 U.S. at 439. They "are most familiar to courts where notice to the adversary party is impossible either because the identity of the adverse party is unknown or because a known party cannot be located in time for a hearing." *Am. Can*, 742 F.2d at 314; *see also Am. Girl, LLC v. Nameview, Inc.*, 381 F. Supp. 2d 876, 880 (E.D. Wis. 2005) ("There is also 'a very narrow band of cases in which ex parte orders are proper because notice to the defendant would render fruitless the further prosecution of the action.' ") (citing *Am. Can.*, 742 F.2d at 322).

Schedule A cases rarely, if ever, meet this requirement. This Court has not encountered a Schedule A case (the present case is no exception) in which the Schedule A plaintiff provided specific facts showing that *each Defendant* will cause

irreparable injury absent an injunction. As others have noted, and as has been confirmed by the Court's experience, Schedule A complaints are typically drafted at a high level of generality and allege that defendants' infringement, *en masse*, threatens irreparable harm in the absence of a TRO. *See*, *e.g., Sad Scheme* at 187 ("The complaint will generically contain sparse factual assertions that are not particularized to any defendant, which makes it easy to clone-and-revise the complaint for subsequent cases."); *Zorro*, 2023 WL 8807254, at *2 ("By and large, the Schedule A bar uses the same template in each case, treating the filings like a factory mold. They change a few names, tinker here and there, and then kick out a new complaint for a new client.").

That approach is, on its face, incompatible with Rule 65(b)'s specificity requirement. Of course, ex parte emergency relief has its place: to maintain the status quo if proceeding without the other party is absolutely necessary; if notice to the defendant would render the action fruitless (a point addressed below); or if it is impossible to locate defendants, among other extraordinary considerations. But Schedule A cases do not meet the exigencies, particularly given their now-routine nature.

Schedule A plaintiffs attempt to justify their requests for ex parte TRO relief by suggesting that defendants' alleged counterfeiting is inherently "deceitful and secretive," such that foreign Schedule A defendants are likely to dispose of assets or evidence and are thus primed to violate court orders if they knew they were subject to suit. *See*, *e.g.*, *Collegiate Licensing Co., LLC v. Schedule "A"*, No. 24-cv-06219 (N.D.

Ill. Sept. 27, 2024), Dkt. 23 at 2–5. But that approach cannot be squared with Rule 65(b)'s specificity requirement, because it asks courts to assume what plaintiffs are required to allege as to each defendant. In effect, Schedule A asks the Court to put the ex parte cart before the horse: presume that defendants will act nefariously unless shown otherwise. That gets Rule 65(b) backward. Our system defaults to the principles of transparency and notice, and *plaintiffs* must justify the extraordinary departure from that rule with specifics.

To be sure, it might be possible for a plaintiff to show, with specific facts, that it was highly probable that a particular infringer would dispose of infringing goods in the hours before the TRO hearing could be held. *See*, *e.g., Badger Daylighting Corp. v. Rutherford*, No. 1:24-CV-00912-TWP-TAB, 2024 WL 3318251, at *4 (S.D. Ind. June 3, 2024) (citing *In the Matter of Vuitton et Fils S.A.*, 606 F.2d 1, 5 (2d Cir. 1979)). Other plaintiffs (such as the plaintiff in *Vuitton*) have successfully shown that defendants' actions rendered it impossible to seize allegedly infringing, tangible goods so that a court could properly adjudicate the matter. In such instances, it makes sense to allow an ex parte proceeding to preclude the irreparable harm of allowing specific infringing goods to reach the marketplace.[5]

[5] In trademark cases, the Lanham Act "expressly allows ex parte seizures" in cases involving allegations relating to tangible counterfeit goods. *Lorillard Tobacco Co. v. Canstar (U.S.A.) Inc.*, No. 03-cv-04769, 2005 WL 3605256, at *1 (N.D. Ill. Aug. 24, 2005); *see* 15 U.S.C. § 1116(d)(1)(A) ("In the case of a civil action . . . with respect to a violation that consists of using a counterfeit mark . . . the court may, upon ex parte application, grant an order . . . providing for the seizure of goods and counterfeit marks involved in such violation . . . .") Perhaps reflecting the extraordinary nature of ex parte proceedings, the Lanham Act requires a number of procedural safeguards, including notification to the United States attorney for the judicial district in which an order is sought, so that the United States has the opportunity to participate, *id.* § 1116(d)(2); an affidavit or verified complaint, *id.*

But that situation is a far cry from the typical Schedule A case. Make no mistake: the *sine qua non* is the seizure of defendants' monetary assets (not specific infringing goods) at the beginning of the case, before even a single defendant has appeared. Schedule A plaintiffs are candid about that goal and praise its effectiveness in deterring infringement. *See, e.g.*, *Collegiate Licensing,* No. 24-cv-06219, Dkt. 23 at 8 ("Schedule A cases are extremely effective at deterring infringers because there are real consequences for infringement. Specifically, the asset restraint ensures that infringers are required to turn over ill-gotten profits."). But it is unlikely that what plaintiffs seek to achieve through preliminary injunctive relief amounts to the kind of immediate and irreparable injury, loss, or damage contemplated by Rule 65(b). By and large, the predominate relief sought in Schedule A cases is an award of statutory money damages; and it is plaintiffs' belief that Schedule A defendants will spirit away their funds to unreachable places that drives the request to proceed ex parte. A damages award, however, is a form of legal remedy incompatible with Rule 65(b)'s equitable nature. Given that any irreparable harm wrought by infringement[6] can, as

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§ 1116(d)(3); adequate security for wrongful seizure, § 1116(d)(4)(A), a requirement that the Court find specific facts, *id.* § 1116(d)(4)(B), and that the materials seized be taken into the custody of the Court, *id.* § 1116(d)(7), among other protections. That this provision of the Lanham Act—upon which Plaintiff does not rely—provides an explicit procedure for ex parte proceedings and specifies the remedy (seizure of goods, not monetary assets) further undercuts the Schedule A formula's reliance on the more generalized ex parte process of Rule 65(b).

[6] Irreparable harm is "especially likely in a trademark case because of the difficulty of quantifying the likely effect on a brand of a nontrivial period of consumer confusion (and the interval between the filing of a trademark infringement complaint and final judgment is sure not to be trivial)." *Kraft Foods Grp. Brands LLC v. Cracker Barrel Old Country Store, Inc.*, 735 F.3d 735, 741 (7th Cir. 2013); *but see Holbrook Mfg. LLC v. Rhyno Mfg. Inc.*, 497 F. Supp. 3d 319, 333 (N.D. Ill. 2020) (calling into question the presumption of irreparable harm) (citing *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006)).

with more traditional forms of IP litigation, be addressed through preliminary injunctive relief following an adversarial proceeding, the use of Rule 65(b) to ensure an unimpeded path to a prejudgment asset restraint is unsound.

Rule 65(b) also has a second, occasionally overlooked requirement: certification. Rule 65(b) requires that "the movant's attorney certifies in writing any efforts made to give notice and the reasons why it should not be required." Fed R. Civ. P. 65(b)(1)(B). Failure to satisfy this prong alone necessitates denial of an ex parte TRO request. *See*, *e.g., Stoller v. Altisource Residential L.P.*, No. 18-CV-7169, 2019 WL 13328428, at *1 (N.D. Ill. Mar. 14, 2019) ("Here, [plaintiffs] have not adequately certified in writing their efforts to give notice to opposing counsel. This, in itself, warrants denial of their motion under Federal Rule of Civil Procedure 65(b)."); *Dant Clayton Corp. v. Slocum*, No. 4:24-CV-00095, 2024 WL 3730942, at *3 (S.D. Ind. July 16, 2024) (similar). This certification requirement serves to bolster the specificity requirement; the attorney must put skin in the game and detail the efforts made to give notice or aver why he or she, personally, believes notice should not be required. But the boilerplate certifications that are endemic in Schedule A litigation raise significant questions as to whether attorneys are meeting their obligations under Rule 65 by seeking extraordinary relief without providing specifics as to why notice was not required for each defendant.

Of course, the concerns detailed above relate principally to whether the Schedule A mechanism is consistent with the text of Rule 65. There are, however, broader concerns about whether these commonplace efforts in Schedule A cases to

obtain secret relief comport with principles of procedural due process. A party faced at the outset with the specter of a secretly-imposed asset restraint starts the game backed up against their own end zone. This disadvantage can distort the parties' respective settlement positions and otherwise alter the balance of power to defendants' detriment. *See Sad Scheme* at 183 ("With substantial assistance from judges, rightsowners can use these dynamics to extract settlements from online merchants without satisfying basic procedural safeguards . . . ."). Schedule A plaintiffs may cite this coercive effect as a net benefit, given the ability of overseas defendants to hide assets, regroup under a different online moniker, and continue their nefarious dealings, but that is largely beside the point. Courts cannot permit a threshold presumption in favor of brand-owner plaintiffs any more than they could permit a presumption in favor of any other plaintiff. Pilfering intellectual property causes great harm, to be sure, but the remedy does not lie in stretching the civil rules past the breaking point. *C.f. Brewer v. Williams*, 430 U.S. 387, 406 (1977) ("[Z]eal for the public good does not assure either wisdom or right in the methods it pursues.").

In the same vein, the approach of Schedule A plaintiffs also raises questions about whether their primary aim is to stop infringement. Secrecy makes little sense if the goal of the litigation is to protect rightsholders' IP interests by obtaining an injunction against defendants' sales of infringing or counterfeit goods. Such a goal requires that defendants receive an order to stop. As Judge Seeger has explained, if rightsholders *actually* want the foreign sellers to "knock it off," a court order to that effect "won't do much good unless [d]efendants are told to stop counterfeiting[.]"

Zorro, 2023 WL 8807254, at *3. Indeed, such an order "requires publicity, not secrecy." *Id*. Put another way, the purported goal of seeking emergency injunctive relief to stop particular individuals or businesses from selling infringing products is incompatible with secret, one-sided proceedings.

There is, as discussed above, an inherent tension between the generalized Schedule A mechanism and Rule 65(b)'s demand for specificity. Schedule A plaintiffs have sought to create a mass-action mechanism by which one complaint stating a claim for relief is used to sue a mass of defendants. But the efficiency of Schedule A depends upon the complaint applying broadly to each defendant; otherwise, the plaintiff would have to file separate cases, precisely the scenario Schedule A plaintiffs appear to seek to avoid. Submitting a broadly-drafted complaint along with a demand for emergency ex parte relief against dozens, if not hundreds, of defendants creates an unworkable tension between efficiency and the specifics needed as to each defendant before injunctive relief can be imposed. Those requirements of specificity serve to protect nonmovants, the public, and the integrity of the judiciary; they must not be callously disregarded. As to Schedule A cases in general, and this case in particular, the Court is unsatisfied that the standard for ex parte relief has been met. That alone suffices to deny the present request for a TRO.

2. A Prejudgment, Ex Parte Asset Restraint is Unwarranted

Another facet of the Schedule A model is that plaintiffs routinely seek an ex parte prejudgment freeze of defendants' assets at the outset of the case. *See*, *e.g., The Counterfeit Sham* at 494 n.152. Because a district court "may not issue an injunction freezing assets in an action for money damages where no equitable interest is

claimed," *CSC Holdings, Inc. v. Redisi*, 309 F.3d 988, 996 (7th Cir. 2002) (citing *Grupo Mexicano de Desarrollo S.A. v. Alliance Bond Fund, Inc.*, 527 U.S. 308, 333 (1999)), Schedule A plaintiffs typically justify their request for an asset restraint under the theory that assets must be preserved for a later equitable accounting of defendants' profits. But as Judge Seeger has examined at length, an equitable recovery, as a practical matter, "almost never" happens in Schedule A cases. *Zorro*, 2023 WL 8807254, at *4. Schedule A plaintiffs instead typically "rush into court, request and receive an asset freeze, and obtain a default judgment. And then, the Schedule A plaintiffs ask district courts to unfreeze the money and award statutory damages, not equitable relief." *Id.* Stated differently, Schedule A plaintiffs typically "receive a remedy at law, not a remedy in equity, which means that there was no justification for an asset freeze in the first place." *Id.*

This Court's experience has been similar, in that it has not seen a Schedule A trademark or copyright plaintiff seek an equitable monetary remedy at the end of the case (patent cases are the occasional and rare exception, given the lack of a statutory damages remedy). On the contrary, as to remaining defendants who have not settled or otherwise been dismissed, plaintiffs seek a default judgment that awards statutory money damages. Seeking an asset freeze at the outset thus appears to be an coercive goal in and of itself because, if obtained, the freeze immediately locks down defendants' assets, which combined with the ex parte TRO, causes "severe or fatal cash-flow problems for the defendant, which may not be able to pay its vendors, employees, or lawyers." *See Sad Scheme* at 191.

It is for precisely those reasons that prejudgment asset restraints ought to be the rare exception, not the norm that they have become in the Northern District of Illinois. Although the Court presumably could properly entertain a request for an asset freeze "for the limited purpose of allowing equitable relief down the road," *Zorro*, 2023 WL 8807254, at *4, an asset freeze that strangles defendants at the outset, thus rationally prompting them to settle involuntarily, is far from equitable and is inconsistent with *Grupo Mexicano*. And even if a prejudgment asset restraint could lawfully be granted under these circumstances, equitable relief such as an accounting is traditionally a discretionary remedy. *See Int'l Fin. Servs. Corp. v. Chromas Techs. Can., Inc.*, 356 F.3d 731, 736 (7th Cir. 2004). In view of the practical realities outlined above, the Court will exercise its discretion to deny requests for a prejudgment, ex parte asset freeze in this and other Schedule A cases.

B. Plaintiff is Not Entitled to a TRO

A separate issue, beyond the matters analyzed above, is the substantive question whether Plaintiff is entitled to a TRO. Applying the relevant injunction factors and weighing the parties' relative interests at this pre-adversarial stage, the Court finds that a TRO is unwarranted.

1. Injunction Factors: Likelihood of Success, Adequate Remedy at Law, and Irreparable Harm

Schedule A TRO motions, in this case and others, should fail at the outset because it is all but impossible for the Court to discern the likelihood of success from the one-sided evidence provided. Plaintiffs in Schedule A cases regularly base their TRO requests (purportedly intended to stop defendants' counterfeiting or

infringement) on voluminous pages of screenshots from online marketplaces. *See*, *e.g.*, *The Counterfeit Sham* at 493–500; *Sad Scheme* at 193–94. It is nearly impossible to resolve whether defendants are engaged in counterfeiting on such a sparse record, without the actual products at issue,[7] absent adversarial briefing, and based solely on comparing hundreds of screenshots to plaintiffs' asserted intellectual property.

As for the other injunction factors, it is true that "the Seventh Circuit has 'clearly and repeatedly held that damage to a trademark holder's goodwill can constitute irreparable injury for which the trademark owner has no adequate legal remedy,' " and that as a result irreparable harm "is generally presumed in trademark infringement cases." *Milwaukee Elec. Tool Corp. v. Schedule "A"*, No. 24 C 12487, 2025 WL 1677503, at *4 (N.D. Ill. June 13, 2025) (quoting *Re/Max N. Cent., Inc. v. Cook*, 272 F.3d 424, 432 (7th Cir. 2001)). To reiterate the concerns above, the generic facts alleged in Schedule A cases cannot satisfy Rule 65(b); by extension, Schedule A plaintiffs should not be entitled to such presumptions. For present purposes, however,

[7] It is particularly difficult to analyze on an ex parte basis whether defendants are likely to succeed on a showing of likelihood of confusion for trademark infringement, or that the alleged goods bear counterfeit marks. It is true that courts "can presume likelihood of confusion where a defendant 'produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product.' " *Ent. One UK Ltd. v. 2012Shiliang*, 384 F. Supp. 3d 941, 949 (N.D. Ill. 2019) (quoting *Microsoft Corp. v. Rechanik*, 249 Fed. App'x. 476, 479 (7th Cir. 2007)). But plaintiffs in Schedule A cases do not produce the goods in question; rather, they typically attach a series of screenshots of the supposedly infringing or counterfeit goods. The ex parte production of screenshots is insufficient to obtain the benefit of this presumption; perhaps defendants will assert they have license to use the mark or marks in question, or perhaps a physical examination of the goods will reveal that they do not meet the strict definition of "counterfeit." In any event, to decide these issues on an ex parte basis without adversarial briefing asks too much.

it can be assumed that the irreparable harm and adequate remedy at law factors are met.

2. Balance of Interests

Even assuming that the likelihood of success, irreparable harm, and adequate remedy at law factors are met, the Court is not persuaded that the Schedule A mechanism satisfies the balance of interests inquiry—or even that the Court can properly weigh the interests at stake without Defendants' presence in the case. In this second stage of the injunction inquiry, the Court must "balance the nature and degree of the plaintiff's injury, the likelihood of prevailing at trial, the possible injury to the defendant if the injunction is granted, and the wild card that is the public interest." *Lawson Prods., Inc. v. Avnet, Inc.*, 782 F.2d 1429, 1433 (7th Cir. 1986) (cleaned up). Using a sliding scale approach, the test requires the court to weigh "the irreparable harm that the moving party would endure without the protection of the preliminary injunction against any irreparable harm the nonmoving party would suffer if the court were to grant the requested relief," and where appropriate consider the public interest. *Girl Scouts of Manitou Council, Inc. v. Girl Scouts of U.S. of Am., Inc.*, 549 F.3d 1079, 1086 (7th Cir. 2008).

Starting with the private interests at stake, it is difficult to see how this balancing can be done reliably on the sparse and one-sided record present at the beginning of a typical Schedule A case. Schedule A complaints are, to repeat, drafted at a high level of generality; it is impossible to know the irreparable harm the moving party faces vis-à-vis any particular defendant. More to the point, without appearances from defendants in the case, courts have no reliable way to assess how

the proposed injunctive relief will harm the nonmoving parties. That fact renders balancing the private interests impossible.

Separately, there is significant doubt that the Schedule A mechanism serves the public interest. To satisfy interest balancing, the "injunction must do more good than harm (which is to say that the 'balance of equities' favors the plaintiff)." *Hoosier Energy Rural Elec. Co-op., Inc. v. John Hancock Life Ins. Co.*, 582 F.3d 721, 725 (7th Cir. 2009); *see also* M Devon Moore, *The Preliminary Injunction Standard: Understanding the Public Interest Factor*, 117 Mich. L. Rev. 939, 949 (2019) ("A plaintiff required to prove that an injunction furthers the public interest faces a high burden . . . .").

Schedule A cases may be more likely to harm the public interest than to favor it. As Professor Goldman notes in *Sad Scheme*, the Schedule A mechanism works to "create an environment in which rightsowners can nominally follow the rules and yet achieve abusive and extortive outcomes." *Sad Scheme* at 197. When courts bless generic ex parte pleadings with sealed emergency injunctions and asset restraints for (potentially) hundreds of defendants at once, defendants learn about the lawsuit against them only when their marketplace accounts are frozen. *Id.* at 191. That leaves defendants' businesses and cash flow "in tatters." *Id.* Schedule A plaintiffs then "offer a convenient resolution—settle at a price reflecting the merchant's dire need for an immediate solution," and if the defendant accepts, the Schedule A plaintiffs dismiss the defendant from the case. *Id.* at 191–92.

This landscape harms the public in several ways. To begin, it forces settlements where defendants might otherwise prefer to litigate the case but cannot do so because their assets and business are locked up by an injunction. Defendants in Schedule A cases therefore tend to "settle involuntarily—without the court hearing their story at all—because it's cheaper, quicker, or more predictable compared to fighting back." *Id.* at 192. Prompting unwarranted settlements is a "systemic process failure, not the prosocial outcomes normally associated with settlements." *Id.*

A broader concern from the public's standpoint ought to be the routine granting—in cookie-cutter fashion, multiple times per day, for years on end—of ex parte injunctive relief. To restate the law: a TRO is "an extraordinary and drastic remedy," *Goodman*, 430 F.3d at 437, and one that "should not be granted as a matter of course." *Monsanto Co. v. Geertson Seed Farms,* 561 U.S. 139, 165 (2010). A single federal judicial district granting hundreds or thousands of requests per year for ex parte, "extraordinary" TROs should by itself give the Judiciary serious pause on the public's behalf. This alone may be, indeed is, an independent and sufficient reason to deny a TRO in this and other Schedule A cases.

C. Joinder

A final point: the Court echoes concerns raised elsewhere in this District about the propriety of joining multiple defendants in Schedule A cases. *See Estee Lauder Cosms. Ltd. v. Partnerships & Unincorporated Associations Identified on Schedule A*, 334 F.R.D. 182, 187–90 (N.D. Ill. 2020) (Chang, J.) ("[I]t is not enough for a plaintiff to simply allege that multiple defendants have infringed the same patent or trademark to meet Rule 20's requirements."); *Bailie v. Partnerships &*

Unincorporated Associations Identified on Schedule A, 734 F. Supp. 3d 798, 802–04 (N.D. Ill. 2024) (Gottschall, J.) (conclusory allegations without specific facts are not sufficient to satisfy Rule 20(a)(2)'s requirements for joinder). Accordingly, should Plaintiff wish to maintain this action, the Court will likely require expedited briefing as to the propriety of joinder.

* * *

As currently entrenched, the Schedule A mechanism demands that the Federal Rules of Civil Procedure and principles of due process be unreasonably contorted for plaintiffs to receive the relief they seek. It is no answer to say that the ends justify the means—that the scourge of rampant counterfeiting justifies the present scheme. That excuse has been rejected in other areas of the law, and it should be rejected here too.

At the same time, it must also be acknowledged that the costs of counterfeiting and IP theft are real, are significant, and are very difficult to combat legally with the tools presently at plaintiffs' disposal. That the Schedule A mechanism is a bridge too far does not mean that a remedy cannot be found, or created legislatively, elsewhere. In the meantime, however, the Schedule A mechanism should no longer be perpetuated in its present form.

IV. CONCLUSION

Plaintiff's motion for a temporary restraining order (Dkt. 11) is denied.[8]

SO ORDERED in No. 25-cv-02937.

Date: August 8, 2025

JOHN F. KNESS
United States District Judge

[8] It is this Court's respectful view that guidance from the Court of Appeals concerning the propriety of the Schedule A mechanism would greatly aid the Judges of the Northern District of Illinois in adjudicating Schedule A cases. After all, the content of this opinion could be misguided—or just plain wrong. To that end, the Court would entertain a motion by Plaintiff to certify this decision for an interlocutory appeal.

Katz Interactive Call Processing Patent Litig. v. Am. Airlines, Inc. (In re Katz Interactive Call Processing Patent Litig.)

United States Court of Appeals for the Federal Circuit

February 18, 2011, Decided

2009-1450, -1451, -1452, -1468, -1469, 2010-1017

Reporter
639 F.3d 1303 *; 2011 U.S. App. LEXIS 3212 **; 97 U.S.P.Q.2D (BNA) 1737 ***

IN RE KATZ INTERACTIVE CALL PROCESSING PATENT LITIGATION; RONALD A. KATZ TECHNOLOGY LICENSING LP, Plaintiff-Appellant, v. AMERICAN AIRLINES, INC., Defendant-Appellee, and FEDEX CORPORATE SERVICES, INC., FEDEX CORPORATION, FEDEX CUSTOMER INFORMATION SERVICES, INC., AND FEDERAL EXPRESS CORPORATION, Defendants-Appellees, and DHL EXPRESS (USA), INC., DHL HOLDINGS (USA), INC., AND SKY COURIER, INC., Defendants-Appellees, and U.S. BANCORP AND U.S. BANK NATIONAL ASSOCIATION, Defendants-Appellees, and TIME WARNER CABLE, INC., TIME WARNER ENTERTAINMENT COMPANY, L.P., TIME WARNER NY CABLE LLC, AOL, LLC, COMPUSERVE INTERACTIVE SERVICES, INC., NETSCAPE COMMUNICATIONS CORP., CHARTER COMMUNICATIONS ENTERTAINMENT I LLC, CHARTER COMMUNICATIONS HOLDING COMPANY LLC, CHARTER COMMUNICATIONS OPERATING LLC, AND CHARTER COMMUNICATIONS, INC., Defendants, and CSC HOLDINGS, INC. (NOW KNOWN AS CSC HOLDINGS, LLC), CABLEVISION SYSTEMS CORPORATION, CABLEVISION SYSTEMS NEW YORK CITY CORPORATION, CABLEVISION OF BROOKHAVEN, INC., CABLEVISION OF CONNECTICUT CORPORATION, CABLEVISION OF HUDSON COUNTY, INC., CABLEVISION OF LITCHFIELD, INC., CABLEVISION OF MONMOUTH, INC., CABLEVISION OF NEW JERSEY, INC., CABLEVISION OF OAKLAND LLC, AND CABLEVISION OF ROCKLAND/RAMAPO LLC, Defendants-Appellees, and TDS METROCOM LLC, TDS TELECOMMUNICATIONS CORPORATION, AND UNITED STATES CELLULAR CORPORATION, Defendants.

Subsequent History: Rehearing denied by, Rehearing, en banc, denied by Ronald A. Katz Tech. Licensing LP v. Am. Airlines Inc. (In re Katz Interactive Call Processing Patent Litig.), 2011 U.S. App. LEXIS 9473 (Fed. Cir., Apr. 22, 2011)

Prior History: [**1] Appeals from the United States District Court for the Central District of California in case nos. 2:07-ML-1816, 07-CV-2192, 07-CV-2196, 07-CV-2360, and 07-CV-2134, Judge R. Gary Klausner.

Ronald A. Katz Tech. Licensing, L.P. v. U.S. Bancorp (In re Katz Interactive Call Processing Patent Litig.), 2009 U.S. Dist. LEXIS 131915 (C.D. Cal., May 1, 2009)

Ronald A. Katz Tech. Licensing L.P. v. AIG, Inc. (In re Katz Interactive Call Processing Patent Litig.), 2009 U.S. Dist. LEXIS 131917 (C.D. Cal., May 1, 2009)

Ronald A. Katz Tech. Licensing, L.P. v. American Airlines, Inc. (In re Katz Interactive Call Processing Patent Litig.), 2009 U.S. Dist. LEXIS 131919 (C.D. Cal., May 1, 2009)

Disposition: AFFIRMED IN PART, VACATED IN PART, and REMANDED.

Case Summary

Procedural Posture
In this multi-district litigation patent case, plaintiff patentee appealed from final judgments entered by the United States District Court for the Central District of California in a group of consolidated cases. The judgments held numerous claims from plaintiff's patent portfolio either invalid or not infringed.

Overview
The patents at issue involved interactive call processing systems and call conferencing systems. Among other rulings, the patentee challenged the district court's ruling that claims directed to a "means for processing" were indefinite because the claims failed to satisfy the requirements of 35 U.S.C.S. § 112, para. 6. In particular, the court held that the claims failed to disclose structure corresponding to the recited function in the form of a computer algorithm. On review, the court affirmed the district court's ruling on that issue as to certain claims, and vacated it as to others. The court found that several of the patent claims were clearly indefinite because they claimed a processor programmed to perform a specialized function without disclosing the internal structure of that processor in the form of an algorithm. As to certain other claims the court reached a different conclusion because the claims did not run afoul of the rule against purely functional claiming, given that the functions of "processing," "receiving," and "storing" were coextensive with the structure disclosed, i.e., a general purpose processor.

Outcome
The court affirmed in part, vacated in part, and remanded the district court's judgments.

Counsel: FRANK V. PIETRANTONIO and JONATHAN G. GRAVES, Cooley Goodward Kronish LLP, of Reston, Virginia, argued for plaintiff-appellant. With them on the brief were NATHAN K. CUMMINGS; STEPHEN C. NEAL and LORI R.E. PLOEGER, of Palo Alto, California.

MARK A. PERRY, Gibson, Dunn & Crutcher LLP, of Washington, DC, argued for all defendants-appellees. With him on the brief were JOSH A. KEVITT, of New York, New York and David A. Segal, of Irvine, California; and Adam T. Bernstein, CSC Holding, LLC, of Bethpage, New York, for CSC Holding, et al.

MIKE MCKOOL, JR., McKool Smith, P.C., of Dallas, Texas, for defendant-appellee American Airlines, Inc. With him on the brief were PETER J. AYERS and JOEL L. THOLLANDER, of Austin, Texas.

KARA F. STOLL, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, of Washington, DC, for defendants-appellees FedEx Corporation Services, Inc., et al. With her on the brief were JASON W. MELVIN; and JEFFREY A. BERKOWITZ and JAMES J. BOYLE, of [**2] Reston, Virginia; and E. CHRIS CHERRY, FedEx Corporation, of Memphis, Tennessee.

CHRISTOPHER S. RUHLAND, Orrick, Herrington & Sutcliffe LLP, of Los Angeles, California, for defendant-appellee DHL Express (USA), Inc. With him on the brief were EDWIN V. WOODSOME, JR.; and MATTHEW H. POPPE, of Menlo Park, California, and MARK J. SHEAN, of Irvine, California.

JONATHAN R. SPIVEY, Foley & Lardner LLP, of Chicago, Illinois, for defendants-appellees U.S. Bancorp et al. With him on the brief were GREGORY S. NORROD and SCOTT R. KASPAR; and GEORGE E. QUILLIN, of Washington, DC.

Judges: Before NEWMAN, LOURIE, and BRYSON, Circuit Judges.

Opinion by: BRYSON

Opinion

[***1741] [*1308] BRYSON, Circuit Judge.

In this multi-district litigation patent case, the plaintiff Ronald A. Katz Technology Licensing LP ("Katz") appeals from final judgments entered by the United States District Court for the Central District of California in a group of consolidated cases. The judgments held numerous claims from Katz's patent portfolio either invalid or not infringed. We affirm in part, vacate in part, and remand.

I

Katz owns a number of patents on interactive call processing systems and call conferencing systems. The 14 patents that Katz asserts in this appeal all [**3] relate to interactive call processing systems. The patents fall into four groups; the patents in each group share a common specification.

The first group of patents, referred to as the "Statistical Interface" group, covers a telephonic interface system for acquiring data from a large group of callers and using that data to identify some subset of the group. [1] *See, e.g.*, '863 patent, col. 1, ll. 52-64. The claimed system can be used in connection with a variety of telephone-based operations, such as "an auction sale, a contest, a lottery, a poll, a merchandising operation, a game, and so on." '863 patent, col. 2, ll. 18-19.

The second group of patents, referred to as the "Conditional Interface Plus" group, covers "a telephonic-computer interface system" that can handle a large number of calls and direct them either to live-operator stations or to computer-operated stations. [2] '285 patent, col. 2, ll. 3-8. The claimed system is designed to avoid the "sometimes complex and burdensome" interfaces presented to callers that can result in ineffective screening, misdirection of calls, and cumbersome delay. *Id.*, col. 1, ll. 60-62.

The third group of patents, referred to as the "Dual Call Mode" group, covers a telephone call processing system for receiving [***1742] and processing calls relating to a game or contest format, in which the system has means for neutralizing the advantages in the game or contest that would otherwise be obtained by repeat callers. [3] '120 patent, col. 2, ll. 62-66. The preferred embodiment described in those patents uses different procedures for qualifying the caller [**5] to participate in the game [*1309] depending on whether the caller has dialed an 800 number, a 900 number, or an area code number. *Id.*, fig. 2.

The last patent, U.S. Patent No. 6,335,965 ("the '965 patent"), referred to as the "Voice-Data" patent, claims a telephone-computer interface system that is designed to receive and identify both digital signals and voice signals from callers. '965 patent, col. 2, ll. 20-23, 28-29

In 1997, Katz asserted many of the same patents in an action brought against AT&T Corporation in the United States District Court for the Eastern District of Pennsylvania. The parties settled that action. In 2001, Verizon Communications Inc. filed a declaratory judgment action against Katz in the United States District Court for the Central District of California. The parties settled that action after claim construction and summary judgment rulings. Between 2005 and 2006, Katz filed 25 separate actions in federal district courts in the Eastern District of Texas and the District of Delaware. The Judicial Panel on Multidistrict Litigation transferred [**6] all the cases to the Central District of California for coordinated pretrial proceedings before Judge R. Gary Klausner, who had presided over Verizon's declaratory judgment suit. Across all 25 actions, Katz asserted a total of 1,975 claims from 31 patents against 165 defendants in 50 groups of related corporate entities ("defendant groups"). Katz has subsequently filed 28 additional actions that have also been assigned to Judge Klausner. This appeal arises from the initial 25 actions.

Several groups of defendants asked the district court to limit the number of asserted claims to be addressed in the litigation. One group proposed that Katz initially select 40 claims per action and then narrow the number of selected claims to 20 per action after discovery. Katz countered with a broader proposal to initially select 50 claims per defendant group and then narrow the number of selected claims to 20 per defendant group after discovery. Katz did not question the need to limit the number of claims in order to make the case manageable.

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[1] That group of patents includes U.S. Patent No. 5,235,309 ("the '309 patent"), U.S. Patent No. 5,561,707 ("the '707 patent"), U.S. Patent No. 5,684,863 ("the '863 patent"), U.S. Patent No. 5,815,551 ("the '551 patent"), U.S. Patent No. 5,898,762 ("the '762 patent"), U.S. Patent No. 6,035,021 ("the '021 patent"), U.S. Patent No. 6,148,065 ("the '065 patent"), U.S. Patent No. 6,292,547 ("the '547 patent"), and U.S. Patent No. 6,678,360 ("the '360 patent"). The '309, '762, and '021 patents are discussed in Katz's brief, but no claims from those patents have been selected [**4] against any of the appellees. Those patents are therefore not at issue in this appeal. *See infra* Part VIII.

[2] That group of patents includes U.S. Patent No. 5,351,285 ("the '285 patent") and U.S. Patent No. 5,917,893 ("the '893 patent").

[3] That group of patents includes U.S. Patent No. 5,974,120 ("the '120 patent") and U.S. Patent No. 6,434,223 ("the '223 patent").

Choosing a middle ground between the two proposals, the district court ordered Katz initially to select no more than 40 claims per defendant group, and after discovery [**7] to narrow the number of selected claims to 16 per defendant group. The court further directed that the total number of claims to be asserted against all defendants could not exceed 64 (eight claims for each unique specification including four specifications not at issue in this appeal). However, the court added a proviso that the limitations on the numbers of claims were not immutable. The proviso permitted Katz to add new claims if they "raise[d] issues of infringement/validity that [were] not duplicative" of previously selected claims. Katz added new claims to exceed a total of 64 across all the actions, but the number of claims did not exceed 16 per defendant group. [4]

[***1743] Instead of selecting additional claims and seeking to show that those [**10] claims [*1310] raised non-duplicative issues of infringement or validity, Katz moved the court to sever and stay the non-selected claims. Katz contended that the court's requirement that it select particular claims violated its due process rights because the court's order could result in decisions having a preclusive effect on non-selected claims regardless of whether those claims presented distinct issues of invalidity or infringement. The court denied Katz's motion. The court held that Katz's rights under the unselected claims were protected by the proviso that Katz could add new claims if it could show that the new claims raised non-duplicative issues of validity or infringement.

The defendants then jointly moved for summary judgment on the issues of anticipation, obviousness, written description, and indefiniteness. The defendants also moved individually for summary judgment on case-specific grounds. In response to those motions, the district court held all the claims selected against the appellees to be either invalid or not infringed by the appellees' accused devices. The court then entered final judgments in favor of the appellees. The related actions against other defendants are still [**11] pending in the district court.

II

Katz appeals the district court's decision not to sever and stay the unselected claims. Katz contends that by entering final judgments in these cases without severing and staying the unselected claims, the district court

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[4] Katz selected 16 claims to assert against appellees U.S. Bancorp and U.S. Bank National Association ("U.S. Bank"). From the Statistical Interface group, Katz selected claims 43, 49, 96, 98, and 99 of the '863 patent; claims 21 and 33 of the '551 patent; claims 13 and 86 of the '360 patent; and claim 13 of the '065 patent. From the Conditional Interface Plus group, Katz selected claims 19, 49, and 71 of the '285 patent. From the Dual Call Mode group, Katz chose claim 5 of the '223 patent. And from the Voice-Data patent, [**8] Katz selected claims 61 and 66.

Katz selected 16 claims to assert against appellees DHL Express (USA), Inc., and its associated parties ("DHL"). From the Statistical Interface group, Katz selected claims 19 and 33 of the '551 patent; claims 14 and 36 of the '360 patent; claim 98 of the '863 patent; and claim 13 of the '065 patent. From the Conditional Interface Plus group, Katz selected claim 61 of the '285 patent and claims 1 and 2 of the '893 patent. From the Dual Call Mode group, Katz chose claims 34, 57, and 63 of the '120 patent. And from the Voice-Data patent, Katz selected claims 31, 35, 61, and 66.

Katz selected 11 claims to assert against appellee American Airlines, Inc. From the Statistical Interface group, Katz selected claims 43 and 98 of the '863 patent; claims 19 and 21 of the '551 patent; claims 14 and 86 of the '360 patent; claim 85 of the '707 patent; and claim 13 of the '065 patent. From the Dual Call Mode group, Katz chose claims 34 and 67 of the '120 patent. And from the Voice-Data patent, Katz selected claim 53.

Katz selected 15 claims to assert against appellees Cablevision Systems Corporation and its associated parties. From the Statistical Interface group, Katz [**9] selected claim 11 of the '547 patent; claim 33 of the '551 patent; claims 14 and 36 of the '360 patent; claim 69 of the '707 patent; and claim 13 of the '065 patent. From the Conditional Interface Plus group, Katz selected claims 1 and 61 of the '285 patent as well as claims 2 and 83 of the '893 patent. From the Dual Call Mode group, Katz chose claim 57 of the '120 patent and claim 2 of U.S. Patent No. 6,512,415, which is not at issue on appeal. And from the Voice-Data patent, Katz selected claims 31, 61, and 66.

Katz selected 15 claims to assert against appellee FedEx Corporation and its associated defendants. From the Statistical Interface group, Katz selected claim 18 of the '547 patent; claim 19 of the '551 patent; claims 18 and 86 of the '360 patent; claim 85 of the '707 patent; claim 43 of the '863 patent; and claim 13 of the '065 patent. From the Conditional Interface Plus group, Katz selected claims 19 and 49 of the '285 patent and claims 2 and 83 of the '893 patent. From the Dual Call Mode group, Katz chose claims 34 and 67 of the '120 patent. And from the Voice-Data patent, Katz selected claims 31 and 53.

divested Katz of its rights in the unselected claims without due process. Katz argues that the court's judgments may have preclusive effects in any subsequent actions on the unselected claims and that due process requires that Katz be allowed to litigate the unselected claims either in this case or in subsequent actions. [5] Katz also contends the district [*1311] court assumed its claims were duplicative, in violation of the claim-differentiation doctrine and the independent presumption of claim validity from 35 U.S.C. § 282.

A

We reject Katz's due process argument. Katz has not shown that the claim selection procedure the district court employed was inadequate to protect [**12] Katz's rights with respect to the unasserted claims. [6] To make out a due process claim, Katz must demonstrate that the district court's claim selection procedure risked erroneously depriving it of its rights and that the risk outweighed the added costs associated with a substitute procedure. *See Mathews v. Eldridge*, 424 U.S. 319, 335, 96 S. Ct. 893, 47 L. Ed. 2d 18 (1976).

Katz argues that it was improper for the district court to impose any burden on it to make a showing that any of the unselected claims raised issues of infringement or invalidity that were not duplicative of the issues raised by the selected claims. According to Katz, the court should have required the appellees to bear the burden to show that issues were duplicative; absent such a showing, Katz contends, the unasserted claims should have been expressly excluded from the judgments entered in this case.

Katz supports its argument by pointing to collateral estoppel cases in which a second defendant has borne the burden of demonstrating that the asserted claims lacked patentably significant additions to claims previously found to be invalid when [**13] asserted against a first defendant. *See Bourns, Inc. v. United States*, 537 F.2d 486, 493 n.6, 210 Ct. Cl. 642 (Ct. Cl. 1976); *Medinol Ltd. v. Guidant Corp*., 341 F. Supp. 2d 301, 314 (S.D.N.Y. 2004). Because other defendants in future suits would bear the burden of showing that any newly asserted claims were barred by the district court's judgment as a matter of issue preclusion, Katz argues by analogy that the appellees should [***1744] have been required to show that the issues presented by the claims that Katz did not select in this case were identical to the issues presented by the selected claims. Burden allocation, however, is a tool "intended progressively to sharpen the inquiry into the elusive factual question[s]" in a case. *See Tex. Dep't of Cmty. Affairs v. Burdine*, 450 U.S. 248, 255 n.8, 101 S. Ct. 1089, 67 L. Ed. 2d 207 (1981). When the claimant is in the best position to narrow the dispute, allocating the production burden to the claimant will benefit the decision-making process and therefore will not offend due process unless the burden allocation unfairly prejudices the claimant's opportunity to present its claim.

Katz has failed to demonstrate that the allocation of burdens in the claim selection procedure adopted by the district [**14] court unfairly prejudiced it by creating a significant risk that Katz would be erroneously deprived of property rights in unselected claims. The district court noted that by providing examples of duplicative claims and pointing out the common genealogy of Katz's patents and the terminal disclaimers in almost all of them, the defendants had made "a convincing showing that many of the claims are duplicative." [7] Because [*1312] neither side had provided an analysis of all of the claims, the court recognized the possibility that the limitations on the number of claims to be asserted might be unduly restrictive. The court therefore provided that more claims could be added if Katz could show that the additional claims presented unique issues. Under the circumstances of this case, we conclude that the district court acted reasonably in concluding that it would be more efficient to require Katz to point out those

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[5] Although we accept Katz's assertion that the final judgments could have preclusive effects in later actions brought against the same or other parties, the precise effect of the judgments in this case will necessarily have to be decided in any such later actions that may be brought.

[6] We assume without deciding that Katz has a separate property right in each claim of each asserted patent.

[7] Although Katz objects that the court examined only a small number of claims before making that finding, the court [**15] also based its finding on the common genealogy of Katz's patents. Because Katz has thousands of claims stemming from only eight unique specifications with a common genealogy, we cannot conclude that district court erred in finding that many of Katz's claims are duplicative based on the evidence before it and Katz's refusal to make a counter-showing.

unselected claims that raised separate issues of infringement and invalidity rather than requiring the defendants to prove that all of the unselected claims were duplicative.

Katz made no effort to identify any such claims. Instead, it complained that the number of claims the court allowed was insufficient, and it moved to add new claims exceeding the 64-claim limit across all actions. The district court noted that Katz did not "attempt to prove that the specific newly asserted claims raise[d] new infringement/validity issues." Instead, the court observed, Katz merely asserted "the generalized notion that 64 was too few [claims] for the number of accused services at issue." Because Katz did not file a motion to add claims with the requisite showing of need, the court concluded that Katz "cannot legitimately complain that it did not have a meaningful opportunity to be heard on those claims." Even absent a showing of uniqueness, the court allowed Katz to add new claims that were closely related to claims it had [**16] already selected. [8] In the end, Katz selected a total of almost 100 claims to be addressed in the consolidated cases. Nonetheless, Katz moved to sever and stay all of the unselected claims. The district court rejected that motion, explaining:

> The motion fails to identify any claims that are substantially different from the claims it is currently asserting. It does not identify any services or products that it could accuse of infringing non-selected claims, let alone, show that these services do not present the same issues for selected claims. Plaintiff's motion merely states that an order limiting it to 16 claims per defendant group violates due process. However, due process is not merely a theoretical concern, the plaintiff must be able to show that it has lost some tangible right.

We agree with the district court's due process analysis. Based on its initial determination that the asserted patents contained many duplicative claims, it was both efficient and fair to require Katz to identify those unasserted claims that, in Katz's view, raised separate legal issues from those raised by the asserted claims. In light of Katz's failure to make, or even attempt to make, any such showing, it was reasonable for the district court to deny Katz's motion to sever and stay the disposition of all of the unselected claims.

In approving the district court's procedure, we do not suggest that a district court's claim [***1745] selection decisions in a complex case such as this one are unreviewable. Katz could have sought to demonstrate that some of its unselected claims presented unique issues as to liability or damages. If, notwithstanding such a showing, the district court had refused to [*1313] permit Katz to add those specified claims, that decision would be subject to review and reversal. [**18] [9] As noted, however, the problem with Katz's position is that Katz made no effort to make such a showing with respect to any of the unselected claims. Instead, Katz chose to make the "all or nothing" argument that the entire claim selection process was flawed from the start and that it is impermissible to give the judgments effect as to the unselected claims regardless of Katz's failure to make any showing as to the uniqueness of any of those claims. That sort of global claim of impropriety is unpersuasive. In complex cases, and particularly in multidistrict litigation cases, the district court "needs to have broad discretion to administer the proceeding." *In re Phenylpropanolamine (PPA) Prods. Liab. Litig*., 460 F.3d 1217, 1232 (9th Cir. 2006). Given the district court's need to manage the cases before it and the "strong public interest in the finality of judgments in patent litigation," *Cardinal Chem. Co. v. Morton Int'l, Inc*. 508 U.S. 83, 100, 113 S. Ct. 1967, 124 L. Ed. 2d 1 (1993), we cannot adopt Katz's broad proposition. And, not having made a record reflecting that the court erred in its disposition of particular claims, Katz cannot point to specific errors by the court in the administration of the claim selection [**19] scheme that the court adopted.

B

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[8] Per defendant group, the court gave Katz the unlimited right to substitute any claim for a previously selected claim that was dependent on the newly selected claim. In addition, the court permitted Katz to make as many as three substitutions of claims per defendant group, choosing those claims from among the previously selected 40 claims, from any claims from which the previously selected 40 claims depended, [**17] or from any claims that depended from the previously selected 40 claims. Finally, the court permitted Katz one substitution of any claim with any claim already identified in Katz's motion to add new claims.

[9] It is also conceivable that a claim selection order could come too early in the discovery process, denying the plaintiff the opportunity to determine whether particular claims might raise separate issues of infringement or invalidity in light of the defendants' accused products and proposed defenses. Katz makes no such argument in this appeal.

Turning to Katz's other arguments, we hold that the court did not violate the statutory presumption that each claim is independently presumed valid, *see* 35 U.S.C. § 282, or the "rebuttable presumption that different claims are of different scope," *Amgen Inc. v. Hoechst Marion Roussel, Inc*., 314 F.3d 1313, 1326 (Fed. Cir. 2003). While different claims are presumed to be of different scope, that does not mean that they necessarily present different questions of validity or infringement. And the court only required Katz to demonstrate that new claims presented unique questions of validity or infringement. The court explained that with respect to infringement, Katz "should be prepared to show that a non-infringement defense raised by a specific defendant group to a currently asserted claim does not apply in substantially [**20] the same manner to a newly asserted claim." With respect to validity, the court ordered that Katz "should be prepared to show that the defendants have raised serious issues of validity on a currently asserted claim, but that the same defense does not affect the newly asserted claim in substantially the same way." Although the court required Katz to show that additional claims presented unique questions for the case, the court did not place a burden on Katz to demonstrate that its claims covered distinct subject matter.

III

The district court granted summary judgment of indefiniteness as to a number of the asserted claims under two different theories. With respect to certain claims that were drafted in the means-plus-function format prescribed by 35 U.S.C. § 112 ¶ 6, the court concluded that the claims were invalid for indefiniteness because the only corresponding structure disclosed in the specification was a general purpose computer and the specification did not disclose an algorithm by which the general purpose computer performed the recited function. We affirm that ruling in part, [*1314] vacate it in part, and remand for further proceedings. The district court also invalidated several claims [**21] as indefinite for claiming both an apparatus and a method of using that apparatus. We affirm that ruling.

A

Katz appeals the district court's ruling that claims directed to a "means for processing" were indefinite because the claims failed to satisfy the requirements of section 112, paragraph 6. In particular, the court held that the claims failed to disclose structure corresponding to the recited function in the form of a computer algorithm. On that ground, the court invalidated a number of claims from the Statistical Interface and Conditional Interface Plus groups. The invalidated claims are claims 96, 98, and 99 of the '863 patent, which recite a "means for processing at least certain of said answer data signals"; claims 11 and 18 of the '547 patent, which recite an "analysis structure for receiving and processing said caller data signals"; claim 19 of the '551 patent, which recites an "analysis structure [***1746] connected to the record memory for processing at least certain of the data relating to certain individual callers subject to qualification by the qualification structure"; claims 21 and 33 of the '551 patent and claim 13 of the '065 patent, which recite a "processing means . . . [**22] for receiving customer number data entered by a caller and for storing the customer number data . . . and based on a condition coupling an incoming call to the operator terminal, the processing means visually displaying the customer number data"; and claim 61 of the '285 patent, which recites a "means for processing coupled to said forwarding means for processing caller information data entered by an operator." The court invalidated those claims pursuant to the analysis set forth in *WMS Gaming, Inc. v. International Game Technology*, 184 F.3d 1339 (Fed. Cir. 1999), and *Aristocrat Technologies Australia Pty Ltd v. International Game Technology*, 521 F.3d 1328 (Fed. Cir. 2008), because the specifications of each of the patents at issue disclosed only general purpose processors and did not disclose the algorithms that those processors used to perform the recited functions.

In *WMS Gaming*, this court addressed a means-plus-function limitation in which the recited function was implemented by a general purpose computer. The patent claimed slot machines having a "means for assigning a plurality of numbers representing" the angular positions of each slot reel. 184 F.3d at 1346. The parties agreed [**23] that a computer controlled the means-plus-function limitation, and the district court construed the limitation to cover "any table, formula, or algorithm" that might be used to perform the function of assigning numbers representing the angular positions of the reel. This court rejected that interpretation and construed the limitation to cover only the algorithm disclosed in the specification. The court did so because it construed the corresponding structure not to be a general purpose computer, but rather to be a special purpose computer programmed to perform the disclosed algorithm. *Id*. at 1348-49, citing *In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc).

The subsequent case of *Harris Corp. v. Ericsson Inc*., 417 F.3d 1241 (Fed. Cir. 2005), involved a signal processing patent claiming a "time domain processing means" for simulating the dispersive effect of media through which signals travel. *Id*. at 1245-46. The district court in that case held that the structure corresponding to that function was a "symbol processor." *Id*. at 1249. This court reversed. The court noted that a "computer-implemented means-plus-function term is limited to the corresponding structure disclosed [**24] in the specification and equivalents thereof, and [*1315] the corresponding structure is the algorithm." *Id*. at 1253. The court then held that the structure corresponding to the "time domain processing means" could not be merely a "symbol processor," because the "symbol processor" did not incorporate any disclosed algorithm. *Id*. at 1254.

In the *Aristocrat* case, decided several years later, the court applied *WMS Gaming* and *Harris* to a patent that failed to disclose the algorithm that the recited computer used to perform a computer-implemented function. The patent at issue in *Aristocrat* covered a slot machine with a "control means" to control displayed images, to define a set of predetermined arrangements for a given game depending on the player's selections, and to pay a prize when a predetermined arrangement of symbols was displayed. *Aristocrat*, 521 F.3d at 1330-31. The only disclosed structure was a standard microprocessor-based gaming machine with "appropriate programming." *Id*. This court affirmed the district court's ruling that the claims were indefinite due to the lack of structure corresponding to the recited functions. The court noted that the algorithm by which the functions are performed [**25] must be disclosed so as "to avoid pure functional claiming." *Id*. at 1333.

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Several of Katz's claims are clearly indefinite under the principles of *WMS Gaming*, *Aristocrat*, and *Harris*. Claims 21 and 33 of the '551 patent and claim 13 of the '065 patent contain a means-plus-function limitation that recites a "processing means . . . for receiving customer number data entered by a caller and for storing the customer number data . . . and based on a condition coupling an incoming call to the operator terminal, the processing means visually displaying the customer number data." The '551 and '065 patents, however, do not disclose an algorithm that corresponds to the "based on a condition coupling an incoming call to the operator terminal" function.

Computers can be programmed to conditionally couple calls in many ways. Without any disclosure as to the way Katz's invention conditionally couples calls, the public is left to guess whether the claims cover only coupling based on particular system conditions, such as [***1747] the availability of an operator, or are broad enough to cover any coupling in conjunction with an if-then statement in source code. Katz's claims therefore fail to fulfill the "public [**26] notice function" of 35 U.S.C. § 112 ¶ 2 by "particularly pointing out and distinctly claiming" the invention. *See Praxair, Inc. v. ATMI, Inc*., 543 F.3d 1306, 1319 (Fed. Cir. 2008). And by claiming a processor programmed to perform a specialized function without disclosing the internal structure of that processor in the form of an algorithm, Katz's claims exhibit the "overbreadth inherent in open-ended functional claims," *Halliburton Energy Servs. v. M-I LLC*, 514 F.3d 1244, 1256 n.7 (Fed. Cir. 2008), in violation of the limits Congress placed on means-plus-function claims in section 112, paragraph 6. [10] Because of the absence of the requisite structure, we affirm the district court's indefiniteness ruling as to claims 21 and 33 of the '551 patent and claim 13 of the '065 patent.

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We reach a different conclusion with respect to the district court's analysis [*1316] of claims 96, 98, and 99 of the '863 patent, claims 11 and 18 of the '547 patent, claim 19 of the '551 patent, and claim 61 of the '285 patent. As to those claims, we conclude that the district court interpreted the principles of *WMS Gaming, Aristocrat*, and *Harris* too broadly, so we vacate the court's indefiniteness ruling and remand to the district court for claim construction and application of the correct rule.

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[10] In an effort to point to structure corresponding to the function recited in those claims, Katz points to communication lines connecting the processor to an "interface terminal." Those lines constitute the structure by which the processor sends calls to the operator terminal, but merely referring to those communication lines does not describe the algorithm by which a processor tests a condition and couples an [**27] incoming call to a terminal depending on the outcome of that test.

The court interpreted those cases to require that "the specification . . . disclose an algorithm for [any] recited function" that is performed solely or predominantly by a general purpose computer. The appellees characterize that rule as applying to any function that is "linked" to a general purpose computer. But that interpretation of our prior cases is too broad. Those cases involved specific functions that would need to be implemented by programming a general purpose computer to convert it into a special purpose computer capable of performing those specified functions. *See, e.g., Aristocrat*, 521 F.3d at 1333-34; *Harris*, 417 F.3d at 1253; [**28] *WMS Gaming*, 184 F.3d at 1349. By contrast, in the seven claims identified above, Katz has not claimed a specific function performed by a special purpose computer, but has simply recited the claimed functions of "processing," "receiving," and "storing." Absent a possible narrower construction of the terms "processing," "receiving," and "storing," discussed below, those functions can be achieved by any general purpose computer without special programming. [11] As such, it was not necessary to disclose more structure than the general purpose processor that performs those functions. Those seven claims do not run afoul of the rule against purely functional claiming, because the functions of "processing," "receiving," and "storing" are coextensive with the structure disclosed, i.e., a general purpose processor.

The appellees contend that the district court's broad rule of indefiniteness is supported by language from *Net MoneyIN, Inc. v. VeriSign, Inc*., 545 F.3d 1359 (Fed. Cir. 2008). In that case, this court stated that "a means-plus-function claim element for which the only disclosed structure is a general purpose computer is invalid if the specification fails to disclose an algorithm for performing the claimed function." *Id*. at 1367, citing *WMS Gaming*, 184 F.3d at 1337-38. When viewed in context, it is clear that the quoted language applied only to computer-implemented means-plus-function claims in which the computer would be specially programmed to perform the recited function. As authority, the court cited *WMS Gaming*, which was limited to a computer implementing a specific function. And the claim at issue in *Net MoneyIN* recited a particular function not disclosed simply by a reference to a general purpose computer. That claim involved a credit card authorization system with a "means for generating an authorization indicia in response to queries containing a customer account number and amount." *Net MoneyIN*, 545 F.3d at 1365. The only [**30] recited structure for performing that function was a "bank computer." The patentee contended that the [***1748] recited structure was sufficient because a person of ordinary skill in the art would understand that a bank computer compares account data and [*1317] transaction amount data to determine if credit is available. This court rejected that argument on the ground that the specification did not disclose an algorithm to perform the specified function, even though a person of ordinary skill in the art might have been able to devise one. *Net MoneyIN*, therefore, does not support a broader principle of indefiniteness than was applied in this court's previous cases.

At oral argument, the parties disagreed about what the claims meant by "processing." Katz contended that "processing" meant nothing more specific than "processing." The appellees contended that "processing" was limited to the specific functions disclosed in the specifications. The district court's construction of "means for processing" in related patents as "processing calls in an interface format" does not resolve that dispute. Because the parties have not briefed the construction of the term "processing" as used in the seven claims referred [**31] to above, we leave it to the district court to construe that term, along with the terms "receiving" and "storing." Based on its construction, the district court can then determine whether the functions recited in those seven contested claims can be performed by a general purpose processor or, instead, constitute specific computer-implemented functions as to which corresponding algorithms must be disclosed.

3

As an alternative argument for vacating the court's indefiniteness ruling, Katz contends that the corresponding structure for the means-plus-function terms is not limited to the general purpose microprocessor 92, but also includes the interface 20, disclosed in the common specification of the Statistical Interface patents. Katz is correct that the interface 20 may perform analysis on data, *see* '863 patent, col. 4, ll. 52-53, but that is beside the point. If a

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[11] In substance, claiming "means for processing," "receiving," and "storing" may simply claim a general purpose computer, although in means-plus-function terms. While broadly claiming in that manner makes it easier to satisfy the statutory requirement of "particularly pointing out and distinctly claiming the subject matter" of the claims, 35 U.S.C. § 112 ¶ 2, it increases the vulnerability [**29] of the claims to possible invalidity on other grounds.

function's corresponding structure is a type of computer or processor, indefiniteness analysis does not turn on the name of the structure that does the processing. *See, e.g., Net MoneyIN*, 545 F.3d at 1366-67 (rejecting the argument that persons of skill in the art would understand how a "bank computer" would be programmed); *Harris*, 417 F.3d at 1254 [**32] (rejecting the construction of "symbol processor" as corresponding structure because it did not incorporate the disclosed algorithm). The key inquiry is whether one of ordinary skill in the art would understand the patent to disclose structure that sufficiently corresponds to the claimed function, which in the case of a specific function implemented on a general purpose computer requires an algorithm. *See Aristocrat*, 521 F.3d at 1337, citing *Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1212 (Fed. Cir. 2003). As to claims 21 and 33 of the '551 patent and claim 13 of the '065 patent, which recite the "based on a condition coupling an incoming call to the operator terminal" limitation, Katz has not provided sufficient evidence that a person of ordinary skill would understand that interface 20 discloses a particular algorithm for conditionally coupling calls. [12] The patent [*1318] discloses that interface 20 has "switching mechanisms," but that is an insufficient description of an algorithm for conditionally coupling calls. As to the other claims, it may be necessary for the district court to address whether a person of ordinary skill in the art would understand interface [**33] 20 to sufficiently disclose structure that performs pertinent functions, depending on the outcome of the court's construction of the "processing," "receiving," and "storing" functions recited in those claims.

B

The district court held that Statistical Interface claims 1, 2, and 83 of the '893 patent are indefinite under *IPXL Holdings, L.L.C. v. Amazon.com, Inc*., 430 F.3d 1377, 1384 (Fed. Cir. 2005), because they claim both an apparatus and a method of use. In *IPXL*, [**34] this court addressed a claim that covered a system with "an input means" and required a user to use the input means. This court held that the claim was indefinite because it was unclear "whether infringement . . . occurs when one creates a system that allows the user [to use the input means], or [***1749] whether infringement occurs when the user actually uses the input means." *Id*.

Claims 1, 2, and 83 of the '893 patent cover a system with an "interface means for providing automated voice messages . . . to certain of said individual callers, wherein said certain of said individual callers digitally enter data." The district court found "no meaningful distinction" between those claims and the claim at issue in *IPXL*.

Katz seeks to distinguish *IPXL* on the ground that the term "wherein" does not signify a method step but instead defines a functional capability. We disagree and uphold the district court's ruling. Like the language used in the claim at issue in *IPXL* ("wherein . . . the user uses"), the language used in Katz's claims ("wherein . . . callers digitally enter data" and "wherein . . . callers provide . . . data") is directed to user actions, not system capabilities.

In the alternative, Katz [**35] contends that this court narrowed *IPXL* in the subsequent decision in *Microprocessor Enhancement Corp. v. Texas Instruments Inc*., 520 F.3d 1367, 1374-75 (Fed. Cir. 2008). That case dealt with a method claim that recited structural elements. The claim took the form of a "method of executing instructions in a pipelined processor comprising: [structural limitations of the pipelined processor]; the method further comprising: [method steps implemented in the pipelined processor]." *Id*. at 1374. The court in *Microprocessor* distinguished *IPXL* because the method claim in *Microprocessor* did not create any confusion as to when the claim was directly infringed; direct infringement occurred upon practicing the claimed method in a processor with the required structural limitations. Simply making or selling a processor having that structure would not have infringed. Katz's claims, however, create confusion as to when direct infringement occurs because they are directed both to systems and to actions performed by "individual callers." Katz's claims therefore fall squarely within the rationale of *IPXL* and are indefinite.

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[12] Because the display terminals are the corresponding structure for the function of "visually displaying the customer number data," one of the recited functions in the "processing means" limitation of these claims, Katz argues that the specification need not set forth an algorithm for performing the other functions recited in the limitation. Katz contends that by disclosing the display terminals the Statistical Interface specification has disclosed "more than" a general purpose computer and thereby has avoided "pure functional claiming." *Aristocrat*, 521 F.3d at 1333. Although the display terminals are special purpose machines, Katz has provided no evidence that they include structure capable of conditionally coupling calls.

IV

The district court invalidated several claims from the Statistical Interface patents [**36] and the Dual Call Mode patents for failing to satisfy the written description requirement of 35 U.S.C. § 112 ¶ 1.

Written description is a factual inquiry. *Ariad Pharms., Inc. v. Eli Lilly & Co*., 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). "[T]he test requires an objective inquiry into the four corners of the specification from the perspective of a person of [*1319] ordinary skill in the art. Based on that inquiry, the specification must describe an invention understandable to that skilled artisan and show that the inventor actually invented the invention claimed." *Id*. The purpose of the written description requirement "is to ensure that the scope of the right to exclude, as set forth in the claims, does not overreach the scope of the inventor's contribution to the field of art as described in the patent specification." *Reiffin v. Microsoft Corp*., 214 F.3d 1342, 1345 (Fed. Cir. 2000).

A

From the Statistical Interface group of patents, the district court invalidated method claims 13, 14, 36, and 86 of the '360 patent for claiming the step of "visually displaying customer number data" without describing that step in the specification. [13] Those claims also require the step of "receiving customer [**37] number data entered by a caller." Thus, the district court concluded that the specification had to describe the visual display of customer number data entered by a caller. The district court read the specification as lacking such a description and held the claims invalid for that reason.

Katz contends that the district court erred by considering the second step, "receiving customer number data entered by a caller," when the defendants identified the first step as the only disputed limitation. Katz claims that by doing so, the court deprived it of the opportunity to advance claim construction arguments, demonstrate specification support, or proffer expert testimony. We disagree. That the defendants did not challenge certain limitations does not make those limitations irrelevant for understanding the scope of the claims. *See ACTV, Inc. v. Walt Disney Co*., 346 F.3d 1082, 1088 (Fed. Cir. 2003) [**38] ("[T]he context of the surrounding words of the claim also must be considered in determining the ordinary and customary meaning of those terms."). The district court did not hold that the specification fails to describe the step of "receiving customer number [***1750] data entered by a caller." Instead, the court held that the specification fails to describe the step of "visually displaying customer number data" because the only descriptions of visual display in the specification involve information that was not entered by customers. In doing so, the district court construed the claims, but that was entirely permissible, as claim construction is inherent in any written description analysis.

We reject Katz's contention that the district court's claim constructions denied it the opportunity to demonstrate specification support or proffer expert testimony. It should have been clear to Katz that the construction of the claims was important to the written description analysis. Moreover, the defendants specifically identified very similar language from claim 75 of the same patent (the '360 patent) as failing to satisfy the written description requirement. The similarity of that language, "identification [**39] data entered by the callers," put Katz on notice of the deficiency in the specification, i.e., the lack of disclosure of the visual display of data entered by callers. Thus, Katz had ample incentive and opportunity to demonstrate specification support and offer expert testimony on that issue.

Despite that opportunity, Katz has not shown specification support for the visual [*1320] display of caller-entered customer number data. Katz points to three statements in the specification as providing that support, but each fails to show that the inventor was in possession of the claimed invention as of the filing date. First, Katz contends that the discussion of the interface terminal discloses the display of customer-entered data. That discussion, however, references only the display of operator-entered data. *See* '360 patent, col. 11, ll. 11-16. Next, Katz points to the command terminal in an auction embodiment, which displays the "number of bidders" and "fresh bidders." *Id*., col. 15, ll. 23-32. Even if Katz's expert were correct that the fresh bidders are identified by customer numbers, the

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[13] The district court also held claim 13 of the '065 patent and claims 21 and 33 of the '551 patent invalid for a lack of written description. Those patents are similar to the '360 patent, but we have affirmed the district court's indefiniteness ruling for those claims, so we do not discuss them further here.

specification would still not provide the required support, because it contains no indication that those customer [**40] numbers were entered by the customer. Finally, Katz points to a broad statement that "[i]n any of the various formats, the status of the analysis can be televised by selecting a camera focused on the interface terminal IT." *Id*., col. 19, ll. 51-53. The district court called that sentence the "Bootstrapping Sentence" because Katz contended that it disclosed the display of everything "[i]n any of the various formats." The previous descriptions of the interface terminal, however, were limited to operator-entered data. And Katz's expert did not state that the sentence in question disclosed the display of caller-entered data. Because Katz failed to point to a genuine factual dispute over whether the specification disclosed the display of caller-entered customer numbers, the district court properly entered summary judgment on that issue.

B

From the Dual Call Mode group, the district court invalidated claim 34 of the '120 patent for claiming a system in which "called number identification signals (DNIS) . . . identif[y] said operating process format" without describing such a system in the specification. Katz contends that the specification describes such a system by disclosing that DNIS signals [**41] correspond to different "call modes," such as 800 number or 900 number, and that different call modes are used to identify different "call processing flows." The appellees contend that different call processing flows are not different "formats," as that term was construed by the district court. The court construed the term "format" as follows:

> Format refers to a call processing flow implemented by at least one computer program that sets forth the content and sequence of steps to gather information from and convey information to callers through pre-recorded prompts and messages. Selection of, or branching to, a module or subroutine within a computer program does not constitute selection of a separate format. Selection of (or branching to), a second computer program by a first computer program, that together implement a call process flow application also does not constitute selection of a separate format.

We agree with Katz that the different call modes disclosed by the specification identify different formats. For example, the specification describes asking different questions to and gathering different information from callers who dial an 800 number, as opposed to those who dial a 900 [**42] number. *Compare* '120 patent, col. 7, ll. 1-8, *with id*., col. 7, ll. 27-39. The different questions, however, are relevant only to qualifying the 800 caller for participation in the game or contest. Katz did not point to anything in the specification that describes presenting 800 callers with a different version of the game or contest. It is unclear whether the claim requires such a description, because the district court has not construed "operating [***1751] process [*1321] format," which may have a narrower definition than "format." *See id*. col. 3, ll. 10-11, 39-43. The parties have not briefed us on this construction, and we decline to construe it *sua sponte*. We therefore vacate the district court's judgment of invalidity as to claim 34 of the '120 patent and remand for construction of the term "operating process format."

V

Katz next appeals the district court's rulings on obviousness. The court held that several of the Voice-Data claims from the '965 patent would have been obvious in view of a prior art patent to Szlam and a prior art reference known as "Yoshizawa." The court also invalidated several of the Dual Call Mode claims from the '120 patent in view of two prior art references known as "Student [**43] Registration" and "Moosemiller." Finally, the court invalidated one other claim from the '120 patent in view of Szlam and Student Registration. We affirm all of those rulings.

A

In appealing the obviousness ruling as to claims 31, 35, 53, 61, and 66 of the '965 patent, Katz admits that Szlam and Yoshizawa disclose all the elements of the claims. Katz argues, however, that the trial court erred in concluding that it would have been obvious to combine those references.

Szlam describes a customer-service system using a voice response unit ("VRU") to receive ordering information from callers and to transfer callers to agents. Katz agrees that Szlam discloses all of the claim limitations except the limitation in claims 31, 35, and 53 that requires acknowledgement numbers to be provided to individual callers and the limitation in claims 61 and 66 that requires the system to confirm stored information with a caller. Katz does not

dispute that those limitations are disclosed in Yoshizawa, which describes a telephone betting system using a VRU that allows a caller to place bets and that gives the caller a registration number that can be used to cancel the bet. Yoshizawa reads back stored information [**44] to the caller before the caller can cancel a bet. Katz argues that it would not have been obvious to combine the two references because the registration numbers in Yoshizawa are used to cancel a bet under "tight time constraints," which are not present in a customer-service system such as Szlam. We disagree. Yoshizawa explicitly states that its invention can be applied to "order entry" systems, which are not described as operating under "tight time constraints." Moreover, the use of a registration number to cancel an order works in the same way as canceling a bet, even in the absence of time pressures.

We also disagree with Katz's contention that a person of ordinary skill in the art would not be motivated to combine Yoshizawa with Szlam because Yoshizawa distinguishes operator-assisted systems such as Szlam. A reference can distinguish prior art in order to show the novelty of an invention without teaching away from combining the prior art with the invention disclosed in the reference. *See Ricoh Co., Ltd. v. Quanta Computer Inc*., 550 F.3d 1325, 1332 (Fed. Cir. 2008) ("A reference may be said to teach away when a person of ordinary skill, upon reading the reference, would be discouraged [**45] from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant.") (internal quotation omitted).

Katz also contends that the prior art references teach away from claim 31, which requires both caller-entered customer numbers and ANI ("Automatic Number Identification," i.e., signals indicating the caller's number in a manner similar to caller identification) to obtain account information. [*1322] According to Katz, Szlam teaches away from using both techniques because it discloses only the use of ANI or caller-entered customer numbers. Katz contends that Yoshizawa teaches away from using ANI because its system allows users to place bets "on a street corner," whereas ANI could not effectively operate in that setting because people could bypass the system by calling from different telephones. While those are distinctions between the prior art and the invention, they do not lead to the conclusion that the prior art teaches away from the invention. Neither of the references would lead an inventor down an errant path or discourage using the combination of ANI and caller-entered numbers to obtain account information. We agree [**46] with the district court that there is no dispute of material fact as to whether the identified claims of the '965 patent would have been obvious in view of Szlam and Yoshizawa.

Katz next appeals the district court's decision that claims 35, 53, 61, and 66 of the '965 patent were not entitled to priority over Szlam. Once an accused infringer establishes obviousness by clear and convincing evidence, the burden shifts to the patentee to prove priority over the invalidating prior art. [***1752] *See PowerOasis, Inc. v. T-Mobile USA, Inc*., 522 F.3d 1299, 1305 (Fed. Cir. 2008). To be entitled to the priority date of an earlier application, the patentee must show that "the application necessarily discloses that particular device." *Hyatt v. Boone*, 146 F.3d 1348, 1354 (Fed. Cir. 1998) (internal quotation omitted). Therefore, in order for the claims to have priority over Szlam, the parent application needed to disclose the invention of those claims: receiving caller-entered signals, looking up data corresponding to that caller in a file, and displaying the located data. To support its argument that the earlier application provided such disclosure, Katz points to the same portions of the Statistical Interface [**47] specification that it did in appealing the written description rulings—the interface terminal, the command terminal, and the "Bootstrapping Sentence." Katz fails, however, to explain how those specification statements disclose the display of data corresponding to caller-entered signals. Because Katz has not met its burden to establish priority over Szlam, we affirm the district court's ruling that claims 35, 53, 61, and 66 of the '965 patent are invalid for obviousness.

B

The district court held that claims 57 and 63 of the '120 patent would have been obvious in view of the Student Registration and Moosemiller references, and that claim 67 of the '120 patent would have been obvious in view of the Szlam and Student Registration references. Moosemiller discloses a voice response system that uses a host computer to provide callers with voice prompts allowing callers to log in to the system with touchtone signals. The Moosemiller system can identify the number that the caller has dialed and use that information to classify incoming calls and greet each caller with an appropriate prompt.

Katz argues that there is a genuine factual issue as to whether Student Registration discloses the "cue [**48] suppression" limitation of "utilizing, for qualified callers, the identification signals relating to the callers, to avoid prompting certain callers with a certain previously provided cue or cues." The court construed that limitation to require using "identification signals . . . to prevent" callers from receiving previously provided prompts. In the Student Registration system, students use their identification numbers to register for courses, and the system provides different messages depending on a student's registration status. For example, the system will use Dialog #23 if the student wishes to be [*1323] placed on a course registration waiting list. If the student is already on the waiting list, the system will not play Dialog #23 but will instead play Dialog #27, which tells the student that he or she is already registered or is on the waiting list for the course. Katz argues that the asserted claims of the '120 patent require a system that tracks the cues a user has received, and that Student Registration discloses a system that tracks only the student's registration status. The asserted claims, however, simply require using identification signals to avoid repeating cues; they do not [**49] dictate how that must be accomplished. Because the Student Registration system uses student numbers to access the caller's registration status and avoid giving repeat cues, Student Registration clearly discloses the "cue suppression" limitation.

Katz next argues that it would not have been obvious to combine Student Registration and Szlam to create the invention of claim 67 of the '120 patent, which bases cue suppression on ANI data. Katz contends that students' mobility and their tendency to share telephone numbers would cause "unpredictable and disastrous results" in a cue suppression system based solely on ANI data. The problem with Katz's argument is that claim 67 reads on any method to suppress cues by identifying callers based in part on ANI data. And Student Registration discloses multi-faceted identification techniques such as using a personal identification number or a birth date in addition to a registration number. Claim 67 is therefore an obvious combination of Student Registration's cue suppression with the ANI-based identification process of Szlam. *See KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 417, 127 S. Ct. 1727, 167 L. Ed. 2d 705 (2007) ("[I]f a technique has been used to improve one device, and a [**50] person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.").

VI

Katz next appeals three of the district court's claim constructions pertaining to several of the asserted claims. However, none of those claim construction issues gives rise to reversible error.

A

Claim 31 of the '965 patent (the Voice-Data patent) recites a method claim for controlling communications in a communications facility, including the step of "generating computer [***1753] acknowledgement numbers to identify the transaction for the system and individual callers and providing said computer acknowledgement numbers to the individual callers." The district court construed the term "acknowledgement number" as "a number used by a caller to verify or acknowledge a transaction to the system." That construction does not specify how the caller uses the number to acknowledge a transaction to the system. One reasonable reading of the court's construction is that the caller enters the number to the system. Another is that the caller listens to the number and then confirms that it is correct. A third [**51] possible reading is that the caller simply listens to the number and does not need to provide any confirmation to the system, i.e., the transaction is "to the system," but the acknowledgement is not. In a subsequent opinion, the district court held "there is nothing within the specification or the term itself that requires an acknowledgment number to be provided to the system." The appellees, however, contend that the district court's construction requires the caller to repeat the acknowledgment number to the system.

[*1324] Katz argues that a construction that requires the caller to enter a confirmation number into the system would erroneously limit the proper scope of the claims by importing limitations from a single embodiment. We agree. While the health poll embodiment of the '762 patent requires the user to enter the acknowledgement number into the system as a security measure, '762 patent, col. 8, ll. 43-49, another embodiment does not require the user to enter the acknowledgement number, *id.*, col. 11, ll. 49-58. And an embodiment from the '965 patent explicitly states that the caller may enter the acknowledgement number but is not required to do so. '965 patent, col. 12, ll.

57-59. [14] [**52] Because there is a strong presumption against a claim construction that excludes a disclosed embodiment, *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371, 1377 (Fed. Cir. 2005), we reject the appellees' interpretation of the term "acknowledgement number" as a number that the caller must repeat to the system. Instead, we hold that the correct construction of "acknowledgement number" is "a number that can be used by a caller to identify a transaction." This construction does not affect any of the district court's summary judgment rulings, however, because we have affirmed the district court's ruling that claim 31 is invalid for obviousness, and the construction of the term "acknowledgement number" does not affect that ruling.

B

Based on an argument Katz made during reexamination to avoid prior art, the district court construed the term "personal identification data" to have a meaning distinct from passwords and PIN numbers. From the Statistical Interface group, claim 43 of the '863 patent and claim 18 of the '547 patent cover the use of "personal identification data." In response to the examiner's rejection on reexamination based on Yoshizawa's use of a password as the "personal identification data," Katz explained:

> Although the Examiner alleges that the password entered by a subscriber satisfies the "one other distinct identification data element," the Patentee respectfully submits that the claim requires that "one other distinct identification data element" to be "personal identification data" of the caller. A password that is composed (and frequently changed) serves as an access code or PIN, rather than personal identification data. . . . [S]everal examples of personal identification data [include] a caller's name, address, telephone number, initials, age, etc.

On appeal, Katz argues that the distinction it proffered in reexamination did not have [**54] the effect of disclaiming all passwords or PINs, particularly those that are not arbitrarily composed and are not frequently changed. We reject that argument. Katz's disclaimer distinguished "personal identification data" from all composed passwords, not just arbitrarily composed passwords. For example, Katz disclaimed the use of passwords that can be composed and changed, including passwords that are initially set to telephone numbers or other personal identification data. Katz contends that would-be infringers could circumvent the patent simply [*1325] by labeling "personal identification data" as a "password." For example, Katz envisions a circumventing system that assigns a user's social security number to the [***1754] user as a "password." However, such a concern is not present in this case and could be addressed by determining whether the purported password can be composed and changed. If the system allowed the user to change his password from his social security number to another phrase of his choosing, that system would lie outside the scope of Katz's claims in light of the prosecution history. We therefore find no error in the district court's claim construction of "personal identification [**55] data."

C

For several patents in the Statistical Interface group, the district court construed the term "customer number" to mean a number assigned to a customer by a vendor or recognized by the vendor for the purpose of identifying the customer. The court further construed that term to be distinct from a credit card number. The court's construction applied to the use of that term in claim 18 of the '360 patent and claim 43 of the '863 patent. Katz appeals the district court's construction of "customer number," noting that the specification contains embodiments in which a "credit card number" is used to identify people. However, Katz is unable to point to any place in the specification where the term "credit card number" is linked to the term "customer number." The only references to both terms indicate that they are used for different purposes. A figure in the specification shows "customer number" and "credit card number" as two distinct fields. *See* '863 patent, fig. 5. Additionally, claim 32 of the '762 patent treats the two elements as distinct. It recites a means to provide signals "indicative of an individual caller's customer number and credit card number" and a structure "to verify [**56] said individual caller's customer number and credit card number to determine said individual caller's credit." Because we ordinarily interpret claims consistently across

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[14] The parties agree that the term "acknowledgement number" has the same meaning in the '762 patent as in the '965 patent. Our holding, however, is limited to the meaning of the term "acknowledgement number" in the '965 patent because no claims of the '762 patent have been selected against any of the appellees. If defendants other than the appellees wish to argue for a different construction for the '762 patent, they would be free to do so unless they had agreed that the [**53] terms should have a consistent meaning across both patents.

patents having the same specification, *NTP, Inc. v. Research in Motion, Ltd*., 418 F.3d 1282, 1293 (Fed. Cir. 2005), we agree with the district court's construction of the term "customer number."

VII

Finally, Katz appeals from the district court's summary judgment determinations that U.S. Bank, American Airlines, and DHL did not infringe the remaining claims selected against them. Claim 63 of the '120 patent was asserted only against DHL and is the only remaining claim against DHL. Because we have sustained the district court's order invalidating that claim, we do not address the infringement issue as to that claim.

A

Katz appeals from the district court's summary judgment that U.S. Bank's accused systems do not infringe Statistical Interface claims 43 and 49 of the '863 patent and Conditional Interface Plus claims 19, 49, and 71 of the '285 patent. Those claims require that the interface structure or method include means or a step for receiving "dialed number identification service" ("DNIS") data signals, which the court [**57] construed to mean data or signals "that identify the number called" by the party calling the data processing system.

Although the parties do not disagree with the court's construction of the term DNIS, they disagree about the meaning of the court's construction. Specifically, Katz argues that the DNIS limitation, as construed by the court, is satisfied as long as the accused system assigns a distinct value [*1326] to each called number, which can be used to identify the called number and route incoming calls accordingly. U.S. Bank seems to argue that the court's construction of the DNIS limitation requires that the accused system actually store the ten-digit telephone number dialed by the caller, rather than a value that "identifies" that number in some other fashion. In the summary judgment opinion, it appears that the district court may have adopted that narrower interpretation, as it remarked that U.S. Bank's system did not store the called number itself, but only a shorter number that represented the called number.

The district court's brief discussion of the DNIS issue leaves it unclear whether the court's construction of the DNIS limitation requires that the accused system use the full [**58] ten-digit called telephone number or merely some other representation that uniquely identifies the called number. Because the parties have addressed this issue only fleetingly in their briefs, we vacate the court's summary judgment order as to these claims and remand for the district court to resolve this issue of claim construction.

U.S. Bank argued in the alternative that, even under the broader interpretation of the court's claim construction advocated by Katz, the accused U.S. Bank systems do not infringe because they lack signals that uniquely identify the called number. The accused systems use only five digits, which are sometimes referred to as vector directory [***1755] numbers ("VDNs"). U.S. Bank's expert, Dr. Paul S. Min, stated that one VDN can correspond to many called numbers in the accused system and thus does not uniquely identify the number called. If Dr. Min's statement had been undisputed, summary judgment of noninfringement would have been proper. Katz, however, pointed to a genuine factual dispute over whether the five digit codes can identify the called number in the accused systems. Katz's expert, Dr. David Lucantoni, noted that U.S. Bank uses the terms VDN and DNIS interchangeably [**59] to refer to five digit codes. U.S. Bank contends that Dr. Lucantoni's conclusion was wholly unsupported, but some of the documentation supporting U.S. Bank's summary judgment motion labels five-digit codes as DNIS, not VDN. Other U.S. Bank documents specifically direct the creation of a one-to-one relationship between the assigned DNIS values and the numbers dialed by callers. Because the evidence suggests U.S. Bank's systems use five-digit codes to uniquely identify called numbers, we conclude that summary judgment in U.S. Bank's favor on the DNIS issue was improper under the broader construction of the term DNIS.

Katz also appeals from the district court's summary judgment that U.S. Bank's accused system does not infringe claim 5 of the '223 patent. Katz first appeals the district court's implicit claim construction that "means for selectively receiving calls" requires that some of the calls not be received by the system. Katz contends that the court's construction would not cover one of the disclosed embodiments, in which different audio response units ("ARUs") receive different categories of calls, i.e., calls to 800 numbers, calls to 900 numbers, and calls to area code numbers. [**60] We disagree. The system as a whole has to selectively receive calls because the "means for

selectively receiving calls" consists of "means for receiving calls in a plurality of call modes" including the 800, 900, and area code modes. Katz's contention that each ARU is the "means for selectively receiving calls" fails because claim 5 makes clear that the "means for selectively receiving calls" consists of multiple ARUs. Additionally, the embodiment Katz points to [*1327] does not receive all calls, because calls in the 800 and area code calling modes will be aborted under certain conditions. *See* '223 patent, fig. 2.

We reject Katz's argument that the accused system does not receive all calls. Both parties agree that the accused system consists of a public branch exchange ("PBX"), which connects calls to an interactive voice response unit ("IVR"). Katz's expert, Dr. Lucantoni, stated that in the accused system some calls are never received by the IVR portion of the system, but he did not dispute that all of the calls are received by the PBX portion of the system. Dr. Lucantoni's contention that the IVR "selects" not to receive certain calls was based on his description of several "examples" of [**61] instances in which the IVR does not receive calls. The examples cited by Dr. Lucantoni, however, do not support his characterization of the accused system. He pointed to a failure to connect due to a theoretical corrupted data packet. He also gave the theoretical example of holding a call in a queue until an IVR is available and, after an extended delay, canceling the call if an IVR is still not available. In both of those examples, the system was designed to connect all calls to an IVR but was vulnerable to failure due to unforeseen circumstances. A reasonable jury could not conclude from those examples that that the accused system selects not to receive calls in the same way the '223 patent provides that calls will be aborted in order to "limit repeat-call advantages" to callers who seek to place multiple calls to the system. *See* '223 patent, fig. 2, col. 3, ll. 21-25. Accordingly, we affirm the summary judgment of noninfringement as to claim 5 of the '223 patent.

B

American Airlines moved for summary judgment of noninfringement, contending that its accused system lacked a "record structure" that stored both "called data signals" developed by caller-operated touchtone telephones and [**62] "caller data" entered into the system by live operators. For those reasons, American Airlines argued, its accused system did not satisfy the "record structure" limitation of claim 43 of the '863 patent. In response to that motion, Katz changed its infringement theory after the close of discovery to assert that SABRE, a third-party system used by American Airlines, was the infringing record structure. Katz had previously contended that the "record structure" was a combination of two structures—SABRE and a system referred to as Periphonics IVR. Although the district court stated that it was "troubled" by the last-minute switch in Katz's theory, the court viewed the issue of the belated assertion of Katz's infringement theory as moot because it concluded that American Airlines did not infringe even under Katz's new theory. We hold that summary judgment on Katz's new theory [***1756] was inappropriate. We therefore vacate the district court's summary judgment order and remand to the district court the portion of the case involving the assertion of claim 43 of the '863 patent against American Airlines. On remand, the district court may revisit the question whether Katz timely asserted its present [**63] infringement theory under that claim.

Katz's new theory is that SABRE is a "record structure" that "receive[s] said caller data signals from said interface structure for accessing a file and storing certain of said data developed by said remote terminals," as required by claim 43. *See* '863 patent, col. 25, ll. 21-25 (independent claim 27, from which claim 43 depends). American Airlines contends that Katz's theory has two deficiencies. First, American Airlines argues that receiving and storing caller-entered data is insufficient because the record structure must "receive said caller data signals" and store "data developed by said remote terminals." [*1328] *Id*. For that reason, it argues, claim 43 requires that the system receive and store touchtone signals generated when users actuate the buttons on a remote terminal (e.g., a telephone), rather than receiving and storing bits representing the signals. Putting aside the physical challenges associated with storing "signals," the difficulty with American Airlines' construction is that the "record structure" receives the signals from the "interface structure." And the "interface structure" does not provide touchtone signals to the record structure, [**64] but instead provides "caller data signals representative of data . . . developed by said remote terminals." *Id*., col. 25, ll. 14-16. Thus, receiving and storing information representative of the caller-entered data is sufficient to infringe.

Second, American Airlines contends that Katz fails to point to any evidence that SABRE receives and stores information representative of caller-entered data. We disagree. There is at least a genuine issue of material fact as to whether SABRE stores information representative of caller-entered data. Katz submitted an expert's infringement

report stating that the SABRE collects information from the caller and stores the information in the SABRE database including passenger and flight information. That evidence is supported by an American Airlines document entitled "Dialog Specification: Non Revenue Travel Application." That document describes a telephone-interface system that collects caller-entered data including passenger and flight information. In describing eligibility checks for various flight bookings, the document states that "SABRE will also check for [various eligibility criteria] when trying to build the [passenger record], and will return [**65] a specific error code." This implies that SABRE receives and stores caller-entered data. Because there is a genuine issue of material fact as to whether American Airlines' system receives and stores information representative of caller-entered data, we vacate the district court's summary judgment of noninfringement against American Airlines on claim 43 of the '863 patent and remand for further proceedings on that issue, subject to the district court's revisiting, at its discretion, the timeliness of Katz's assertion of its current infringement theory.

VIII

Katz appeals many of the district court's rulings on claims that were not selected against any of the appellees. Because those claims are not at issue in this appeal, we do not address Katz's arguments with respect to the district court's rulings on those claims. Those rulings are the following: the court's indefiniteness rulings as to claim 11 of the '021 patent, claim 19 of the '547 patent, claim 116 of the '707 patent, claim 34 of the '551 patent, claim 4 of the '893 patent, and claims 41 and 42 of the '309 patent; the court's written description rulings as to claim 34 of the '551 patent, claim 32 of the '120 patent, claims 18, [**66] 106, 110, 114, and 119 of the '360 patent, and claims 1, 7, 51, 58, and 86 of the '223 patent; the court's obviousness ruling as to claim 43 of the '965 patent; and the court's claim construction ruling as to claim 32 of the '762 patent. While we do not directly address any of those issues, any further proceedings relating to those issues may, of course, be affected by our analysis of related issues in this opinion.

Each party shall bear its own costs for these appeals.

AFFIRMED IN PART, VACATED IN PART, and REMANDED [***1757]

Nexus Pharms., Inc. v. Exela Pharma Scis., LLC

United States District Court for the District of Delaware

October 21, 2025, Decided; October 21, 2025, Filed

Civil Action No. 22-1233-GBW

Reporter
2025 U.S. Dist. LEXIS 207591 *; 2025 LX 470769

NEXUS PHARMACEUTICALS, INC., Plaintiff, v. EXELA PHARMA SCIENCES, LLC, Defendant.

Prior History: Nexus Pharms., Inc. v. Exela Pharma Sciences, LLC, 2024 U.S. Dist. LEXIS 81996, 2024 WL 1990860 (May 6, 2024)

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Judges: GREGORY B. WILLIAMS, UNITED STATES DISTRICT JUDGE.

Opinion by: GREGORY B. WILLIAMS

Opinion

MEMORANDUM ORDER

Pending before the Court is the dispute set forth in the parties' joint letter concerning their respective positions and arguments on whether claims that Plaintiff Nexus Pharmaceuticals Inc. ("Nexus") dismissed prior to trial are dismissed with prejudice or without prejudice (D.I. 365).[1]

I. FACTUAL BACKGROUND

[1] The Court will address the parties' other post-trial motions after they are fully briefed.

In this patent infringement action, Nexus originally asserted 34 claims, which encompassed every single claim of the three asserted patents — U.S. Patent No. 11,426,369 ("the '369 patent"), U.S. Patent No. 11,464,752 ("the '752 patent"), and U.S. Patent No. 11,571,398 ("the '398 patent"). *See* D.I. 277. Trial in this action was scheduled to begin on August 25, 2025. Of course, both parties understood it was not realistic for Nexus to try 34 claims to the jury and the parties likely would need to narrow their asserted claims and asserted defenses prior to trial as is typical in patent infringement cases.

Prior to the Court's involvement in the claim narrowing process, Nexus and Defendant Exela Pharma Sciences, LLC ("Exela") were discussing narrowing the [*3] asserted claims and asserted defenses in this action on their own accord. See D.I. 277; D.I. 278; D.I. 296; D.I. 298, at 1 ("For the past three months, Exela has attempted to work with Nexus to narrow this case for trial."). On June 9, 2025, as part of a discovery dispute, Exela requested the Court to enter an Order requiring a narrowing of asserted claims and asserted defenses in advance of trial and before rulings on pending summary judgment motions. D.I. 274. In its response to Exela's letter motion, Nexus specifically replied that "Nexus is not opposed to claim narrowing but opposes the timing of claim narrowing before a summary judgment ruling, because Exela's pending summary judgment motions could affect none, some, or all of Nexus's claims in ways that Nexus cannot predict, so it would not be fair or prudent to narrow them now. Nexus proposes two-way narrowing promptly after summary judgment . . ." D.I. 278, at 1 (emphasis added). By Order entered on July 7, 2025, the Court entered its rulings on Exela's pending motions for summary judgment and denied Exela's request for the Court to enter a case narrowing schedule. D.I. 285. However, the Court encouraged the parties to reach [*4] agreement on narrowing the claims and defenses and to actually complete the narrowing of the claims and defenses in this action by no later than thirty (30) days prior to the pretrial conference. D.I. 285, at ¶ 6.

A few weeks later, on July 25, 2025, Nexus advised that it was prepared to agree that it would narrow the asserted claims to seven (7) asserted claims across the asserted patents. *See* D.I. 296 ("Nexus stands ready to narrow its asserted claims. Nexus proposed that it will narrow to seven claims across its three asserted patents, and Exela has no problem with that proposal."). The remaining dispute between the parties involved Exela narrowing the asserted defenses, and the focus of the dispute was on Exela narrowing the number of prior art references and obviousness combinations. *See* D.I. 296 and D.I. 298. The parties asked the Court to consider their respective proposals and to rule on the issue. *See id.* On August 1, 2025, the Court entered a Memorandum Order ordering Nexus to narrow to seven (7) asserted claims and Exela to narrow to four (4) obvious combinations per claim, no more than eight (8) obvious combinations total, and no more than a total of 10 prior art references, [*5] within five (5) days of Nexus' narrowing to seven (7) asserted claims. D.I. 300. Thereafter, Nexus narrowed its asserted claims to claims 2, 6, 9 of the '369 patent, claims 3, 7, 10 of the '752 patent, and claim 1 of the '398 patent. D.I. 321 ¶ 10. Two days prior to trial, Nexus, on its own accord, dismissed claim 2 of the '369 patent and claims 3 and 10 of the '752 patent. D.I. 365 at 2-3.

At the end of the trial, the jury having deliberated on Nexus' claims of patent infringement of claims 6 and 9 of the '369 patent, claim 1 of the '398 patent, and claim 7 of the '752 patent reached a verdict in favor of Exela and against Nexus on claims 6 and 9 of the '369 patent, claim 1 of the '398 patent, and claim 7 of the '752 patent. D.I. 342.[2] Accordingly, the Court entered judgment in favor of Exela. D.I. 358.

The parties are now divided on whether the claims that Nexus dismissed prior to trial are dismissed with prejudice or without prejudice. D.I. 365. For the reasons set forth below, the Court finds that the claims that Nexus dismissed prior to trial are dismissed with prejudice.

II. LEGAL STANDARD

[2] Specifically, the jury found in favor of Exela and against Nexus that the method of making and administering Exela's accused AKOVAZ PFS product does not infringe claims 6 and 9 of the '369 patent and claim 1 of the '398 patent, and that claim 7 of the '752 patent is invalid as obvious.

Courts in this district are divided as to whether Court-ordered claim narrowing should result in dismissal with prejudice or without prejudice. *Compare Exeltis USA, Inc. v. Lupin Ltd.*, No. CV 22-434-RGA, 2024 U.S. Dist. LEXIS 196789, 2024 WL 4605624, at *1 (D. Del. Oct. 29, 2024) (claims dropped with prejudice); *Bial-Portela & Ca. S.A. v. Alkem Lab'ys Ltd.*, No. CV 18-304-CFC-CJB, 2022 U.S. Dist. LEXIS 193028, 2022 WL 13944612, at *2 (D. Del. Oct. 24, 2022) (claims dropped with prejudice), [*6] with *Ferring Pharms. Inc. v. Fresenius Kabi USA, LLC*, 645 F. Supp. 3d 335, 393 (D. Del. 2022) (claims dropped without prejudice).

Some courts have deemed this form of claim dismissal as "essentially a voluntary dismissal under Rule 41(a)(2) of the Federal Rules of Civil Procedure." *Ferring*, 645 F. Supp. 3d at 393; *see* Fed. R. Civ. P. 41(a)(2) ("[A]n action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper."). "This Rule gives district courts 'broad . . . discretion to shape the proper terms of dismissal.' *McGoveran v. Amazon Web Servs., Inc.*, No. 1:20-CV-01399-SB, 2024 U.S. Dist. LEXIS 190648, 2024 WL 4533598, at *5 (D. Del. Oct. 18, 2024) (quoting *Polansky v. Exec. Health Res. Inc*, 17 F.4th 376, 393 (3d Cir. 2021)).

Other courts have treated this form of claim dismissal as amendment of the pleadings under Rule 15. *Bio-Rad Laboratories, Inc. et al v. 10X Genomics Inc.*, C.A. No. 1:15-CV-00152-RGA (D. Del July 9, 2019), **D.I.** 561; *see also Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515, 518 (Fed. Cir. 1987) (discussing the distinction between Rule 41(a), which applies to an "action" and Rule 41(b), which references "claims" and "actions"); *Shure Inc. v. Clearone, Inc.*, No. CV 19-1343-RGA, 2022 U.S. Dist. LEXIS 95425, 2022 WL 1718950, at *1 (D. Del. May 27, 2022) (referring to Rule 15 as an "alternative" to Rule 41 in this context). Under Rule 15, courts have "extensive discretion to decide whether to grant leave to amend after the time for amendment as a matter of course has passed." *Shure*, 2022 U.S. Dist. LEXIS 95425, 2022 WL 1718950, at *1 (quoting Wright & Miller, Federal Practice & Procedure Civil 3d, § 1486 (2010)).

III. DISCUSSION

Nexus contends the claims that it dismissed prior to trial and the counterclaims that Exela dismissed prior to trial should be considered dismissed without prejudice. D.I. 365 at 1-2. Exela disagrees with Nexus and contends that such dismissals should be considered with prejudice. D.I. 365 at 2-4. [*7] Nexus relies on *Ferring* for the proposition that dismissal with prejudice under these circumstances would be unfair. D.I. 365 at 1-2. In *Ferring*, the court declined to dismiss with prejudice claims narrowed pursuant to a court order, noting that it was "skeptical" that dismissal without prejudice would cause any potential prejudice or risk of subsequent litigation. *Ferring*, 645 F. Supp. 3d at 394. However, Nexus' briefing in support of its request for dismissal without prejudice directly dispels any skepticism that led Judge Noreika to find the dismissal without prejudice in *Ferring*, as Nexus contends that "the jury's mixed verdict *is informative for what other claims may be strong to bring"* and, also, "[i]f there were a second trial, it would be with the benefit of the present record, and not starting from scratch." D.I. 365 at 2 (emphasis added).

Also, the facts in *Exeltis* are nearly identical to the facts in the instant action and this Court agrees with Judge Andrews' reasoning in *Exeltis.* In *Exeltis*, the parties could not reach agreement on the timing of pretrial claim narrowing. *See Exeltis, 2024 U.S. Dist. LEXIS 196789, [WL] at *1.* Similar to the instant action, the *Exeltis* court resolved the parties' dispute and entered a claim narrowing schedule which the parties followed. *Id* Thereafter, Plaintiffs [*8] strategically dismissed an additional claim on the eve of trial, which all parties agreed was dismissed with prejudice. 2024 U.S. Dist. LEXIS 196789, [WL] at *2. Following trial, the parties disputed whether seven patents dismissed by Plaintiffs in response to the case narrowing order should be dismissed with prejudice or without prejudice. 2024 U.S. Dist. LEXIS 196789, [WL] at *1. As in the instant action, Plaintiffs in *Exeltis* framed their argument in favor of dismissal without prejudice as being based on "fundamental fairness." *Id.* Judge Andrews disagreed with Plaintiffs about what fundamental fairness requires. *Id.*

Specifically, Judge Andrews explained as follows:

> Plaintiffs treat the court-ordered case narrowing as being unfair because it required them to give up claims. But it was even-handed; it required that Defendants give up invalidity defenses. Plaintiffs say that they ought to be

> able to bring more lawsuits based on the claims that they dropped. If the verdict is affirmed on appeal, should Defendants be able to resurrect the defenses that they dropped at roughly the same time that Plaintiffs were dropping claims? I am quite sure Plaintiffs would oppose that. Yet, why should it be, if Plaintiffs lose, do it again (and again, if necessary); if Defendants lose, [*9] it's over?

Id. In other words, trial should function to provide certainty to the parties with respect to disputed claims and issues, not a testing ground for considered but dropped claims during the course of litigation. 2024 U.S. Dist. LEXIS 196789, [WL] at *2 ("But likelihood and certainty are not the same thing. I'd prefer certainty.").

Similarly, in deciding a similar dispute in *Bial-Portela* and concluding that claims dismissed by Plaintiffs as part of claim narrowing prior to trial were dismissed with prejudice, Chief Judge Connolly noted as follows:

> [P]laintiffs routinely assert at the outset significantly more patent claims than they ever could realistically assert at trial. As trial approaches, plaintiffs reduce their asserted claims to a manageable number and defendants reduce their invalidity defenses. The finite resources of this Court and the parties make this narrowing process necessary. If I were to dismiss [plaintiff's] withdrawn claims as moot and without prejudice, then [plaintiff] (and any future plaintiff° would receive a green light to engage in "essentially endless litigation," . . . and this Court, with its overwhelming docket of patent cases, would grind to a halt.

Bial-Portela, 2022 U.S. Dist. LEXIS 193028, 2022 WL 13944612, at *2 (quoting *Bio-Rad Lab'ys*, D.I. 561, at [*10] 2).

This Court agrees with Exela's position in the instant action and the reasoning and findings of Judge Andrews in *Exeltis* and Chief Judge Connolly in *Bial-Portela.* Thus, this Court disagrees with Nexus and finds that the case narrowing process in the instant action was even-handed and fair since it required Nexus to narrow its asserted claims and required Exela to narrow its asserted defenses. The fact that Nexus was unsuccessful at trial should not allow Nexus to get a second bite at the apple by now asserting those claims that it dismissed prior to trial. That would undermine the certainty of the trial process and lead to endless litigation. Thus, the Court concludes that the claims that Nexus dismissed prior to trial and the defenses and counterclaims that Exlea dismissed prior to trial were dismissed with prejudice.

Next, as a compromise position, Nexus proposes dismissing all claims without prejudice, "except for claim 2 of the '369 patent and claims 3 and 10 of the '752 patent," which would be dismissed with prejudice. *Id.* at 2. For the same reasons set forth above, the Court rejects the compromise position by Nexus and concludes that the claims that Nexus dismissed prior to trial were dismissed with prejudice. [*11] Likewise, the defenses and counterclaims dismissed by Exela prior to trial were dismissed with prejudice.

IV. CONCLUSION

For all the reasons set forth above, the Court finds that the claims that Nexus dismissed prior to trial as part of the claims narrowing process were dismissed with prejudice. Likewise, the defenses and counterclaims dismissed by Exela prior to trial were dismissed with prejudice.

WHEREFORE, at Wilmington this 21st day of October 2025, IT IS HEREBY ORDERED that the claims that Nexus dismissed prior to trial as part of the claims narrowing process were dismissed with prejudice. IT IS ALSO HEREBY ORDERED that the defenses and counterclaims dismissed by Exela prior to trial were dismissed with prejudice.

/s/ Gregory B. Williams

GREGORY B. WILLIAMS

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

REPORT OF THE LOCAL PATENT RULES COMMITTEE
Explanatory Notes for 2011 Amendments

In September 2010, almost two years after the Local Patent Rules had been adopted, the Committee reconvened to assess the impact and effectiveness of the Local Patent Rules. Based on the experiences of members of the Committee from the Judiciary and the Bar, there was an unanimous view that the Local Patent Rules have served to benefit the Court and the parties in patent litigation.

Notwithstanding those positive experiences, the Committee also believed that certain amendments might be warranted. Those areas of proposed changes include: (a) design patents; (b) certain disclosure obligations; (c) clarifying disclosure of evidence in connection with a Markman hearing; (d) need for responses to infringement and invalidity contentions; (e) specific modifications for disclosures exclusive to Hatch-Waxman cases; (f) amendments to required submissions or filings; and clarification in the language of rules.

Subcommittees were appointed for each of the subject areas and shortly thereafter recommendations were proposed to the full Committee, which discussed them at length.

With regard to design patents, shortly after the Committee had submitted its proposed patent rules in 2008, the Court of Appeals for the Federal Circuit issued its en banc ruling in Egyptian Goddess v. Swisa, 543 F.3d 665 (2008), which held, in part, that a trial court should not provide a detailed verbal description of the claimed design. This holding is in tension with certain of the Local Patent Rules which call for a narrative claims chart, claim construction contentions and a claim construction hearing. The Committee determined that in light of the Federal Circuit authority modifications were appropriate to better suit the needs of design patents. See L. Pat. R. 3.1(c) and (e); 3.3(c); 3.4A(c); 4.1(c); 4.2(e); 4.3(g); 4.4; and 4.5(d).

While the Local Patent Rules expressly reference obligations regarding infringement and invalidity, the Committee noted that in cases outside of Hatch-Waxman matters, no provision presently exists that requires the allegedly infringing party to provide its non-infringement contentions. Accordingly, the Committee proposed disclosure obligations for non-infringement similar to those required for assertion of infringement and invalidity. See L. Pat. R. 3.2A(a) and (b); and 3.4(c).

As to invalidity contentions, while there are disclosure obligations by a party asserting

invalidity, the Committee determined that a requirement that mandates that the patent holder respond in kind to invalidity contentions will provide parity between the parties and serve to focus the invalidity challenge. See L. Pat. R. 3.4A(a),(b) and (c); and 3.5 (a).

To help ensure that the spirit of the disclosure obligations is fully appreciated, the Committee recommended various rules requiring parties to disclose all materials that they intend to rely upon in connection with infringement, non-infringement, and invalidity contentions and or responses thereto. See L. Pat. R. 3.2(f); 3.2A(c); 3.4(c); and 3.4A(d).

In the area of Hatch-Waxman actions under L. Pat. R. 3.6, the Committee concluded that in order to help narrow the focus of a generic's invalidity contentions, the patent holder should be required to provide early disclosure of each patent and patent claim for infringement to which its infringement contentions would be limited. This eliminates speculation and added work by the generics in formulating their non-infringement and invalidity contentions. Changes recommended to disclosure obligations in non-Hatch-Waxman cases as they would apply in the Hatch-Waxman context were also proposed. In addition, the Committee determined that the ANDA filer should produce its Abbreviated New Drug Application or New Drug Application shortly after filing an answer or motion as this is a fundamental element of the Hatch-Waxman action. It was also recommended that the ANDA filer be required to advise the Food and Drug Administration ("FDA") of any motion for injunctive relief and supply the parties with relevant communications with the FDA which concern the subject matter filed in the District Court. This is intended to keep the FDA and parties apprised of any proceedings that may impact the ongoing litigation. See L. Pat. R. 3.6(a), (b), (c), (i) and (j).

In an effort to avoid potential misunderstandings as to the scope of permitted amendments to obligations under the Local Patent Rules, the Committee sought to clarify that amendments apply to all filings with the Court or exchanges between the parties as may be required by the Local Patent Rules. The proposed rule also makes plain that any amendments require the approval of the Court, notwithstanding consent by the parties. See L. Pat. R. 3.7.

Finally, as to claim construction and claim construction proceedings, the Committee proposed adding language to clarify that evidence to be used must be disclosed in a timely fashion. See L. Pat. R. 4.2(b) and (c); and 4.3(f).

In December 2010, the Committee submitted the proposed amendments to the Board of Judges for their consideration.

Local Patent Rules Committee

Hon. Jerome B. Simandle, U.S.D.J., Chair
Hon. Stanley R. Chesler, U.S.D.J.
Hon. Mary L. Cooper, U.S.D.J.
Hon. Faith S. Hochberg, U.S.D.J.
Hon. Peter G. Sheridan, U.S.D.J.
Hon. Tonianne J. Bongiovanni, U.S. M.J.
Hon. Joel Schneider, U.S.M.J.
Hon. Mark Falk, U.S.M.J.
Hon. Patty Shwartz, U.S.M.J.
John T. O'Brien, Legal Coordinator

Arnold B. Calmann, Esq.
Thomas Curtin, Esq.
David De Lorenzi, Esq.
Marc S. Friedman, Esq.
Dennis F. Gleason, Esq.
Mary Sue Henifin, Esq.
Norman E. Lehrer, Esq.
Peter Menell, Prof. of Law,
Univ. of Calif., Berkeley School of Law
William L. Mentlik, Esq.
George F. Pappas, Esq.
Matthew D. Powers, Esq.
Donald Robinson, Esq.
Robert G. Shepherd Esq.
December 2, 2010

L. Civ. R. 9.3 -- LOCAL PATENT RULES

1. SCOPE OF RULES

1.1. Title.

These are the Local Patent Rules for the United States District Court for the District of New Jersey. They should be cited as "L. Pat. R. __."

1.2. Scope and Construction.

These rules apply to all civil actions filed in or transferred to this Court which allege infringement of a patent in a complaint, counterclaim, cross-claim or third party claim, or which seek a declaratory judgment that a patent is not infringed, is invalid or is unenforceable. The Local Civil Rules of this Court shall also apply to such actions, except to the extent that they are inconsistent with these Local Patent Rules. If the filings or actions in a case do not trigger the application of these Local Patent Rules under the terms set forth herein, the parties shall, as soon as such circumstances become known, meet and confer for the purpose of agreeing on the application of these Local Patent Rules to the case and promptly report the results of the meet and confer to the Court.

1.3. Modification of these Rules.

The Court may modify the obligations or deadlines set forth in these Local Patent Rules based on the circumstances of any particular case, including, without limitation, the simplicity or complexity of the case as shown by the patents, claims, products, or parties involved. Such modifications shall, in most cases, be made at the initial Scheduling Conference, but may be made at other times by the Court sua sponte or upon a showing of good cause. In advance of submission of any request for a modification, the parties shall meet and confer for purposes of reaching an agreement, if possible, upon any modification.

1.4. Effective Date.

These Local Patent Rules take effect on January 1, 2009. They govern patent cases filed, transferred or removed on or after that date. For actions pending prior to the effective date, the Court will confer with the parties and apply these rules as the Court deems practicable.

1.5. Patent Pilot Project.

Procedures for allocation and assignment of patent cases under the Patent Pilot Project pursuant to Pub. L. No. 111-349, § 1, are provided in L. Civ. R. 40.1(f) and Appendix T to the Local Civil Rules.

2. GENERAL PROVISIONS

2.1. Governing Procedure.

(a) Initial Scheduling Conference. When the parties confer pursuant to Fed. R. Civ. P. 26(f), the parties shall discuss and address in the Discovery Plan submitted pursuant to Fed. R. Civ. P. 26(f) and L. Civ. R. 26.1(b)(2) the topics set forth in those rules and the following topics:

(1) Proposed modification of the obligations or deadlines set forth in these Local Patent Rules to ensure that they are suitable for the circumstances of the particular case (see L. Pat. R. 1.3);

(2) The scope and timing of any claim construction discovery including disclosure of and discovery from any expert witness permitted by the court;

(3) The format of the Claim Construction Hearing, including whether the Court will hear live testimony, the order of presentation, and the estimated length of the hearing;

(4) How the parties intend to educate the Court on the patent(s) at issue; and

(5) The need for any discovery confidentiality order and a schedule for presenting certification(s) required by L. Civ. R. 5.3(b)(2).

(6) The availability and timing of production of invention records (including inventor laboratory notebooks and analytical test results);

The availability and timing of production of ANDA product research and development documents;

The availability and timing of production of ANDA product samples;

The date of conception and the date of reduction to practice for each patent asserted in the action, if applicable;

Each inventor's availability for deposition in the matter;

Availability of foreign witnesses for deposition and foreign documents;

Whether there is a 30-month stay and if so, when it ends;

A date for substantial completion of document production and a method for determining compliance;

Any other issues or matters that a party believes are time sensitive.

2.2. Confidentiality.

Discovery cannot be withheld or delayed on the basis of confidentiality absent Court order. Pending entry of a confidentiality order, discovery and disclosures deemed confidential by a party shall be produced to the adverse party for outside counsel's Attorney's Eyes Only, solely for purposes of the pending case and shall not be disclosed to the client or any other person.

Within 14 days after the initial Scheduling Conference, (a) the parties shall present a consent confidentiality order, supported by a sufficient certification (or statement complying with 28 U.S.C. § 1746) under L. Civ. R. 5.3(b)(2), or (b) in the absence of consent, a party shall, supported by a sufficient certification, apply for entry of a confidentiality order under L. Civ. R. 5.3(b)(5) and L. Civ. R. 37.1(a)(1). The Court will decide those issues and enter the appropriate order, or the Court may enter the District's approved Confidentiality Order as set forth in Appendix S to these Rules if appropriate, in whole or in part.

With respect to all issues of discovery confidentiality, the parties shall comply with all terms o L. Civ. R. 5.3.

2.3. Relationship to Federal Rules of Civil Procedure.

Except as provided in this paragraph or as otherwise ordered, it shall not be a ground for objecting to an opposing party's discovery request (e.g., interrogatory, document request, request for admission, deposition question) or declining to provide information otherwise required to be disclosed pursuant to Fed. R. Civ. P. 26(a)(1) that the discovery request or disclosure requirement is premature in light of, or otherwise conflicts with, these Local Patent Rules, absent other legitimate objection. A party may object, however, to responding to the following categories of discovery requests (or decline to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) on the ground that they are premature in light of the timetable provided in the Local Patent Rules:

(a) Requests seeking to elicit a party's claim construction position;

(b) Requests seeking to elicit a comparison of the asserted claims and the accused apparatus, product, device, process, method, act, or other instrumentality;

(c) Requests seeking to elicit a comparison of the asserted claims and the prior art; and

(d) Requests seeking to elicit the identification of any advice of counsel, and related documents.

Where a party properly objects to a discovery request (or declines to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) as set forth above, that party shall provide the requested information on the date on which it is required to be provided to an opposing party under these Local Patent Rules or as set by the Court, unless there exists another legitimate ground for objection.

2.4. Exchange of Expert Materials.

(a) Disclosures of claim construction expert materials and depositions of such experts are governed by L. Pat. R. 4.1, et seq., unless otherwise ordered by the Court.

(b) Upon a sufficient showing that expert reports related to issues other than claim

construction cannot be rendered until after a claim construction ruling has been entered by the Court, the disclosure of expert materials related to issues other than claim construction will not be required until claim construction issues have been decided.

3. PATENT DISCLOSURES

3.l. Disclosure of Asserted Claims and Infringement Contentions.

Not later than 14 days after the initial Scheduling Conference, a party asserting patent infringement shall serve on all parties a "Disclosure of Asserted Claims and Infringement Contentions." Separately for each opposing party, the "Disclosure of Asserted Claims and Infringement Contentions" shall contain the following information:

(a) Each claim of each patent in suit that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted;

(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality ("Accused Instrumentality") of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;

(c) Other than for design patents, a chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function;

(d) For each claim which is alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of multiple parties, the role of each such party in the direct infringement must be described;

(e) Other than for design patents, whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality;

(f) For any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled;

(g) If a party asserting patent infringement wishes to preserve the right to rely, for any purpose, on the assertion that its own apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, the party shall identify, separately for each asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim; and

(h) If a party asserting patent infringement alleges willful infringement, the basis for such allegation.

3.2. Document Production Accompanying Disclosure.

With the "Disclosure of Asserted Claims and Infringement Contentions," the party asserting patent infringement shall produce to each opposing party or make available for

inspection and copying:

(a) Documents (e.g., contracts, purchase orders, invoices, advertisements, marketing materials, offer letters, beta site testing agreements, and third party or joint development agreements) sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, or any public use of, the claimed invention prior to the date of application for the patent in suit. A party's production of a document as required herein shall not constitute an admission that such document evidences or is prior art under 35 U.S.C. § 102;

(b) All documents evidencing the conception, reduction to practice, design, and development of each claimed invention, which were created on or before the date of application for the patent in suit or the priority date identified pursuant to L. Pat. R. 3.1(f), whichever is earlier;

(c) A copy of the file history for each patent in suit (or so much thereof as is in the possession of the party asserting patent infringement);

(d) All documents evidencing ownership of the patent rights by the party asserting patent infringement;

(e) If a party identifies instrumentalities pursuant to L. Pat. R. 3.1(g), documents sufficient to show the operation of any aspects or elements of such instrumentalities the party asserting patent infringement relies upon as embodying any asserted claims; and

(f) All documents or things that a party asserting patent infringement intends to rely on in support of any of its infringement contentions under these Rules.

(g) With respect to each of the above document productions, the producing party shall separately identify by production number which documents correspond to each category.

3.2A Non-Infringement Contentions and Responses.

Not later than 45 days after service upon it of the "Disclosure of Asserted Claims and Infringement Contentions," each party opposing an assertion of patent infringement shall serve on all parties its "Non-infringement Contentions and Responses" to Infringement Contentions which shall include the following:

(a) The written basis for its Non-Infringement Contentions and responses;

(b) The party's responses shall follow the order of the infringement claims chart that is required under L. Pat. R. 3.1(c), and shall set forth the party's agreement or disagreement with each allegation therein, including any additional or different claims at issue;

(c) The production or the making available for inspection of any document or thing that it intends to rely on in defense against any such Infringement Contentions.

3.3. Invalidity Contentions.

Not later than 45 days after service upon it of the "Disclosure of Asserted Claims and Infringement Contentions," each party opposing an assertion of patent infringement, shall serve on all parties its "Invalidity Contentions" which shall contain the following information:

(a) The identity of each item of prior art that allegedly anticipates each asserted claim or renders it obvious. Each prior art patent shall be identified by its number, country of origin, and

date of issue. Each prior art publication shall be identified by its title, date of publication, and where feasible, author and publisher. Prior art under 35 U.S.C. § 102(b) shall be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity of the person or entity which made the use or which made and received the offer, or the person or entity which made the information known or to whom it was made known. Prior art under 35 U.S.C. § 102(f) shall be identified by providing the name of the person(s) from whom and the circumstances under which the invention or any part of it was derived. Prior art under 35 U.S.C. § 102(g) shall be identified by providing the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applicant(s);

(b) Whether each item of prior art anticipates each asserted claim or renders it obvious. If obviousness is alleged, an explanation of why the prior art renders the asserted claim obvious, including an identification of any combinations of prior art showing obviousness;

(c) Other than for design patents, a chart identifying where specifically in each alleged item of prior art each limitation of each asserted claim is found, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in each item of prior art that performs the claimed function; and

(d) Any grounds of invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. §112(b) or enablement or written description under 35 U.S.C. § 112(1) of any of the asserted claims including a detailed explanation of the bases for the asserted grounds.

3.4. Document Production Accompanying Invalidity Contentions.

With the "Invalidity Contentions," the party opposing an assertion of patent infringement shall produce or make available for inspection and copying:

(a) Source code, specifications, schematics, flow charts, artwork, formulas, or other documentation sufficient to show the operation, composition, or structure of any aspects or elements of an Accused Instrumentality identified by the party asserting patent infringement in its L. Pat. R. 3.1(c) chart; and

(b) A copy or sample of the prior art identified pursuant to L. Pat. R. 3.3(a) which does not appear in the file history of the patent(s) at issue. To the extent any such item is not in English, an English translation of the portion(s) relied upon shall be produced.

(c) A party asserting invalidity shall also produce any other document or thing on which it intends to rely in support of its assertion.

(d) With respect to each of the above document productions, the producing party shall separately identify by production number which documents correspond to each category.

3.4A Responses to Invalidity Contentions.

Not later than 14 days after service upon it of the "Invalidity Contentions," each party defending the validity of the patent shall serve on all parties its "Responses to Invalidity Contentions" which shall include the following:

(a) For each item of asserted prior art, the identification of each limitation of each asserted claim that the party believes is absent from the prior art, except for design patents, where

the party shall supply an explanation why the prior art does not anticipate the claim;

(b) If obviousness is alleged, an explanation of why the prior art does not render the asserted claim obvious;

(c) The party's responses shall follow the order of the invalidity chart required under L. Pat. R. 3.3(c), and shall set forth the party's agreement or disagreement with each allegation therein and the written basis thereof; and

(d) For each asserted grounds of invalidity under L.Pat.R.3.3(d), a detailed explanation of how the asserted claim complies with 35 U.S.C. §112; and

(e) The production or the making available for inspection and copying of any document or thing that the party intends to rely on in support of its Responses herein.

3.5. Disclosure Requirement in Patent Cases for Declaratory Judgment of Invalidity. (a)

Invalidity Contentions If No Claim of Infringement. In all cases in which a party files a complaint or other pleading seeking a declaratory judgment that a patent is invalid, L. Pat. R. 3.1 and 3.2 shall not apply unless and until a claim for patent infringement is made by a party. If the declaratory defendant does not assert a claim for patent infringement in its answer to the complaint, or within 14 days after the Initial Scheduling Conference, whichever is later, the party seeking a declaratory judgment of invalidity shall serve upon each opposing party its Invalidity Contentions that conform to L. Pat. R. 3.3 and produce or make available for inspection and copying the documents described in L. Pat. R. 3.4. Each party opposing the declaratory plaintiff's complaint seeking a declaratory judgment of invalidity shall serve its "Responses to Invalidity Contentions" as required under L. Pat. R. 3.4A.

(b) Inapplicability of Rule. This L. Pat. R. 3.5 shall not apply to cases in which a request for a declaratory judgment that a patent is invalid is filed in response to a complaint for infringement of the same patent, in which case the provisions of L. Pat. R. 3.3 and 3.4 shall govern.

3.6. Disclosure Requirements for Patent Cases Arising Under 21 U.S.C. § 355 (commonly referred to as "the Hatch-Waxman Act").

The following applies to all patents subject to a Paragraph IV certification in cases arising under 21 U.S.C. § 355 (commonly referred to as "the Hatch-Waxman Act"). This rule takes precedence over any conflicting provisions in L. Pat. R. 3.1 to 3.5 for all cases arising under 21 U.S.C. § 355.

(a) On the date a party answers, moves, or otherwise responds, each party who is an ANDA filer shall produce to each party asserting patent infringement the entire Abbreviated New Drug Application or New Drug Application that is the basis of the case in question.

(b) Not more than seven days after the initial Scheduling Conference, each party asserting patent infringement shall serve on all parties a "Disclosure of Asserted Claims" that lists each claim of each patent that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted.

(c) Not more than 30 days after the initial Scheduling Conference, each party opposing an assertion of patent infringement shall provide to each party asserting patent infringement the

written basis for its "Invalidity Contentions," for any patents referred to in the opposing party's Paragraph IV Certification, which shall contain all disclosures required by L. Pat. R. 3.3.

(d) Any "Invalidity Contentions" disclosed under L. Pat. R. 3.6(c), shall be accompanied by the production of documents required under L. Pat. R. 3.4(b) and (c).

(e) Not more than 30 days after the initial Scheduling Conference, each party opposing an assertion of patent infringement shall provide to each party asserting patent infringement the written basis for its "Non-Infringement Contentions," for any patents referred to in the opposing party's Paragraph IV Certification which shall include a claim chart identifying each claim at issue in the case and each limitation of each claim at issue. The claim chart shall specifically identify for each claim which claim limitation(s) is/(are) literally absent from each opposing party's allegedly infringing Abbreviated New Drug Application or New Drug Application.

(f) Any "Non-Infringement Contentions" disclosed under L. Pat. R. 3.6(e), shall be accompanied by the production of any document or thing that each party who is an ANDA filer intends to rely on in defense against any infringement contentions by each party asserting patent infringement.

(g) Not more than 45 days after the disclosure of the "Non-Infringement Contentions" as required by L. Pat. R. 3.6(e), each party asserting patent infringement shall provide each opposing party with a "Disclosure of Infringement Contentions," for all patents referred to in each opposing party's Paragraph IV Certification, which shall contain all disclosures required by L. Pat. R. 3.1. The infringement contentions shall be limited to the claims identified in L. Pat. R. 3.6(b).

(h) Any "Disclosure of Asserted Claims and Infringement Contentions" disclosed under L. Pat. R. 3.6(g), shall be accompanied by the production of documents required under L. Pat. R. 3.2.

(i) Not more than 45 days after the disclosure of "Invalidity Contentions" as required by L. Pat. R. 3.6(c), the party defending the validity of the patent shall serve on each other party its "Responses to Invalidity Contentions" as required under L. Pat. R. 3.4A.

(j) Each party that has an ANDA application pending with the Food and Drug Administration ("FDA") that is the basis of the pending case shall: (1) notify the FDA of any and all motions for injunctive relief no later than three business days after the date on which such a motion is filed; and (2) provide a copy of all correspondence between itself and the FDA pertaining to the ANDA application to each party asserting infringement, or set forth the basis of any claim of privilege for such correspondence pursuant to L. Civ. R. 34.1, no later than seven days after the date it sends same to the FDA or receives same from the FDA.

3.7. Amendments.

Amendment of any contentions, disclosures, or other documents required to be filed or exchanged pursuant to these Local Patent Rules may be made only by order of the Court upon a timely application and showing of good cause. The application shall disclose whether parties consent or object. Non-exhaustive examples of circumstances that may, absent undue prejudice

to the adverse party, support a finding of good cause include: (a) a claim construction by the Court different from that proposed by the party seeking amendment; (b) recent discovery of material prior art despite earlier diligent search; (c) recent discovery of nonpublic information about the Accused Instrumentality which was not discovered, despite diligent efforts, before the service of the Infringement Contention; (d) disclosure of an infringement contention by a Hatch-Waxman Act party asserting infringement under L. Pat. R. 3.6(g) that requires response by the adverse party because it was not previously presented or reasonably anticipated; and (e) consent by the parties in interest to the amendment and a showing that it will not lead to an enlargement of time or impact other scheduled deadlines. The duty to supplement discovery responses under Fed. R. Civ. P. 26(e) does not excuse the need to obtain leave of Court to amend contentions, disclosures, or other documents required to be filed or exchanged pursuant to these Local Patent Rules.

3.8. Advice of Counsel.

Unless otherwise ordered by the Court, not later than 30 days after entry of the Court's claim construction order, or upon such other date as set by the Court, each party relying upon advice of counsel as part of a patent-related claim or defense for any reason shall:

(a) Produce or make available for inspection and copying any written advice and documents related thereto for which the attorney-client and work product protection have been waived;

(b) Provide a written summary of any oral advice and produce or make available for inspection and copying that summary and documents related thereto for which the attorney-client and work product protection have been waived; and

(c) Serve a privilege log identifying any documents other than those identified in subpart (a) above, except those authored by counsel acting solely as trial counsel, relating to the subject matter of the advice which the party is withholding on the grounds of attorney-client privilege or work product protection.

A party who does not comply with the requirements of this L. Pat. R. 3.8 shall not be permitted to rely on advice of counsel for any purpose absent a stipulation of all parties or by order of the Court.

4. CLAIM CONSTRUCTION PROCEEDINGS

4.1. Exchange of Proposed Terms for Construction.

(a) Not later than 14 days after service of the "Responses to Invalidity Contentions" pursuant to L. Pat. R. 3.4A, not later than 45 days after service upon it of the "Non-Infringement Contentions and Responses" pursuant to L. Pat. R. 3.2A in those actions where validity is not at issue (and L. Pat. R. 3.3 does not apply), or, in all cases in which a party files a complaint or other pleading seeking a declaratory judgment not based on validity, not later than 14 days after the defendant serves an answer that does not assert a claim for patent infringement (and L. Pat. R. 3.1 does not apply), each party shall serve on each other party a list of claim terms which that party contends should be construed by the Court, and identify any claim term which that party

contends should be governed by 35 U.S.C. § 112(6).

(b) The parties shall thereafter meet and confer for the purposes of limiting the terms in dispute by narrowing or resolving differences and facilitating the ultimate preparation of a Joint Claim Construction and Prehearing Statement.

(c) This rule does not apply to design patents.

4.2. Exchange of Preliminary Claim Constructions and Extrinsic Evidence.

(a) Not later than 21 days after the exchange of the lists pursuant to L. Pat. R. 4.1, the parties shall simultaneously exchange preliminary proposed constructions of each term identified by any party for claim construction, including constructions for each term for which "plain and ordinary" meaning is asserted. Each such "Preliminary Claim Construction" shall also, for each term which any party contends is governed by 35 U.S.C. § 112(6), identify the structure(s), act(s), or material(s) corresponding to that term's function.

(b) At the same time the parties exchange their respective "Preliminary Claim Constructions," each party shall also identify all intrinsic evidence, all references from the specification or prosecution history that support its preliminary proposed construction and designate any supporting extrinsic evidence including, without limitation, dictionary definitions, citations to learned treatises and prior art and testimony of all witnesses including expert witnesses. Extrinsic evidence shall be identified by production number or by producing a copy if not previously produced. With respect to all witnesses including experts, the identifying party shall also provide a description of the substance of that witness' proposed testimony that includes a listing of any opinions to be rendered in connection with claim construction.

(c) Not later than 14 days after the parties exchange the "Preliminary Claim Constructions" under this rule, the parties shall exchange an identification of all intrinsic evidence and extrinsic evidence that each party intends to rely upon to oppose any other party's proposed construction, including without limitation, the evidence referenced in L. Pat. R. 4.2(b).

(d) The parties shall thereafter meet and confer for the purposes of narrowing the issues and finalizing preparation of a Joint Claim Construction and Prehearing Statement.

(e) This rule does not apply to design patents.

4.3. Joint Claim Construction and Prehearing Statement.

Not later than 30 days after the exchange of "Preliminary Claim Constructions" under L. Pat. R. 4.2(a), the parties shall complete and file a Joint Claim Construction and Prehearing Statement, which shall contain the following information:

(a) The construction of those terms on which the parties agree;

(b) Each party's proposed construction of each disputed term, together with an identification of all references from the intrinsic evidence that support that construction, and an identification of any extrinsic evidence known to the party on which it intends to rely either to support its proposed construction or to oppose any other party's proposed construction, including, but not limited to, as permitted by law, dictionary definitions, citations to learned treatises and prior art, and testimony of all witnesses including experts;

(c) An identification of the terms whose construction will be most significant to the

resolution of the case. The parties shall also identify any term whose construction will be case or claim dispositive or substantially conducive to promoting settlement, and the reasons therefor;

(d) The anticipated length of time necessary for the Claim Construction Hearing; and

(e) Whether any party proposes to call one or more witnesses at the Claim Construction Hearing, the identity of each such witness, and for each witness, a summary of his or her testimony including, for any expert, each opinion to be offered related to claim construction.

(f) Any evidence that is not identified under L. Pat. R. 4.2(a) through 4.2(c) inclusive shall not be included in the Joint Claim Construction and Prehearing Statement.

(g) This rule does not apply to design patents.

4.4. Completion of Claim Construction Discovery.

Not later than 30 days after service and filing of the Joint Claim Construction and Prehearing Statement, the parties shall complete all discovery relating to claim construction, including any depositions with respect to claim construction of any witnesses, other than experts, identified in the Preliminary Claim Construction statement (L. Pat. R. 4.2) or Joint Claim Construction and Prehearing Statement (L. Pat. R. 4.3). This rule does not apply to design patents.

4.5. Claim Construction Submissions.

(a) Not later than 45 days after serving and filing the Joint Claim Construction and Prehearing Statement, the parties shall contemporaneously file and serve their opening Markman briefs and any evidence supporting claim construction, including experts' certifications or declarations ("Opening Markman Submissions").

(b) Unless otherwise ordered by the Court, any discovery from an expert witness who submitted a certification or declaration under L. Pat. R. 4.5(a) shall be concluded within 30 days after filing the Opening Markman Submissions.

(c) Not later than 60 days after the filing of the Opening Markman Submissions, the parties shall contemporaneously file and serve responding Markman briefs and any evidence supporting claim construction, including any responding experts' certifications or declarations.

(d) With regard to design patents only, subsections (a), (b), and (c) shall not apply. Where a design patent is at issue, not later than 45 days after the submission of "Non-Infringement Contentions and Responses" under L. Pat. R. 3.2A and/or "Responses to Invalidity Contentions" under L. Pat. R. 3.4A, the parties shall contemporaneously file and serve opening Markman briefs and any evidence supporting claim construction. Not more than 30 days after the filing of the opening Markman briefs, the parties shall contemporaneously file and serve responding Markman briefs and any evidence supporting claim construction.

4.6. Claim Construction Hearing.

Within two weeks following submission of the briefs and evidence specified in L. Pat. R. 4.5(c) and (d), counsel shall confer and propose to the Court a schedule for a Claim Construction Hearing, to the extent the parties or the Court believe a hearing is necessary for construction of

the claims at issue.

Adopted December 11, 2008, Effective January 1, 2009, Amended March 18, 2011, October 4, 2011, June 19, 2013, February 1, 2017

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.: 2:24-cv-03951-AB-RAO	Date: June 24, 2025

Title: *Sandpiper CDN, LLC v. Google LLC*

Present: The Honorable	**ANDRÉ BIROTTE JR., United States District Judge**
Evelyn Chun Deputy Clerk	N/A Court Reporter
Attorney(s) Present for Plaintiff(s): None Appearing	Attorney(s) Present for Defendant(s): None Appearing

Proceedings: [In Chambers] Order Vacating Hearing, Granting-In-Part Motion to Stay (Dkt. 75), and Continuing Certain Interim Deadlines

I. Introduction

Before the Court is Defendant Google LLC's motion to stay pending IPR proceedings (Dkt. 75). Plaintiff Sandpiper CDN, LLC filed an opposition (Dkt. 77) and notice of supplemental authority (Dkt. 78). Google filed a reply (Dkt. 80).

The Court finds this matter appropriate for resolution without oral argument. *See* Fed. R. Civ. P. 78; Local Rule 7-15. The Court **VACATES** the hearing set for June 27, 2025. For the reasons stated below, Google's motion is **GRANTED-IN-PART**.

II. Background

In May 2024, Sandpiper brought this patent infringement action against Google, asserting infringement of six patents relating to content delivery networks. Dkt. 1. The Court dismissed the infringement counts regarding two of the patents

under 35 U.S.C. § 101. Dkt. 28. In early 2025, Sandpiper amended its Complaint to assert one additional patent. Dkt. 57. The Court entered a schedule and appointed a special master to assist the Court. Dkts. 54, 55, 62. Under the scheduling order, the parties have exchanged infringement and invalidity contentions and proposed terms for claim construction. *See* Dkt. 62. On the same day the parties exchanged preliminary constructions and extrinsic evidence, Google filed its motion to stay pending IPR. Dkt. 75.[1]

III. Legal Standards

"A district court has the inherent power to stay its proceedings. The power to stay is 'incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.'" *Rivers v. Walt Disney Co.*, 980 F. Supp. 1358, 1360 (C.D. Cal. 1997) (*quoting Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936)).

In deciding whether to grant a stay pending inter partes review proceedings, courts consider three factors: "(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party." *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013). While these factors are important, ultimately "the totality of the circumstances governs." *Allergan Inc. v. Cayman Chem. Co.*, No. 8:07-cv-01316 JVS (RNBx), 2009 WL 8591844, at *2 (C.D. Cal. Apr. 9, 2009).

IV. Discussion

Upon balancing the relevant factors and considering the totality of the circumstances in this case, the Court concludes that the motion should be granted in part and a short pause entered as to certain aspects of the case.

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[1] The Court notes that Google did not conduct its meet and confer with Sandpiper at least seven days before filing the motion, as required by Local Rule 7-3. Google's notice of motion states that Sandpiper "agreed to waive the remainder of the seven-day period." Mot. at 1. Nothing in the Rule supports the contention that parties may agree to waive or alter the rule's requirements. The Court admonishes Google to fully comply with L.R. 7-3 in future filings, including the amendments to the rule effective June 1, 2025.

First, the parties generally agree that, although some work has been done, this case remains in the relatively early stages with "more work ahead of the parties and the Court than behind." *Realtime Data LLC v. Teradata Operations, Inc.*, No. 2:16-cv-02743 AG (FFMx), 2017 WL 3453295, at *2 (C.D. Cal. Feb. 27, 2017; *compare* Mot. at 4 (some discovery exchanged but significant fact discovery remaining) *with* Opp. at 8 (discovery progress and contentions exchanged). Where none of the IPRs has been instituted, the Court concludes this factor is neutral.

Second, the parties primarily dispute whether a stay will simplify the issues in this case. Google's IPR petitions address all asserted claims, so if the PTAB institutes proceedings, such proceedings could simplify the issues in this case. This is true even if all claims survive the IPRs because the parties' claim construction positions before the PTAB could streamline claim construction proceedings before this Court, the Court will have the benefit of the PTAB's expert review, and Google will be estopped from raising certain invalidity grounds that were (or could have been) raised in the IPRs, narrowing the issues before the Court. *See* Mot. at 4-6. On the other hand, Sandpiper avers that, under the PTAB's recent Memorandum, entitled "Interim Process for PTAB Workload Management" ("Memo"),[2] the Director is likely to issue discretionary denials and decline to institute proceedings, creating a months-long delay that will not simplify any issues and instead disrupt the parties' agreed upon schedule. Opp. at 10-12.

The following table depicts the upcoming expected PTAB milestones with respect to each IPR.

Patent	IPR	Discretionary Denial	Institution
8,645,517	2025-00806	9/13/2025	11/13/2025
9,021,112	2025-00826	9/13/2025	11/13/2025
10,924,573	2025-00860	10/6/2025	12/6/2025
8,478,903	2005-00969	10/9/2025	12/9/2025
10,057,322	2025-01010	10/23/2025	12/23/2025

Given these dates, the parties and Court will know relatively soon if discretionary denials are issued. Assuming discretionary denials, this case could proceed as normal in a few months. Assuming no discretionary denials, the parties

[2] The Memo is available at: https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf.

and the Court will know by the end of the year whether the PTAB will institute proceedings on any or all IPRs. Notably, Sandpiper states if "the PTAB rejects discretionary denial and institutes all of Google's petitions on the merits, the likelihood of resource conservation and issue simplification would be far more crystalized," therefore, "Sandpiper would stipulate to a stay at that time." Opp. at 7.

Given the evolving circumstances unfolding at the PTAB this year, the Court finds this factor weighs in favor of a short pause to understand whether a traditional stay would preserve Court and party resources. *See Nike, Inc. v. Skechers U.S.A., Inc.*, No. CV 23-09346-AB (PVCX), 2025 WL 439935, at *3 (C.D. Cal. Feb. 4, 2025) ("'the risk of delay attending an unnecessary stay is minimal relative to the risk of unnecessary expenditure of resources should the stay be denied and an IPR subsequently commence'") (quoting *Wonderland Nurserygoods Co. v. Baby Trend, Inc.*, No. ED CV 14-01153-VAP (SPx), 2015 WL 1809309, at *3 (C.D. Cal. Apr. 20, 2015)).

Third, the parties generally agree that no undue prejudice would arise from a post-institution stay. *See* Opp. at 7 (Sandpiper will agree to a stay at that time). The parties disagree whether undue prejudice would arise in the short term. Sandpiper avers that, if this Court enters a stay and vacates the scheduling order, the PTAB would likely conclude that IPR final written decisions will issue before any trial commences here, so the IPRs should proceed. Sandpiper suggests that Google waited until the last minute to file its petitions to create this scenario, which "weaken[s] Sandpiper's argument for discretionary denial at the PTAB," and creates "a clear tactical disadvantage to Sandpiper through no fault of its own." *See* Opp. at 15-16. On the other hand, Google states that it filed its petitions as soon as practicable, after receiving Sandpiper's infringement contentions, which revealed the asserted claims, and after receiving Sandpiper's conception and reduction to practice evidence, which informed prior art selection. Mot. at 7; Reply at 7.

The record supports Google's contention that it timely filed the IPRs, both as to the one-year deadline and as supported by the timing of Sandpiper's disclosures under the scheduling order. The Court does not ascribe a dilatory motive to the timing of Google's petitions. But the Court is mindful of evolving circumstances at the PTAB, including the new bifurcated procedures arising from the "current workload and needs of the PTAB" cited in the Memo. The Court does not want to put a thumb on the scale in the new bifurcated procedures. This concern is temporary, reflects current events, and is distinct from the delay inherent in any stay. Given this temporary concern, this factor weighs in favor of a short pause rather than a full stay. This will allow the PTAB to conduct its analyses while at the same time

preserve the trial date in this case. *See* Memo at 2-3 (setting forth relevant considerations the parties may address in their discretionary denial briefs).

Considering the totality of the circumstances, including striking a balance between preserving Court and party resources and preserving the case schedule in view of the current increase in discretionary denials at the PTAB, the Court concludes that a short pause rather than a full stay is warranted. Where the parties agreed to a lengthier case schedule than the Court would have typically entered, the Court concludes that moving certain interim dates provides a short-term workable solution.

Based on the foregoing, the Court continues certain interim case deadlines as noted below. After the close of claim construction discovery, which will be useful to both this case and any hypothetical PTAB proceedings, the Court orders a pause on claim construction and discovery work until the PTAB issues its discretionary denial decisions.

Event	Current Date	New Date
Completion of Claim Construction Discovery	7/18/25	No change
Opening claim construction briefs	8/8/25	11/21/25
Responsive claim construction briefs	8/22/25	12/19/25
Technology Tutorial	8/29/25	1/9/26 at 10:00 a.m.
Claim construction hearing	9/12/25	1/23/26 at 10:00 a.m.
Fact discovery cutoff	1/30/26	3/27/26
Opening expert reports	2/20/26	4/10/26
Rebuttal expert reports	3/27/26	5/8/26
Close of expert discovery	4/17/26	5/22/26
Last day to hear motions	6/26/26	No change
Settlement conference deadline	7/10/26	No change
Trial filings (first round)	7/31/26	No change
Trial filings (second round)	8/14/26	No change
Final Pretrial conference	9/11/26 at 11:00 a.m.	No change
Jury trial	9/28/26	No change

Within five days of each decision concerning discretionary denial, Google shall file a notice of PTAB ruling attaching the relevant decision.

Within seven days of the PTAB's discretionary denial decision for the last-filed IPR, the parties shall file a joint status report as follows:

- If the PTAB issues discretionary denials in all IPRs, the joint status report should reflect the parties' plan for expeditiously resuming work in this case and advise the Court of any case management deadline issues.
- If the PTAB does not issue discretionary denials, the joint status report should reflect the parties' position(s) on whether the case pause should be continued until the PTAB issues institution decisions.

If the parties have logistical questions or concerns about this case during the pause, the Court encourages the parties to confer with the special master.

V. Conclusion

For the foregoing reasons, the Court **GRANTS-IN-PART** Google's motion to stay pending IPR. Dkt. 75. The Court issues a pause as stated above and **ORDERS** the parties to file notices of decision and a status report as noted. The Court **CONTINUES** certain interim case deadlines (*see* Dkt. 62). The trial date remains unchanged.

The Court retains jurisdiction over this action and this Order shall not prejudice any party to this action.

IT IS SO ORDERED.

Nomination of John A. Squires
To be Under Secretary of Commerce for Intellectual Property and the Director of the United States Patent and Trademark Office
Questions for the Record
May 28, 2025

QUESTIONS FROM SENATOR GRASSLEY

1. What are your goals and priorities for the USPTO? What do you think will be your greatest challenges?

RESPONSE: My goals, if I am honored with confirmation to steward America's innovation agency, are to restore the USPTO to its rightful place atop the world as executor of our Nation's constitutional mandate and to boost America's ingenuity engine with the intellectual property that drives economic growth, technological progress, and global competitiveness. American intellectual property shall again set the standard for competing and winning in the marketplace of ideas.

My priorities are to pursue, promote and implement those policies that streamline our unitary patent system for all walks of inventors to ensure the intellectual property rights it issues are timely of high quality, and ensure it is aimed to foster continued innovation, opportunity and growth.

As Secretary Lutnick stated in his testimony to the Senate Commerce, Science, and Transportation Committee, USPTO's greatest challenge is to address the present "unacceptable "patent backlog and provide updated tools to ensure the issuance of market-timely intellectual property of demonstrable quality.

2. You previously testified before the Senate Judiciary Committee in favor of the creation of the PTAB.
    a. What is your present position regarding the PTAB? Do you have any concerns with the way it is functioning? Do you intend to make any changes to the PTAB's infrastructure, process or procedures? If so, what and why?

    RESPONSE: I believe that the creation of the PTAB was the right thing to do and testified before the Senate Judiciary Committee in 2007 regarding the creation of the PTAB, that an executive agency should have some form of ability to retake jurisdiction of its output. With the institution of the AIA, we now have the benefit of approximately 14 years' worth of data to examine.

    Overall, it is my belief that if we can analyze trends against the relevant issued patent marketplace data to better understand why IPRs have the types of numbers reported while PGRs seem less preferred; why prior art was missed in cases of invalidation and if that art is making it back to the art unit post disposition to address issues on the front end; and why industry appears to be under-utilizing third party submissions and what can be done to address this issue; among other issues. Some of the answers to those questions will

reveal themselves along the lines of the dual and differently directed functionality of Patent Trials and Appeal functions.

If confirmed, I will work avidly with the office's stakeholders, leadership, and Congress to provide that feedback and transparency to ensure that the PTAB is functioning in accordance with its creation and goals.

b. If confirmed, will you implement policies to alter the PTAB's authority or restrict access to IPRs? If so, how and why?

RESPONSE: If confirmed, I have no pre-disposition to alter the PTAB's authority or restrict IPR access. Ultimately, a balanced approach works best and is an indicator of ex parte and inter partes system that is in balance and functioning as intended in our robust, unitary system. Should I be confirmed, I will work to ensure that the Congressional intent and goals of the PTAB are met and in keeping with relevant decisional authority.

c. Will you commit that if you are confirmed, you will ensure that American companies that are sued on questionable patents will be allowed to seek review on the merits of those patents at the PTAB?

RESPONSE: Yes, if confirmed, I will work to ensure that American companies will have this important avenue of redress available to them.

d. Please explain your position on the PREVAIL bill currently being considered by the Senate. Do you agree with the changes it seeks to make to the PTAB process? Why or why not? Please be specific.

RESPONSE: As I testified at the hearing, I believe Congress is undertaking important work to strike the right balance for stakeholders since the creation of the PTAB. I have not had the opportunity to study the bill in great detail but if confirmed, I look forward to working with stakeholders, PTO management, and Congress to achieve these important aims.

3. Patent quality has been a major concern because poor quality patents can be easily weaponized to attack and inhibit U.S. manufacturers and other businesses due to the extremely high cost of patent litigation. Promoting patent quality is the most effective way to prevent those harms, while still ensuring that patents incentivize real innovations.
    a. If confirmed, what will you do to improve the USPTO's examination process to promote patent quality, both at the front-end during examination and at the back end through effective post-issuance review and reexamination?

    RESPONSE: I believe leaning-in to AI here can help at all stages insofar as patent quality. At the front end, best-in-class AI software should be evaluated as an adjunct to assist the Patent Examiners' evaluation of whether a patent application satisfies patentability standards. Indeed, the private sector increasingly uses AI software to find invalidating prior art. Our world-class Examining Corps should have access to and where helpful utilize these same tools. This would promote patent quality at the front end and,

in fact, discourage applicants from filing weak patent applications, thereby introducing an element of self-regulation and concomitant backlog reduction.

At the back end, these same tools can offer quality assistance. In addition, avenues should be explored to encourage third party submissions without later penalization for having injected art into the system at the earliest possible time. Incentives should be considered where relevant to utilize the PGR process to promote and improve patent quality nearer the time of issuance. If confirmed, I will work with the USPTO and stakeholders on these ideas and others to address examination areas and stages of examination where quality can be improved.

4. Management of the USPTO is not an easy task. In recent years, we have seen an increase in the backlog of patent applications pending review, which stands at more than 800,000 applications. On average, it takes more than two years from filing until final disposition. For many small businesses, two years is a lifetime to wait.
    a. Do you agree that the growing backlog of patent applications is a problem?

    RESPONSE: Yes. In private practice, reduction of patent application backlog was the subject of a seminal white paper I authored following my 2007 Senate Judiciary Testimony ("Peer to Patent" SJC submission 12D, No. 29). If confirmed, I am committed to working with Congress, USPTO staff, and stakeholders to implement effective, long-term solutions to ensure the USPTO can fulfill its mission and support American innovation.

    b. If confirmed, what steps will you take to decrease the backlog and application pendency?

    RESPONSE: USPTO should undertake a review and work in connection with the USTR to identify and eliminate from the system cases, especially foreign-filed cases, that are overburdening the system. Some applicants could self-elect with petitions to suspend examination for six months, especially with large portfolios of broad ranging patents and there may be incentives attendant to that. If confirmed, I will work with the USTPO and stakeholders on the best way to address the backlog and patent pendency including hiring additional examiners as well as using AI tools in examination.

    c. If confirmed, what technologies or approaches would you deploy to address this problem?

    RESPONSE: As I testified in my opening statement, I believe it is time for the USPTO to "lean-into" AI to provide tools to reduce backlog. Several areas should be investigated to provide immediate results in terms of utilizing generative AI, for example, on matters of written description, enablement and indefiniteness. I am aware of Examiner blogs reporting favorably on the exploration of such technology utilization.

    If confirmed, I would work with the USPTO and stakeholders to develop our own playbook to utilize generative AI tools to allow examiners to spend less time on tedious repetitive tasks that slow down review processes.

5. Recently the USPTO has lost a number of examiners and PTAB judges, which may increase the patent backlog and impact the ability of the USPTO to perform its duties.
    a. How do you intend to minimize further departures and ensure that the USPTO will carry out its statutory responsibilities?

    RESPONSE: If confirmed, I will work with others in the USPTO as well as PTAB leadership to ensure that the USPTO and the PTAB can continue to carry out their statutory responsibilities. Additionally, if confirmed, I will review the many areas I understand the USPTO currently has as to incentivization and retention in efforts to reenergize our professionals with the Office's important mission.

6. Patent examiners have expressed concerns that the subscriptions they utilize to research databases for their prior art reviews are being cancelled. They are concerned that without these resources, they will not be able to conduct their required prior art reviews in a comprehensive and complete manner, potentially resulting in the issuance of low-quality patents.
    a. Do you agree that it is critical for patent examiners to have access to all the literature they need to conduct in-depth and comprehensive prior art reviews in order to ensure high-quality patents?

    RESPONSE: Yes. In this day and age, search tools exist and can be deployed so that prior-art is knowable, accessible and applicable at the time of examination, including non-patent prior art, literature. This is where new AI applications can help and I believe should be made available so high quality patents are issued in the first instance. I believe this issue can be managed and applied correctly by the examiners, who after all are all of high skill in their respective areas.

    b. Will you commit to ensure that patent examiners have access to all the resources they need for their application reviews?

    RESPONSE: If confirmed, I commit to diligently explore all avenues of resources wherein the office provides both the tools and resources to do the job and execute on our mission. As I testified in my opening statement, our patent examiners are world class and we want inventors from all walks to come to our American patent system first, where we will help them "hone and hew" strong proprietary rights, expeditiously issued and of provable quality.

7. Please explain your position on USPTO fee diversion.
    a. Do you agree that the USPTO should have full access to its fee revenue to meet its operating needs?

    RESPONSE: Yes. As I testified, since the USPTO is a fee-based agency, I believe it should have full access to its fee revenue so it can be run efficiently like a business.

    b. Will you commit to safeguarding the fees that the USPTO collects, consistent with the USPTO's authorizing statutes?

RESPONSE: Yes. That is my understanding of the charge Congress provided for the Director and, if honored with confirmation, shall faithfully execute those duties, particularly because I believe that all Americans should benefit from the tremendous value of government-issued IP rights.

c. Do you agree that we should end USPTO fee diversion? Will you work to stop this practice?

RESPONSE: Yes.

8. Many are concerned that litigation funding can lead to abusive filings and undermine legitimate small business activity.
    a. If confirmed, do you pledge to vigorously oppose abusive patent troll tactics and protect American businesses from frivolous patent litigation?

    RESPONSE: Yes. As I testified to and have written about in co-authoring a 2015 Wharton Business Journal piece, "Why Investment Friendly Patents Spell Trouble for Trolls," "troll" practices are based not upon notions of valuation of patents as self-standing assets (or investment parlance, "fundamentals") rather they are based upon " nuisance value" due to the extreme cost of defending litigation. They are predatory " arbitrage" plays, and the inventors are almost always the one who get hurt.

9. Some are concerned that foreign rival countries are bankrolling lawsuits in order to hobble the operations of U.S. companies and/or to gain access to sensitive technology, especially in the patent space.
    a. Do you support the mandatory disclosure of foreign litigation financing investors in the filing of a lawsuit or PTAB proceeding?

    RESPONSE: Allowing foreign rivals to bankroll lawsuits against U.S. companies to gain access to our technology is unacceptable. District court local rules require such disclosures and notification of the patent office of such parties in interest, the PTAB should have similar transparency requirements. If confirmed, I will work to ensure that the PTAB proceedings are used in accordance with statutory requirements.

10. You have been a strong proponent of business method patents, especially novel financial strategies.
    a. What is your position on the scope of patentability for business methods?

    RESPONSE: My position and views on the patentability of business methods were formed as a result of patent filings expedited by the USPTO as "inventions" to combat terrorism for suspicious transactions, interdiction of illicit funds and disruptions of terrorist financing networks in their attempts to conduct their business in the shadows. Based upon these patents, and the anti-terrorist financing technologies they spawned, I co-authored briefs to the Supreme Court that argued, ultimately successfully, that the courts cannot properly confine patentable inventions to some preexisting view about what innovation should look like. The U.S. patent system should be open to all

classes of innovation and affords tools, such as 102, 103 and 112 to weed out bad patents no matter the class of innovation.

b. Tax patents were a type of business method patent that Congress banned in the America Invents Act. Some of the concerns about tax patents are also applicable to business method patents in general. Will you ensure that the USPTO won't expand its policy relative to business methods patents to allow for tax patents? Will you ensure that the USPTO will follow the law and not issue tax patents?

RESPONSE: If confirmed, I commit to following the law. Tax patents are uniquely problematic because they are interposed between the taxpayer and the government's ability to collect revenue.

11. What is your position on patents and AI? What do you plan to do with respect to AI policy at the USPTO, and do you plan to introduce new policies regarding AI-assisted inventorship, the impact of AI on prior art-related determinations, subject matter eligibility, or other such areas?

RESPONSE: As I testified in my opening statement, if harnessed and smartly applied, AI tools can help deliver our finest hour. The private sector has adopted such tools, the USPTO needs to keep pace to equip our world-class examining corp to grant patents tested by those same fires, expeditiously issued and of provable quality. If confirmed, I would immediately explore new policies to meet those goals, within the appropriate constitutional confines, including areas of inventorship, eligibility, prior art, eligibility, and other areas such as enablement, written description, and indefiniteness.

12. How do you intend to make enforcement of American intellectual property a priority in trade negotiations and in talks with international organizations?

RESPONSE: If confirmed, I commit to working closely with others in the Administration, including the USTR and the State Department, in ensuring that any future trade agreements include the availability of strong IP provisions as well as ensure that IP provisions in existing trade agreements are adequately enforced.

Senator Dick Durbin
Ranking Member, Senate Judiciary Committee
Written Questions for John Squires
Nominee to be Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office
May 28, 2025

1. At your hearing, you stated that you saw "no evidence of wrongdoing" in your areas of responsibility while employed by Perkins Coie LLP. You also said that you had seen President Trump's executive order entitled "Addressing Risks from Perkins Coie LLP."
    a. Do you agree with President Trump's characterizations of Perkins Coie in his March 6 executive order?

    RESPONSE: As I stated at the hearing, my practice was limited to intellectual property issues and in connection with my practice and client work, I was unaware of any evidence of wrongdoing during my time at Perkins Coie from 2012 to 2016.

    b. Do you agree with President Trump's decision to issue executive orders targeting Perkins Coie and other law firms?

    RESPONSE: As I stated at the hearing, my practice was limited to intellectual property issues and in connection with my practice and client work, I was unaware of any evidence of wrongdoing during my time at Perkins Coie from 2012 to 2016.

2. The U.S. Patent and Trademark Office (USPTO) has reportedly cut access to certain non-patent literature, particularly in the chemical arts, that examiners rely upon to properly examine biotech and pharmaceutical patent applications. I am concerned that this will lead to the issuance of low-quality patents that would allow Big Pharma to improperly extend their patent monopolies and maintain high drug prices in this country.
    a. What is your response to these reports?
    b. If you are confirmed as USPTO Director, what will you do to ensure examiners have the resources they need to properly examine patent applications and make sure the patents issued by the USPTO are of high quality?

    RESPONSE: Answers to 2 a and 2 b: If confirmed, I commit to reviewing the examination process at the USPTO, including which tools examiners may need to effectively examine patent applications. Implementing software and other AI-aided tools should allow examiners to be confident that access to necessary literature and other public information is sufficiently searched. In addition, the use of such tools, the increased efficiencies to follow should minimize any effects from the recent departures and should help foster a more productive and satisfying work environment.

3. Last month, the Judiciary Committee reported the Interagency Patent Coordination and Improvement Act—a bill I introduced with Senator Tillis—by voice vote. This bill would establish a task force between the USPTO and the Food and Drug Administration to enhance communication and coordination between the agencies in implementing their respective

activities related to patents. Coordination of this type would be particularly effective in addressing gamesmanship and abuses involving pharmaceutical patents that keep prescription drug prices too high for American patients.

a. Do you support increased coordination between the USPTO and FDA to combat abuses of the patent system?

RESPONSE: The USPTO and FDA have begun coordinating their patent-related efforts pursuant to Executive Order (EO) 14036 on "Promoting Competition in the American Economy."

b. Do you commit to continuing these efforts if you are confirmed as USPTO Director?

RESPONSE: I support proper information sharing between agencies to promote government efficiency. If confirmed, I commit to working with the FDA Commissioner on improving information sharing between the agencies.

4. I am concerned about potential harm to patent quality as a result of recent efforts to reduce the size of the federal workforce, including the ongoing hiring freeze. According to the data on the USPTO's website, the USPTO lost more than 350 examiners between January and March. That is a drop of more than four percent in just three months, and the attrition will almost certainly be much higher when the numbers for April are released. Further, the attrition has disproportionately affected technology centers in highly complex fields, such as TC1600 (Biotechnology) and TC1700 (Chemicals), where mentorship and institutional knowledge are critical for prior art analysis.

Even prior to this loss of examiners, the USPTO was already failing to keep up with the volume of patent applications it receives, with the USPTO's backlog increasing by nearly 30 percent over the last five years. Secretary Lutnick has pledged to reduce the backlog and make sure that "American inventors get taken care of quickly and effectively." In the short term, that will require the USPTO to examine significantly more applications with a smaller workforce, which raises serious concerns about whether examiners will have enough time to conduct adequate examinations.

a. If confirmed, how will you address attrition rates in specialized technical centers, particularly in light of the learning curve for examiners in highly complex fields?
b. If confirmed, how do you plan to reduce the application backlog without substantially impairing patent quality?

RESPONSE: Answers to 4 a and 4 b: If confirmed, I will work with others in the USPTO and in the Administration to determine the best way to address the backlog and patent pendency.

Specifically, in terms of backlog reduction, I believe AI tools deployed to repetitive and time-consuming tasks is the way forward. If confirmed, I would work with the USPTO and stakeholders to develop our own playbook to achieve similar results.

5. Section 32 of the America Invents Act of 2011 required the Director of the USPTO to support the establishment of pro bono programs across the country to assist under-resourced independent inventors and small businesses. Within five years of the law's enactment, the USPTO helped to set up programs to serve patent applicants in every state. Many of those programs still exist to help applicants navigate the USPTO and submit applications to protect their inventions.
    a. What role should the USPTO play to further support pro bono efforts and ensure resources exist to enable inventors to access the USPTO?
    b. Do the USPTO's pro bono programs free up resources that could be used to reduce the patent backlog or pursue other priorities?

    RESPONSE: Answers for 5 a and 5 b: As I have dedicated my practice in the last 8 years to independent inventors, small business and startups, I know first-hand the value and importance of these programs. If confirmed, I will work with the USPTO senior leadership on continuing and providing support and resources to these efforts. I have seen the wonderful results they can bring, including ensuring appropriately expeditious tracks are available for examination and to help pro se applicants and small/micro entities successfully navigate the application to patent issuance.

Nomination of John Squires to be Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office

Questions for the Record

Submitted May 28, 2025

QUESTIONS FROM SENATOR COONS

1. If President Trump asked you to do something you judged to be illegal or unethical, would you resign? Please answer yes or no.
    a. If you would not resign, what would you do? Please explain.

    RESPONSE: The President would not ask me to do something illegal or unethical. If confirmed, I will make every effort to faithfully discharge my duties, I will always follow the law and uphold my sacred oath to support and defend the Constitution.

2. Is there ever a circumstance when an executive branch agency may choose not to comply with a federal court order, until such time as that order is stayed or vacated by a higher court?

RESPONSE: In my career as a patent lawyer in private practice, I have neither encountered this question nor had occasion to study it. If confirmed and should such a situation manifest, I would consult the Office of Counsel for guidance and advice and be sure to follow the advice of counsel in the discharge of my Constitutional duties.

3. The Patent Trial and Appeal Board (PTAB) was designed to be a faster, cheaper alternative to federal district court litigation. Unfortunately, that has not been the case. What, if any, reforms do you think should be made to the PTAB so that it can actually function as the alternative to federal court it was meant to be?

RESPONSE: If confirmed, I will work with stakeholders, USPTO leadership and Congress to assess the almost 15 years of data since the PTAB creation to assess the effect of the differing standards between federal district court litigation proceedings and PTAB IPR proceedings. From this data and analysis, I will work to ensure any legislation concerning the PTAB fulfills Congress's intent that the PTAB serve as a faster and cheaper alternative to district court litigation.

4. If confirmed, what steps would you take to tackle the U.S. Patent and Trademark Office's (USPTO) patent examination backlog?

RESPONSE: Several immediate steps should be explored for both their short term and long-term benefits. With immediate effect, the Office should undertake a review and work in connection with the USTR to identify and eliminate from the system cases, especially foreign-filed cases that are overburdening the system. Some applicants could self-elect with petitions to suspend examination for six months, especially with large portfolios of broad ranging patents and there may be incentives attendant to that. Above all, if confirmed, I will work with the

USTPO, stakeholders on the best way to address the backlog and patent pendency including hiring additional examiners as well as using AI tools in examination.

5. The USPTO's Office of Policy and International Affairs (OPIA) works to promote global intellectual property (IP) protections and prevent the theft of American IP around the world. If confirmed, what steps will you take to support OPIA and its mission?

RESPONSE: OPIA plays an important role in making sure U.S. IP interests are expressed and defended across the globe. If confirmed, I plan to work with OPIA, other stakeholders and USPTO leadership to provide resources to strengthen and improve policy for strengthening and balancing our system and its reach both at home and abroad.

6. The USPTO's IP Attaché Program serves as a vital asset for U.S. businesses, innovators, and creators striving to protect their IP rights in complex international markets. These attachés assist American rights holders in navigating foreign IP laws, advocating for stronger IP protections, and combating IP theft. Their efforts not only safeguard U.S. economic interests but also foster fair trade practices globally.
    a. If confirmed, how would you bolster and expand the IP Attaché Program to address current staffing vacancies and enhance its global reach?

    RESPONSE: If confirmed, I would look to bolster the program by ensuring IP Attachés meet the aims of safeguarding U.S. economic interests as well as fostering fair trade practices around the world.

    b. Are there specific regions or countries where you believe the deployment of additional IP attachés would significantly benefit U.S. stakeholders and promote robust IP enforcement?

    RESPONSE: I do not have any specific regions or countries in mind at present, but if confirmed I commit to working ardently with others within the USPTO, stakeholders, the executive branch and Congress to ensure strong IP protections and companion enforcement mechanisms exist and are available both domestically and internationally.

    c. In 2020, the Department of Homeland Security published a report to the President titled, Combating Trafficking in Counterfeit and Pirated Goods. Which recommendations, if any, do you think should be revisited from this report?

    RESPONSE: If confirmed, I will review this report and will work with Congress, others in the Trump Administration, and with IP stakeholders, on how best to stop counterfeit and pirated goods. I would note the Judiciary IP subcommittee's recent hearing on "Foreign Threats to American Innovation and Economic Leadership" elicited shocking testimony regarding the safety concerns of counterfeit parts, freely available from e-tails and the near impossible task of either consumers or e-tailers from discerning the authentic from counterfeit. Any recommendations from the 2020 report should fully take into account the deceitful and harmful to public safety practices that the hearing elicited.

7. Do you believe that the USPTO benefits from interagency coordination? If so, in what contexts?
    a. How will you promote continued cross-agency collaboration?

    RESPONSE: I support proper information sharing and coordination between agencies as a means of promoting government agency effectiveness and harmonization. If I am confirmed, I would look for new opportunities to promote collaboration afforded by new technologies, such as blockchain.

8. If confirmed, how would you work with the Intellectual Property Enforcement Coordinator (IPEC)?
    a. Where do the objectives of the IPEC and the USPTO Director align and where do they diverge?

    RESPONSE: Effective and coordinated IP enforcement both at home and abroad is key to maintaining U.S. technological dominance. If confirmed, I look forward to working with others in the Trump Administration in determining the most effective ways to ensure alignment on matters concerning the respect of IP rights both at home and abroad.

9. Acting USPTO Director Coke Stewart recently issued a memo outlining a new process for post-grant proceedings that clarifies the Director's discretion to deny petitions and expedite review. Acting Director Stewart also rescinded a 2022 memo that constrained the Director's statutory discretion. If confirmed, would you keep these policies in place? Why or why not?

RESPONSE: I understand the AIA to confer rather broad-based discretion on the Director. To understand the exercise of discretion, I would need to examine bases underlying policy changes as well as operational considerations that have gone into such. If confirmed, I would look forward to working with Acting Director Stewart, PTO management and stakeholders to ensure that the PTAB meets Congress' intent of providing a faster, cheaper and agency-based alternative inter partes proceedings as an alternative to lengthy and expensive District Court litigation.

10. Some in the technology community have argued that the United States should "delete IP law."
    a. Do you think Congress should "delete" existing IP laws?

    RESPONSE: The U.S. Constitution charges Congress with the promotion of "the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries" in Article I, Sec. 8, Clause 8. If confirmed, I look forward to working with Congress as they exercise their Constitutional authority.

    b. Why are robust IP protections important to our country and to the American economy?

    RESPONSE: Our Founders understood the importance and value of IP by enshrining it in the U.S. Constitution. IP laws are imperative to the United States' technological

leadership as it incentivizes innovation and protects the inspiration, perspiration and tenacity of innovators and creators from others stealing their work. As a key driver of economic development, growth and the source of millions of jobs each year, robust IP laws are fundamental to and an integral part of the U.S. economy.

Nomination of John Squires to be the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office
Questions for the Record
Submitted May 28, 2025

QUESTIONS FROM SENATOR CORY A. BOOKER

1. President Trump's recent Executive Order directs federal agencies to "optimize" intellectual property policies to make drugs more affordable. At the same time, Trump has systematically cut USPTO's staffing by implementing hiring freezes, terminating probationary employees, and incentivizing early retirement, which has reduced the patent examiner corps and exacerbated pre-existing staff shortages. In just one month, from February to March, the USPTO lost 5% of its patent examiners. Fewer examiners mean rushed patent reviews that can lead them to issue flawed patent applications. When the USPTO issues flawed drug patents it delays generic entry and increases drug prices for Americans.
    a. Do you agree that understaffing hinders USPTO's ability to review and issue patents, both slowing down the frequency with which new patents are issued and increasing the potential for hurried review?

    RESPONSE: I believe equipping Examiners with productivity tools, such as AI can alleviate staffing concerns. If confirmed, I am committed to working with USPTO leadership and stakeholders to ensure patent applications are processed in a timely manner for shorter pendency for all applications, and to align production capacity with incoming workload. I am committed to introducing new initiatives aimed at reducing pendency. If confirmed, I will also work with USPTO to align its examination capacity and productivity tools to attack the at-present unacceptable inventory of unexamined applications.

    b. How will you rebuild staffing to enhance the quality of patent reviews, especially for drug-related applications?

    RESPONSE: If confirmed, I will work with stakeholders, others in the Trump Administration, and USPTO leadership to determine staffing requirements and outfit staff with the productivity tools, such as AI, to find the best way to address the backlog and patent pendency, including in technology areas that deal with drug-related applications.

Nomination of John Squires
To be Director of the United States Patent and Trademark Office
Questions for the Record
Submitted May 28, 2025

QUESTIONS FROM SENATOR WHITEHOUSE

1. If President Trump or anyone at the Department of Commerce asks you to engage in conduct that violates the law or your ethical obligations, what will you do?

RESPONSE: The President would never ask me to engage in unlaw conduct. I will follow the law and uphold my sacred oath to support and defend the Constitution.

2. Has President Trump or any member of his team asked you to approve or deny a petition for inter partes review or post-grant review? If yes, please describe.

RESPONSE: No one has made any such request of me, nor, if confirmed, do I anticipate any such request.

3. Has President Trump or any member of his team asked you to take any official action that would advantage a specific person or entity? If yes, please describe.

RESPONSE: No one has made any such request of me, nor, if confirmed, do I anticipate any such request.

4. Have you had any discussions with any member of the Trump administration concerning personnel at the Office to which you've been nominated? If yes, please describe with specificity.

RESPONSE: I have recommended names of qualified individuals to be considered for senior leadership positions at the Office. The Secretary of Commerce and the Office of Presidential Personnel ultimately oversee all personnel decisions.

5. Under what circumstances, if any, could a federal government official legally defy a court order issued in a case to which the official or the government was a party?

RESPONSE: In my career as a patent lawyer in private practice, I have neither encountered this question nor had occasion to study it. If confirmed, and should such a situation manifest, I would consult the Office of Counsel for guidance and advice and be sure to follow the advice of counsel in the discharge of my Constitutional duties.

6. What would be the appropriate action for a court to take in the event that the government or a public official defied a court order?

RESPONSE: In my career as a patent lawyer in private practice, I have neither encountered this question nor had occasion to study it. If confirmed, and should such a situation manifest, I would consult the Office of Counsel for guidance and advice and be sure to follow the advice of counsel in the discharge of my Constitutional duties.

7. Was the U.S. Capitol attacked by a violent mob on January 6, 2021? Were violent rioters who were convicted of assaulting police officers on January 6 political prisoners?

RESPONSE: I am generally aware of the issue of "political prisoners" making its way to the Supreme Court, but do not recall the outcome of the issues litigated.

8. Did Joe Biden win the 2020 presidential election?

RESPONSE: President Biden was sworn in as 46th President of the United States of America on January 20, 2021.

9. Does the 22nd Amendment permit a president to be elected more than twice?

RESPONSE: In my career as a patent lawyer in private practice, I have neither encountered this question nor had occasion to study it. However, it is my understanding that a person may only be elected President of the United States for two terms.

Senator Peter Welch
Senate Judiciary Committee
Written Questions for John Squires
Hearing on "Nominations"
Wednesday, May 21, 2025

1. In 2007 you testified at a Senate Judiciary Committee patent hearing in support of the Patent Reform Act. The Patent Reform Act eventually became the Leahy-Smith America Invents Act (AIA), which was signed into law in 2011 and created new post-grant proceedings for invalidating patents at the Patent Trial and Appeal Board (PTAB).
    a. What is the current role of the PTAB?

    RESPONSE: The "PTAB" is actually a concatenation of two important functions created by the AIA one being "Patent Trails" and the other "Appeals" Boards. The "Patent Trials" function comprises IPRs, PGRs and Derivation proceedings. The Appeals Board function is different as it affords a direct appeal to the Director from an examiner impasse, providing an important point of redress for applicants.

    The PTAB's role is to administer these post-grant, inter-partes programs and appeal processes in a fair way to keep our unitary patent system in balance for all stakeholders and the American public.

    b. Are inter partes reviews (IPR) and post-grant reviews (PGR) effective ways to invalidate bad patents?

    RESPONSE: It seems that both forms of redress have served their function as a faster and cheaper alternative to district court litigation.

    c. If confirmed, do you commit to ensuring the PTAB has the resources and personnel to be able to fulfill their current mandate and continue to administer IPRs and PGRs?

    RESPONSE: Yes. If confirmed, I will work avidly with the office's stakeholders, leadership and to ensure the PTAB functioning in accordance with its creation and goals and fulfilling Congressional intent, including ensuring the PTO continues to have the necessary personnel – and tools – to fulfill its statutory mission.

2. Since publication of a new rule by the U.S. Patent and Trademark Office regarding discretionary denials of IPRs, the PTAB institution rate has dropped from 68% to 43%.
    a. How do you plan to address the decrease in PTAB institution rates?

    RESPONSE: We have nearly 15 years of important data on the PTAB. I testified that this data seems "skewed" to me as between the Patent Trial functions of IPRs, PGRs and Derivation proceedings as one might expect a more "normal" distribution, or at least as between IPRs and PGRs. As to the drop in the rate, I would want to explore the avenues of redress where that is headed, whether it be district court or elsewhere. If confirmed, I look forward to working with stakeholders the USPTO and Congress to ensure that the PTAB fulfills Congressional intent as to all aspects.

3. If confirmed, do you plan to hire more USPTO staff to ensure the USPTO is able to function effectively?

RESPONSE: If confirmed, I will work with the USPTO and stakeholders to ensure that the USPTO is able to fulfill its statutory missions in all aspects of its ex parte and inter partes functions.

4. Do you believe there should be a standing requirement at the PTAB?

RESPONSE: I have seen certain proposed legislation over the years that has sought to establish new standing requirements for filing petitions at the PTAB. If confirmed, I commit to working with Congress and stakeholders on this issue, including any harmonization proposals that may be attendant to companion federal district court litigation.

5. Is the PTAB an effective way to challenge bad pharmaceutical patents?

RESPONSE: Yes. The PTAB plays an important role in the U.S. patent system to provide redress in terms of a faster and cheaper alternative venue to challenge the validity of a patent in our unitary system, including pharmaceutical patents.

6. If confirmed, are there any reforms you plan to implement that would assist in more generic drugs being able to enter the market?
    a. Please describe your views on patent thickets in relation to the cost of prescription drugs.

    RESPONSE: Historically, "hard technology" innovation has been generally viewed as "incremental" whereas pharmaceutical patents have generally correlated to molecules, compounds, and the efficacy of such. These technologies have now converged, creating the prospect of incremental invention in the pharmaceutical sector. While there is no specific "quantum" of invention per se in either field, if confirmed, I am committed to ensuring the USPTO issues patents that meet the statutory requirements for patentability in every technological art area, including pharmaceuticals, and ensuring patents are not abused.

7. Do you believe that patent examiners currently have enough time to review patent applications? If not, do you have any plans to address this problem?

RESPONSE: In a unitary system housing all types of art units, some areas may require more time, some less. If confirmed, I will work with stakeholders and USPTO to evaluate the relative amount of time granted to examiners and what changes, if any, are necessary, including the provision of appropriate productivity tools, including AI.

8. Please describe any plans you may have to integrate artificial intelligence (AI) into the USPTO.
    a. What guardrails should be put in place prior to using AI at the USPTO?

RESPONSE: Non-public USPTO data and applicant data should be walled off, for one, so as to not allow training off from this pool. Any software tools contemplated for modernizing the examination process should include appropriate cyber security measures to better manage the complicated and onerous task of searching for and identifying the most relevant prior art. Enacting efficiencies will help speed the entire examination process. If confirmed, I will work with others in the USPTO on what AI tools are currently being used and how best to integrate additional AI into the USPTO's examination process.

9. Please describe your views on the issue of third-party funding of patent litigation and how you would address this issue at the USPTO.

RESPONSE: As to foreign countries, allowing funding of lawsuits against U.S. companies to gain access to our technology is unacceptable. As to domestic funding, if confirmed, I will work to ensure that the USPTO and the PTAB proceedings are used as intended by Congress, including working to make the PTAB disclosure requirements concerning funders congruent with federal district court local rules concerning the real-party in interest and notification to the USPTO of such.

Questions from Senator Tillis
for John Squires
Senate Judiciary Committee
Nomination Hearing

1. What are your thoughts regarding the need for patent eligibility reform? Do you agree that such reform is needed now, more than ever, and that it is not just a threat to innovation but that it is also a threat to our national security not to do something about it?

RESPONSE: As I testified, the area of patent eligibility suffers from clarity of precedent and sews confusion and uncertainty into our patent system. This uncertainty clouds patents, erodes confidence in our system, and is leading to a lack of American competitiveness particularly in AI and critical emerging technologies. I agree that clarity is needed and the lack of clarity is compromising our world standing and threatens our national security. If confirmed, I look forward to working with Congress and this Committee to ensure our patent laws meet the moment and serve both inventors and the Nation at large.

2. What are your thoughts regarding the need for reform of the U.S. Patent and Trademark Office (USPTO) Patent Trial and Appeal Board (PTAB)? Do you agree that for far too long the PTAB has been an arena for gamesmanship by bad actors that that such practice needs to be reined in?

RESPONSE: We have nearly 15 years of important data on the PTAB. I testified that this data seems "skewed" to me as between the Patent Trial functions of IPRs, PGRs and Derivation proceedings as one might expect a more "normal" distribution, or at least as between IPRs and PGRs. Whether this "skewing" is a result of gamesmanship by bad actors or other factors is not clear. If confirmed, I look forward to working with others at the USPTO and with Congress on ensuring that the PTAB fulfills its mission.

3. Given that the USPTO is fully funded by user fees from inventors and entrepreneurs – not taxpayers – do you believe that these fees should remain at the USPTO and that they should not be redirected to unrelated federal programs?

RESPONSE: Yes, as I testified, it is important for the PTO to retain its fees so it can be efficiently run as a business because I also believe that all Americans should benefit from the tremendous value of government-issued IP rights.

4. What specific measures will you take to ensure that the patent backlog – now at a historic high – does not continue to grow and that pendency does not increase?

RESPONSE: Several immediate steps should be explored for both their short-term and long-term benefits. With immediate effect, the Office should undertake a review and work in connection with the USTR to identify and eliminate from the system cases, especially foreign-filed that are overburdening the system. Some applicants could self-elect with petitions to suspend examination for six months, especially with large portfolios of broad ranging patents and there may be incentives attendant to that.

As I testified in my opening statement, I believe it is time for the USPTO to "lean-into" AI to provide tools to reduce backlog. Several areas should be investigated to provide immediate results in terms of utilizing generative AI, for example, on matters of written description, enablement and indefiniteness. I am aware in fact of Examiner blogs reporting favorably on the exploration of such technology utilization.

If confirmed, I will work with the USTPO and stakeholders on the best way to address the backlog and patent pendency including hiring additional examiners as well as using AI tools in examination.

5. Fundamental to the patent examination process is the prior art search. Thorough and complete and prior art searches, at every stage of examination, are key to ensuring high quality and efficient examination.

   Do you agree with this and what are your general thoughts on this topic?

RESPONSE: A thorough and comprehensive prior art search is the foundation of every patent examination and the foundation of quality and confidence in the patent system. The earlier prior art can be injected into the system, the better for all stakeholders to improve quality and confidence and I believe AI tools can help further these aims.

6. The USPTO maintains both unpublished and published data which is ripe for use for training AI models. This could be of great use to patent examiners for performing prior art searches, which I outlined in a May 20, 2025 letter to the USPTO asking the agency to explore this topic in earnest.

   Assuming that proper security and privacy measures are taken, do you agree with this and what are your general thoughts on this topic?

RESPONSE: Yes. Any software tools contemplated for modernizing the examination process should include appropriate cyber security measures concerning the use of LLMs and other AI-assisted tools to better manage the complicated and onerous task of searching for and identifying the most relevant prior art. Making this and other steps more efficient will help speed the entire examination process. If confirmed, I will work with others in the USPTO on what AI tools are currently being used and how best to integrate additional AI into the USPTO's examination process.

Questions for the Record
Sen. Adam Schiff (CA)

John Arthur Squires, Nominee to be Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (USPTO)

1. Will you be an advocate for the employees at USPTO, many of whom have already been forced to move to keep their jobs, and work with the Secretary of Commerce to exempt the agency's workforce from any reductions in force?

RESPONSE: I commit to ensuring the USPTO has the workforce necessary to carry out its statutory functions and responsibilities, including providing productivity tools with which employees can excel at their jobs.

2. You have ties to the private equity fund Fortress Investment Group. According to public reporting, you helped them get into the patent litigation business by advising them on the creation of a multimillion-dollar fund. Fortress has rapidly become a major patent litigant, bringing cases against dozens of US companies.
    a. Can you describe your involvement with Fortress IP and whether that will impact your work as USPTO Director?

    RESPONSE: I have no present ties or connection to Fortress investment group. My prior work for them was around the 2013-2017 time frame. My work and advice for them was not related to litigation funding. Specifically, my work for them centered on my written scholarship and modeling of patents as derivatives for valuation and as self-standing assets per se. My solution was a "patent mortgage" wherein operating companies pledge their patents as collateral and use their loan proceeds as working capital to fund operations, expansion or the like.

    At the time this work helped emerging companies in distress with valuable patents stave-off bankruptcy and avoid the dilemma of having to sell or license their portfolio at unfavorable valuations and divesting themselves of their prized assets. And, as I testified at my hearing, in 2020, Marshall Phelps reported in Forbes of several companies surviving the economic downturn brought on by Covid-19 using my very patent mortgage solution. If confirmed, I will abide by my Ethics Agreement concerning former client work for Fortress or any other former client.

3. Do you believe that approximately 68 out of 100 U.S. patents that are currently in force are defective?
    a. If so, what should Congress be doing to improve patent quality on the front end during the patent examination process?

    RESPONSE: No. The statistics I mentioned are those published by the USPTO concerning claim cancellation upon challenge at the PTAB which are a small subset of all issued patents, not a measure of quality at the front end. I also testified in response to Senator Coon's questions that this data seems "skewed" to me as between the Patent Trial

functions of IPRs, PGRs and Derivation proceedings as one might expect a more "normal " distribution, or at least as between IPRs and PGRs (and even a higher incidence than current numbers concerning Derivation proceedings).

In general, errors of all types should be avoided, including errors in not granting patent claims that should rightly issue. I believe it is to the benefit of all stakeholders if prior art is identified and applied at the earliest stage of examination or post issuance, as we benefit as a society from patents "born strong," beginning with the original patent grant. I further believe the third party submission provisions provided in the AIA should be incentivized and better utilized to inject art as early as possible into the system. If confirmed, I am committed to working with stakeholders, the USPTO and Congress to improve patent quality on the front end and mechanisms for achieving such.

b. What can Congress do to ensure that PTAB is effectively catching any defects that examiners miss?

RESPONSE: Quality has a place at every aspect of the examination and PTAB process and I look forward to working with stakeholders, the USPTO and Congress to make sure the tools provided are being effectively deployed and any new tools under consideration help meet Congressional intent for the PTAB and its important function.

4. Whistleblowers play a critical role in calling out waste, fraud, and abuse across government. If confirmed, do you commit to protecting and in no way adversely affecting, or retaliating against, the employment of any employees who report internal waste, fraud and abuse of authority by the Trump Administration, including any activity that may involve you, through the proper channels to agency management, to the appropriate agency Inspector General, and to Congress?

RESPONSE: Yes.

Senate Judiciary Committee
Hearing on the Nomination of John Arthur Squires
to be Under Secretary of Commerce for Intellectual Property
and Director of the U.S. Patent and Trademark Office
May 21, 2025
Questions for the Record
Senator Amy Klobuchar

In April, the Senate Judiciary Committee advanced a number of bills to stop branded pharmaceutical companies from abusing their patents to box out cheaper generic alternatives. Senator Grassley and I have led legislation, the Preserve Access to Affordable Generics and Biosimilars Act, to help put a stop to these anti-consumer deals.

1. As Director of the United States Patent and Trademark Office, what steps can you take to ensure that patents are not abused to drive up the cost of prescription drugs?

RESPONSE: I am aware of concerns of so-called patent thickets being abused in relation to the cost of prescription drugs. I believe this is a relatively new phenomenon. Historically, "hard technology" innovation has been generally viewed as "incremental" whereas pharmaceutical patents have generally correlated to molecules, compounds and the efficacy of such. These technologies have now converged, creating the prospect of incremental invention in the pharmaceutical sector. While there is no specific "quantum" of invention per se in either field, if confirmed, I am committed to ensuring the USPTO issues patents that meet the statutory requirements for patentability in every technological art area, including pharmaceuticals, and ensuring patents are not abused, including as thickets.

Nomination of John Squires
To be Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office Questions
for the Record
Submitted May 28, 2025

QUESTIONS FROM SENATOR CORNYN

1. Please explain your view of the role of third-party litigation finance in the context of patent litigation. Specifically:
    a. Do you believe third-party litigation finance has enabled "patent trolls" to weaponize improperly-issued patents against United States small businesses by threatening lawsuits for infringement and then offering to settle for less than the cost of litigation?

    RESPONSE: Third party litigation financing may have played a part in the "troll" practice where patents are aggregated around certain sectors and asserted as "nuisance suits" I have written in opposition to such practices in the Wharton Business review, "Why Investment friendly Patents Spell Trouble for Trolls" (Knowledge@Wharton, September 24, 2015.

    b. Do you view a strong Patent Trial and Appeal Board (PTAB) as a partial remedy against this "patent troll" behavior as described above?

    RESPONSE: As to poor quality patents being asserted for nuisance value, yes. Congress established the PTAB to serve as a faster and cheaper alternative to district court litigation specifically as a remedy for patent validity issues. We have nearly 15 years of important data on the PTAB. If confirmed, I look forward to working with others at the USPTO and with Congress on ensuring that the PTAB fulfills its mission.

    c. Does the United States Patent and Trademark Office (USPTO) have all the information it needs regarding the funding behind the challenges brought before the PTAB?

    RESPONSE: The answer to this question is not clear. In federal district court litigation, local rules require identification of real parties in interest and notification of the USPTO of such. In general, it seems to me that these transparency vehicles as between the federal court system and the USPTO should be congruent. If confirmed, I commit to working with others within the USPTO and IP stakeholders to ensure the USPTO has sufficient information to address misuse of PTAB proceedings.

2. In 2024, foreign companies earned a majority of issued patents. What protections do you plan to put in place to ensure that foreign competitors like China cannot use U.S. IP to harm domestic industry?

RESPONSE: Congress has already enshrined review provisions in the United States Code when national security concerns are implicated. If confirmed, I commit to exploring the use of existing

regulatory obligations promulgated to effectuate these laws directed to the issuance of IP rights that implicate national security concerns to ensure that foreign competitors cannot use U.S. IP to harm domestic industry.

3. What will you do to ensure foreign adversaries do not impede American innovation through the funding of frivolous patent litigation?

RESPONSE: Allowing foreign rivals to bankroll lawsuits against U.S. companies to gain access to our technology is unacceptable. If confirmed, I plan to bring the full weight of the office to require transparency with respect to such and review any such situations for national security implications. I will work ardently to ensure that the PTAB proceedings are used as intended by Congress.

4. Two years ago, CIA Director John Ratcliffe wrote in the Dallas Morning News about "the burgeoning threat of patent trolls serving as puppets for adversaries that participate in U.S. litigation as an undisclosed third party." The USPTO has the tools through inter partes review at the PTAB to deter these adversaries. Will you commit to requiring the agency you lead to operate the PTAB as Congress articulated in the America Invents Act and not exceed the authority granted to discretionarily deny petitions for review as previous Directors have done?

RESPONSE: Yes.

5. Would you support taxing foreign entities that finance frivolous patent litigation against United States companies?

RESPONSE: Yes.

6. During your career in private practice, you helped found Fortress Investment Group's IP funding arm, which last year committed $6.6 billion to litigation finance, as well as $2.9 billion specifically to intellectual property litigation. What steps will you take to recuse yourself from decisions that would benefit Fortress?

RESPONSE: I have not represented Fortress since 2017 and have no arrangements with them, legally or otherwise.

My prior work for them was around the 2013-2017 time frame and stemmed from my scholarship and modeling of patents as derivatives for valuation and as self-standing assets per se. My solution was a "patent mortgage" wherein operating companies pledge their patents as collateral and use their loan proceeds as working capital to fund operations, expansion or the like.

At the time this work helped emerging companies in distress with valuable patents stave-off bankruptcy and avoid the dilemma of having to sell or license their portfolio at unfavorable valuations and divesting themselves of their prized assets. And, as I testified at my hearing, in 2020, Marshall Phelps reported in Forbes of several companies surviving the economic downturn brought on by Covid-19 using my very 'patent mortgage' solution.

I will always follow applicable government ethics laws and regulations based on guidance from the Ethics Office of the Department of Commerce to avoid actual or perceived conflicts of interest.

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DELAWARE

STANDING ORDER REGARDING
THIRD-PARTY LITIGATION FUNDING ARRANGEMENTS

At Wilmington on this Eighteenth day of April in 2022, it is HEREBY ORDERED in all cases assigned to Chief Judge Connolly where a party has made arrangements to receive from a person or entity that is not a party (a "Third-Party Funder") funding for some or all of the party's attorney fees and/or expenses to litigate this action on a non-recourse basis in exchange for (1) a financial interest that is contingent upon the results of the litigation or (2) a non-monetary result that is not in the nature of a personal loan, bank loan, or insurance:

1. Within the later of 45 days of this Order or 30 days of the filing of an initial pleading or transfer of the matter to this District, including the removal of a state action, the party receiving such funding shall file a statement (separate from any pleading) containing the following information:

a. The identity, address, and, if a legal entity, place of formation of the Third-Party Funder(s);

b. Whether any Third-Party Funder's approval is necessary for litigation or settlement decisions in the action, and if the answer is in the

affirmative, the nature of the terms and conditions relating to that approval; and

c. A brief description of the nature of the financial interest of the Third-Party Funder(s).

2. Parties may seek additional discovery of the terms of a party's arrangement with any Third-Party Funder upon a showing that the Third-Party Funder has authority to make material litigation decisions or settlement decisions, the interests of any funded parties or the class (if applicable) are not being promoted or protected by the arrangement, conflicts of interest exist as a result of the arrangement, or other such good cause exists.

3. Nothing herein precludes the Court from ordering such other relief as may be appropriate.

Chief Judge

dent is insolvent at the time of the involuntary bankruptcy petition. *See In re Navient Sols., LLC*, 625 B.R. 801, 818 (Bankr. S.D.N.Y. 2021) (quoting *In re Palace Oriental Rugs, Inc.*, 193 B.R. 126, 129 (Bankr. D. Conn. 1996)), *aff'd*, No. 21-CV-2897 (JGK), 2022 WL 863409 (S.D.N.Y. Mar. 23, 2022), and *aff'd*, No. 22-1376, 2023 WL 3487051 (2d Cir. May 17, 2023). And at that time, petitioners can conduct discovery to unearth whether respondent is not paying his bills as they come due. The utility of respondent's purported present insolvency will not be lost before petitioners bring their bankruptcy action—it simply has no none to lose.

[12] Other snares threaten petitioners' litigation battle plan. For example, despite petitioners' repeated attempts to characterize respondent's alleged transfers to other creditors as preferential, respondent's alleged transfers are definitionally not preferential until a bankruptcy petition has been filed. *See* 11 U.S.C. § 547(b)(4) (defining preferential transfer, in part, as a transfer made "on or within 90 days before the date of the filing of the [bankruptcy] petition" or within one year if the transfer was made to an insider); *see also* 11 U.S.C. § 548(a)(1) (defining fraudulent transfer, in part, as a transfer made "within 2 years before the date of the filing of the petition"). Significantly, this means that any evidence of respondent's transfer of assets has no utility in demonstrating a preferential or fraudulent transfer without reference to a filed petition. The evidence petitioners target in their Rule 27 request will, since they concede it will not be lost, be fully discoverable in the ordinary course in the bankruptcy case. The timing of the litigation vehicle petitioners eventually set in motion will determine the relevance of the evidence.

As made manifest by the record read on the lines and between the lines, petitioners' Rule 27 request is not designed to preserve evidence that might be lost but to manufacture a bankruptcy case. They want to fish for evidence of insolvency and identify creditors who might be persuaded to join them in the filing of an involuntary bankruptcy petition. They do so in the shadow of a breach of contract claim against the respondent and the respondent's entities that their papers suggest is ready for filing now. Moreover, to the extent petitioners are hellbent on seeing respondent in bankruptcy court rather than as a defendant in a breach of contract action, Rule 27 does not provide a key to unlock the doors to the bankruptcy court closed by its jurisdictional rules. At bottom, petitioners come to court with a satchel of reasons supporting their application for Rule 27 discovery. None of them deal with the preservation of evidence that they believe might become unavailable after an action in contract or a case in bankruptcy is commenced. None, therefore, support the grant of Rule 27 relief.

Conclusion

For the foregoing reasons, petitioners' application pursuant to Rule 27 of the Federal Rules of Civil Procedure to perpetuate testimony is denied.

So Ordered.

IN RE: EXACTECH POLYETHYLENE ORTHOPEDIC PRODUCTS LIABILITY LITIGATION

22-MD-3044 (NGG)(MMH)

United States District Court,
E.D. New York.

Signed October 3, 2024

Background: Recipients of certain recalled hip, knee, and ankle implants brought actions, which were consolidated in multidistrict litigation (MDL), against implant manufacturer under various state laws for strict liability, negligence, breach of express warranty, breach of implied warranty, negligent misrepresentation, fraud, fraudulent concealment, punitive damages, and loss of consortium based on injuries allegedly caused by defective components of replacement joints. Recipients moved to compel discovery.

Holdings: The District Court, Marcia M. Henry, United States Magistrate Judge, held that:

(1) requests for production of all documents and communications between manufacturer and foreign government agencies regarding implants were overly broad and unduly burdensome, and, thus, compelling production of those documents and communications was not appropriate;

(2) documents from separate action alleging violations of False Claims Act (FCA) related to manufacturer's defective replacement joint implants were not relevant, and, thus, compelling production of those documents was not appropriate;

(3) request for documents from separate products liability action against manufacturer was overbroad and disproportionate to needs of MDL, and, thus, compelling discovery of those documents was not appropriate;

(4) request for due diligence documents related to manufacturer's merger with other defendants was overbroad and disproportional to needs of case, and, thus, compelling production of those documents was not appropriate;

(5) interrogatory asking whether manufacturer disclosed to entities with which it merged any issues associated with wear of implants was sufficiently narrowly tailored and relevant, to support disclosure of that information;

(6) electronically stored information in file of manufacturer's senior director of quality assurance was not relevant or unique, and, thus, compelling production of that file was not appropriate; and

(7) electronically stored information in file of manufacturer's vice president of marketing was uniquely relevant, and, thus, compelling production of that file was appropriate.

Motion granted in part and denied in part.

1. Federal Civil Procedure ⚿1272.1

Information is relevant, for purposes of discovery, if: (a) it has any tendency to make a fact more or less probable than it would be without the evidence; and (b) the fact is of consequence in determining the action. Fed. R. Civ. P. 26(b)(1).

2. Federal Civil Procedure ⚿1269.1, 1270

Once there is a showing of relevance of discovery sought by a party, then the party withholding discovery on the grounds of burden, expense, privilege, or work product bears the burden of proving the discovery is in fact privileged or work product, unduly burdensome and/or expensive. Fed. R. Civ. P. 26(b)(2)(C).

3. Federal Civil Procedure ⚿1271.5

To establish good cause for a protective order limiting discovery, courts require a particular and specific demonstration of fact, as distinguished from stereotyped and conclusory statements. Fed. R. Civ. P. 26(c)(1).

4. Federal Civil Procedure ⚿1278

The decision to grant or deny a motion to compel discovery lies within the sound discretion of the district court.

5. Federal Courts ⚿2958

Communications between manufacturer of recalled joint replacement implants and foreign regulatory agencies were relevant, to support production of documents related to those communications, in multidistrict litigation (MDL) for strict liability, negligence, and other products-liability claims, although manufacturer argued that communications were irrelevant, because foreign regulation was different from Food and Drug Administration (FDA) regulations; communications were relevant to establish what manufacturer knew about potential risks of its products, when manufacturer knew about those risks, what follow-up investigations manufacturer did to learn more about those potential risks, and whether those risks were timely and appropriately communicated to medical pro-

fessionals and patients. Fed. R. Civ. P. 26(b)(1).

6. Products Liability ⚿151

Under strict liability doctrine of products liability under New York law, a manufacturer has a duty to warn against latent dangers resulting from foreseeable uses of its product of which it knew or should have known.

7. Products Liability ⚿147, 151

A cause of action in negligence for products liability under New York law will lie where it can be shown that a manufacturer was responsible for a defect that caused injury, and that the manufacturer could have foreseen the injury.

8. Health ⚿303

Regardless of the country in which a replacement joint manufacturer operates, it is obligated to notify regulatory authorities of potential health and safety risks associated with its orthopedic products.

9. Federal Civil Procedure ⚿1581, 1593

Courts generally permit discovery of documents and communications from foreign agencies when the requests are narrowed to specific countries, regulatory agencies, or subject areas.

10. Federal Courts ⚿2958

Requests for production of all documents and communications between manufacturer of recalled replacement joint implants and foreign government agencies regarding implants were overly broad and unduly burdensome, and, thus, compelling production of those documents and communications was not appropriate, in multidistrict litigation (MDL) for strict liability, negligence, and other products-liability claims; it was unclear if "foreign government agencies" was defined narrowly enough to be sufficiently proportionate, plaintiffs were obtaining full discovery of regulatory documents and communications from Food and Drug Administration (FDA), requests sought "all documents" from undefined foreign agencies, and burden of producing further responses outweighed likely benefit of requested documents. Fed. R. Civ. P. 26(b)(1).

11. Federal Civil Procedure ⚿1636.1

Courts only grant motions to compel discovery from another case when the requests are narrowly tailored to request discovery from another case that is essentially identical and deny requests to compel discovery from another case merely because there are some similarities between cases.

12. Federal Courts ⚿2958

Documents from separate products liability action against manufacturer of replacement joint implants alleging that deficient implant caused patient to have revision surgery were relevant, to support compelling production of those documents in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants, where basic facts of separate action mirrored claims in MDL. Fed. R. Civ. P. 26(b)(1).

13. Federal Courts ⚿2958

Documents from separate action alleging violations of False Claims Act (FCA) related to manufacturer's defective replacement joint implants were not relevant, and, thus, compelling production of those documents was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; separate action was qui tam action with claims that were not similar enough or identical to claims at issue in MDL to justify producing that case's discovery. 31 U.S.C.A. § 3729 et seq.; Fed. R. Civ. P. 26(b)(1).

14. Federal Courts ⚿2958

Request for documents from separate products liability action against manufacturer of replacement joint implants alleging that deficient implant caused patient to have revision surgery was overbroad and disproportionate to needs of multidistrict litigation (MDL), and, thus, compelling discovery of those documents was not appropriate, in MDL against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; request

sought transcripts of depositions, discovery responses, and expert reports without limitation, request did not specify exact discovery responses, depositions, or expert reports, it was unclear what specific discovery was sought from separate case that would be relevant, because separate case involved different type of implant. Fed. R. Civ. P. 26(b)(1).

15. Federal Courts ⇨2958

Due diligence documents related to replacement joint implant manufacturer's merger with other defendants were relevant, to support compelling production of documents, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; documents were relevant as to whether manufacturer had knowledge about defective products, and, if, so, scope of defects and what decisions were made regarding those products before recalls. Fed. R. Civ. P. 26(b)(1).

16. Federal Courts ⇨2958

Request for due diligence documents related to replacement joint implant manufacturer's merger with other defendants was overbroad and disproportional to needs of case, and, thus, compelling production of those documents was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; request was for "all due diligence-related documents" related to merger, through which plaintiffs were hoping that they would find some reference to issues associated with implants from which it could impute manufacturer's knowledge of and notice of defects at issue, and requests would impose significant delays. Fed. R. Civ. P. 26(b)(1).

17. Federal Courts ⇨2958

Documents regarding valuation and financial information provided during joint replacement implant manufacturer's merger with other defendants were not relevant, and, thus, compelling production of those documents was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants, where plaintiffs did not specify why documents would reveal discoverable information about manufacturer's concealment of known manufacturing and design defects. Fed. R. Civ. P. 26(b)(1).

18. Federal Courts ⇨2958

Interrogatory asking whether manufacturer of joint replacement implants disclosed to entities with which it merged any issues associated with wear of implants was sufficiently narrowly tailored and relevant, to support disclosure of that information, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; manufacturer did not specify why answering "yes" or "no" to interrogatory would cause any burden, and its objections were conclusory and unsubstantiated. Fed. R. Civ. P. 26(b)(1).

19. Federal Civil Procedure ⇨1581

A party requesting discovery of electronically stored information may not be entitled, under the rules of proportionality, to every single relevant document. Fed. R. Civ. P. 26(b)(1).

20. Federal Civil Procedure ⇨1555

Parties seeking searches of additional custodians of electronically stored information beyond those initially disclosed must demonstrate that the additional requested custodians would provide unique relevant information by providing evidence that there are unique responsive documents being missed in the current search scheme that would justify the inclusion of additional custodians.

21. Federal Civil Procedure ⇨1278

Courts will grant motions to compel disclosure of additional custodians of electronically stored information when the moving party can show that they will have additional, highly relevant materials that were not previous shared.

22. Federal Civil Procedure ⇨1278

The court is obligated to consider, among other things, whether the discovery sought is of sufficient importance to justify

the burden and cost that discovery will impose on the responding party, when considering a motion to compel disclosure of additional custodians of electronically stored information. Fed. R. Civ. P. 26(b)(1).

23. Federal Civil Procedure ⚿1634

The producing party is relieved of the initial obligation to produce information from additional custodians of electronically stored information only if they are properly identified as inaccessible; the identification must provide details on the burdens and costs that would result from providing the discovery, and on the likelihood of finding responsive information the identified sources. Fed. R. Civ. P. 26(b)(1).

24. Federal Courts ⚿2958

Electronically stored information in file of senior director of quality assurance for manufacturer of joint replacement implants was not relevant or unique, and, thus, compelling production of that file was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants, where plaintiffs stated in conclusory manner that director's file was relevant to their claims and manufacturer's possible defenses without elaborating on what information or documents that file might have included. Fed. R. Civ. P. 26(b)(1).

25. Federal Courts ⚿2958

Electronically stored information in file of product development engineer for manufacturer of joint replacement implants was relevant and unique, and, thus, compelling production of that file was appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants, where engineer's file related to implants' shelf-life and aging protocols and were directly at issue in litigation. Fed. R. Civ. P. 26(b)(1).

26. Federal Courts ⚿2958

Electronically stored information in file of director of marketing for manufacturer of joint replacement implants was not unique to justify costs and burden to manufacturer of producing file, and, thus, compelling production of that file was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants, where manufacturer's president and chief executive officer (CEO) had unique knowledge base of manufacturer's marketing and sales and its interplay at both customer and corporate level, and rulings regarding other files rendered director's file cumulative. Fed. R. Civ. P. 26(b)(1).

27. Federal Courts ⚿2958

Electronically stored information in file of regulatory affairs specialist for manufacturer of joint replacement implants was unique, and, thus, compelling production of that file was appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; specialist was continuously employed in regulatory department for nearly 20 years, his records would reflect deep institutional knowledge about manufacturer's compliance procedures in development, manufacturing, and marketing its products that were relevant in instant action, specialist's file would introduce information for time periods before and after recalls at issue, and parties did not present any other custodian with this experience. Fed. R. Civ. P. 26(b)(1).

28. Federal Courts ⚿2958

Electronically stored information in file of vice president of marketing for manufacturer of joint replacement implants was uniquely relevant, and, thus, compelling production of that file was appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; vice president's conversations with physicians about implants at issue showed manufacturer's knowledge about defects in its products and its responses when doctors raised those issues, and file would reveal information that manufacturer was communicating about design and development strategies about failings implants at issue. Fed. R. Civ. P. 26(b)(1).

29. Federal Courts ⚿2958

Electronically stored information in file of vice president of engineering and development for manufacturer of joint replacement implants was not unique or relevant, and, thus, compelling production of that file was not appropriate, in multidistrict litigation (MDL) against manufacturer for strict liability, negligence, and other products-liability claims related to recalled implants; plaintiffs did not identify why file was particularly unique or what documents were missing from produced documents that would be revealed by producing vice president's file, vice president's focus was on implants not at issue, and manufacturer had already produced engineering and design professionals responsible for implants at issue. Fed. R. Civ. P. 26(b)(1).

30. Federal Courts ⚿2958

Plaintiffs were not entitled to review non-privileged documents coded as non-responsive, for purposes of determining appropriate technology-assisted review protocols to identify documents responsive to plaintiffs' discovery requests, in multidistrict litigation (MDL) against manufacturer of joint replacement implants for strict liability, negligence, and other products-liability claims related to recalled implants; plaintiffs did not show deficiencies in manufacturer's review protocol, and manufacturer was aware of consequences if its protocol did not reasonably and proportionally capture responsive documents. Fed. R. Civ. P. 26(b)(1)(G).

31. Federal Civil Procedure ⚿1272.1

Where a party seeks discovery on discovery, that party must provide an adequate factual basis to justify the discovery, and the court must closely scrutinize the request in light of the danger of extending the already costly and time-consuming discovery process.

32. Federal Civil Procedure ⚿1551, 1634

Parties responding to another party's request for discovery on discovery are best situated to evaluate the procedures, methodologies, and technologies appropriate for preserving and producing their own electronically stored information.

33. Federal Civil Procedure ⚿1636.1

Courts generally decline to intervene in a responding party's decisions about how to use technology-assisted review in responding to discovery requests, unless the requesting party shows a specific deficiency in production or unreasonableness in process.

MEMORANDUM & ORDER

MARCIA M. HENRY, United States Magistrate Judge:

In this multidistrict litigation, Plaintiffs claim injuries caused by allegedly defective polyethylene liners of certain hip, knee, and ankle implants manufactured by Defendant Exactech, Inc. (*See generally* Amended Master Personal Injury Complaint ("Am. Compl.") ECF No. 164.)[1] Before the Court are: (1) Plaintiffs' motions to compel Exactech's production of documents and interrogatory responses [2]; and (2) the parties' competing proposals for the use of technology-assisted review ("TAR") protocols to identify responsive documents [3]. (*See generally* Pls.' Mot., ECF No. 434, TAR Mot., ECF No. 447, Pls.' 2d Mot., ECF No. 506.) For the reasons stated below, the Court **grants in part and denies in part** Plaintiffs' motions and adopts Exactech's proposed TAR 2.0 protocol.

1. All citations to documents filed on ECF are to the ECF document number (i.e., "ECF No. ____") and pagination "____ of ____" in the ECF header unless otherwise noted.

2. Plaintiffs filed a motion to compel discovery related to their requests for production of documents and interrogatories (Pls.' Mot., ECF No. 434) with four exhibits (Pls.' Mot., Exs. 1–4., ECF Nos. 434-1 through 434-4), which Exactech opposed (Def. Opp., ECF No. 446). Plaintiffs filed a second motion to compel, this time for production of non-custodial documents and custodial files (Pls.' 2d Mot., ECF No. 506), which Exactech also opposed (Def. 2d Opp., ECF No. 520). Plaintiffs filed a reply. (Pls.' 2d Reply., ECF No. 523).

3. The parties reported a dispute regarding their competing protocols in their October 5, 2023 status report (TAR Mot., ECF No. 447) and attached four exhibits (TAR Mot., Exs. 1–4., ECF Nos. 447-1 through 447-4). Exactech filed a response in support of their position (Def. TAR Opp. ECF No. 458).

I. BACKGROUND

The Court assumes familiarity with the prior proceedings in this action. *See, e.g.*, *MSP Recovery Claims, Series LLC v. Exactech, Inc.*, No. 22-MD-3044 (NGG)(MMH), 2023 WL 4066635 (E.D.N.Y. June 14, 2023) (order dismissing complaint of third-party entity assigned recovery rights for healthcare benefit providers); *In re Exactech Polyethylene Orthopedic Prods. Liab. Litig.*, No. 22-MD-3044 (NGG)(MMH), 2024 WL 991210 (E.D.N.Y. Mar. 7, 2024) (order dismissing complaint against Exactech's parent company and affiliates). The following information is relevant to the analysis of the pending discovery motions.

A. Facts

As alleged in the Amended Complaint (ECF No. 164):

> Exactech, a medical device company, is a Florida corporation with its principal place of business in Gainesville, Florida. The company develops orthopedic implants and related surgical instruments and technologies. The claims in this litigation stem from Exactech's techniques for manufacturing and packaging the company's polyethylene implants.
>
> In short, because of the manufacturing and packaging processes that Exactech employed, Exactech's orthopedic implants were more reactive to the environment and susceptible to oxidative stress. As a result, patients with the implants were at a higher risk of premature wear, which can cause device failure, implant loosening, and severe pain. It can also trigger an immune response and corresponding swelling or tissue destruction. When an insert fails, a patient may also be forced to undergo a "revision surgery" in which the original device is removed and a replacement implant is inserted.
>
> On June 29, 2021, Exactech initiated a voluntary recall for certain hip implants based on premature wear. Recalls of related devices followed shortly thereafter: in August 2021 Exactech recalled certain knee implants, and expanded the recall in February 2022 to "all knee and ankle arthroplasty polyethylene inserts packaged in non-conforming bags regardless of label or shelf life." Finally, in August 2022, Exactech expanded the scope of the recall of hip implants to include all implants with a particular polyethylene liner. The effect of the August 2021 recall alone "created significant financial difficulty for Exactech" and resulted in a $60 million cash burn in 2022.

In re Exactech, 2024 WL 991210, at *1–2 (citations omitted).[4]

Also relevant to the discovery disputes is Exactech's corporate ownership in the years preceding the recalls. Exactech's current owner is TPG, Inc., whose predecessor, TPG Capital, LP, purchased Exactech in 2017 through several wholly owned subsidiaries (collectively, the "TPG Entities"). *Id.* at 2. On February 14, 2018, TPG Capital's purchase of Exactech closed when Exactech merged with Osteon Merger Sub Inc. and became a wholly owned subsidiary of Osteon Holdings, Inc. and an affiliate controlled by TPG Capital, LP. *Id.*

B. Procedural History

On October 7, 2022, the Judicial Panel for Multi-District Litigation created the multidistrict litigation *In re Exactech Polyethylene Orthopedic Products Liability Litigation*, No. 22-MD-3044, to centralize the growing number of pending cases alleging harms from Exactech's hip, knee, and ankle replacement devices and assigned the action to this district. *MSP Recovery Claims*, 2023 WL 4066635, at *2. To date, over 1,800 cases have been consolidated before this Court, in which individuals assert various tort claims regarding injuries caused by Exactech's allegedly defective joint replacement components. (*See generally* Am. Compl., ECF No. 164; *see also* Oct. 2, 2024 Status Rep., ECF No. 731.) Specifically, Plaintiffs bring causes of action for strict liability, negligence, breach of express warranty, breach of implied warranty,

4. On April 18, 2024 Exactech recalled additional patella components used in the knee implants. (ECF No. 684 at 1.)

negligent misrepresentation, fraud, fraudulent concealment, punitive damages, and loss of consortium. (*Id.* ¶¶ 634–790.)

In the course of the litigation, the Court has entered multiple case management orders governing discovery and resolving the parties' related disputes. (*See, e.g.,* ECF No. 165, March 23, 2023 Min. Entry & Order (ordering the parties to exchange documents); May 30, 2023 Order (granting TPG Entities' motion to stay discovery pending resolution of their motion to dismiss); ECF Nos. 398, 399 (granting Plaintiffs' motion to compel discovery and ordering Exactech to produce documents); ECF No. 455 & Oct. 12, 2023 Min. Entry & Order (ordering Exactech to produce withheld documents).) As relevant here, on May 31, 2023, the Court entered a case management discovery order scheduling deadlines for: (1) the parties to agree upon a final list of custodians; (2) Exactech to substantially complete production of noncustodial documents; and (3) Exactech to complete production of 12 agreed upon custodial files. (*See* Disco. Order., ECF No. 291.) The Court extended these deadlines twice. (*See* Am. Disco Order., ECF No. 400; ECF No. 454 & Oct. 12, 2023 Min. Entry & Order (amending deadline for the parties to agree to a final list of custodians only.)

C. The Instant Discovery Disputes

On June 5, 2023, Plaintiffs served Exactech with three sets of requests for production of documents ("RFPs") and interrogatories. (ECF No. 392 at 4–5.) On June 30, 2023, Exactech responded to Plaintiffs' RFPs, and on July 21, 2023, responded to Plaintiffs' interrogatories, while raising several objections to specific requests as set forth below. (*See* Pls.' Mot. Exs. 2–3, ECF Nos. 434-2 through 434-3; ECF No. 392 at 5.) The parties met and conferred five times but could not resolve the discovery disputes. (*See* ECF No. 392 at 5–6 (detailing meet and confers); Pls.' Mot., ECF No. 434 at 1 & Def. Opp., ECF No. 446 at 1 (confirming impasse).) As a result, on September 27, 2023, Plaintiffs moved to compel Exactech to produce information and/or documents in three categories: (1) communications between Exactech and foreign regulatory agencies; (2) discovery from other litigations against Exactech alleging similar claims for personal injury involving Exactech's orthopedic products; and (3) due diligence and financial documents and information related to Exactech's merger with the TPG Entities. (*See* Pls.' Mot., ECF No. 434.) On October 4, 2023, Exactech filed their opposition to Plaintiffs' motion to compel. (*See* Def. Opp., ECF No. 446.) On October 12, 2023, the Court heard oral argument on the motion and reserved decision. (*See* Oct. 12, 2023 Tr. 13:8–18:5, ECF No. 457.) The parties discussed the issues at subsequent status conferences. (*See* Mar. 13, 2024 Tr. 5:5–9, 14:17–16:13, ECF No. 569; Aug. 12, 2024 Tr. 4:16–24, 5:10–20.)

While that motion was pending, additional disputes arose regarding the parties' exchange of electronically stored information ("ESI") in Exactech's custodian files. In their December 11, 2023, status report, the parties reported that they "have been negotiating custodians for several months [*i.e.*, since the Court's May 31, 2023 case management order]. Exactech has offered to collect ESI for 25 custodians, 24 of which have been accepted by Plaintiffs. The Parties continue to meet and confer in an attempt to resolve remaining issues." (Dec. 11, 2023 Status Rep., ECF No. 486 at 4.) At the December 20, 2023, status conference, the parties stated that, after meeting and conferring, they were unable to resolve their differences. (*See* Dec. 20, 2023, Tr. 29:10–35:18, 37:11–41:4, ECF No. 501.) On January 10, 2024, Plaintiffs moved to compel production of nine additional custodians' files and of noncustodial core design and regulatory documents. (*See* Pls.' 2d Mot., ECF No. 506.) Exactech filed its opposition on January 22, 2024. (Def. 2d Opp., ECF No. 520.) The Court granted leave for Plaintiffs to reply, which they filed on January 29, 2024. (Pls.' 2d Reply., ECF No. 523-1.) After meeting and conferring, the parties narrowed this dispute to six contested custodians' files. (Def. 2d Opp. ECF No. 520 at 3; Mar. 13, 2024 Tr. 6:8–7:22, ECF No. 569.)

Finally, parallel to the aforementioned disputes, the parties further disagreed about the TAR protocol for production of the custodian files. On August 22, 2023, the Court ordered the parties to confer and agree upon

a proposed TAR 2.0 protocol for production of custodian files. (ECF No. 398.) Instead, the parties submitted competing TAR 2.0 protocols for the Court's review and decision. (*See* TAR Mot., ECF No. 447 at 9–13; TAR Mot. Ex. 3., ECF No. 447-3 (Pls.' TAR Protocol); TAR Mot. Ex. 4., ECF No. 447-4 (Def. TAR Protocol); Def. TAR Opp., ECF No. 458.)

II. LEGAL STANDARD

[1, 2] "Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case." Fed. R. Civ. P. 26(b)(1). "Information is relevant if: (a) it has any tendency to make a fact more or less probable than it would be without the evidence; and (b) the fact is of consequence in determining the action." *N. Shore-Long Island Jewish Health Sys., Inc. v. MultiPlan, Inc.*, 325 F.R.D. 36, 47 (E.D.N.Y. 2018). "To that end, the discovery sought by the parties must be, as stated by Rule 26, proportional to the needs of the case, taking into consideration such aspects as the importance of the issues, the amount in controversy, the parties' resources and access to the information sought, and the importance of the information sought to the asserted claims or defenses." *C.K. through P.K. v. Bassett*, No. 22-CV-1791 (BMC)(JMW), 2023 WL 4086333, at *3 (E.D.N.Y. June 20, 2023) (citing *Sibley v. Choice Hotels Int'l*, No. 14-CV-634 (JS)(AYS), 2015 WL 9413101, at *2–3 (E.D.N.Y. Dec. 22, 2015)); *see also* Fed. R. Civ. P. 26(b)(1). Once there is a showing of relevance, "then the party withholding discovery on the grounds of burden, expense, privilege, or work product bears the burden of proving the discovery is in fact privileged or work product, unduly burdensome and/or expensive." *Winfield v. City of New York*, No. 15-CV-05236 (LTS)(KHP), 2018 WL 716013, at *4 (S.D.N.Y. Feb. 1, 2018).

[3, 4] The Court may, "for good cause," issue a protective order by limiting discovery—including permitting redactions—"to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense." Fed. R. Civ. P. 26(c)(1). "To establish good cause under Rule 26(c), courts require a particular and specific demonstration of fact, as distinguished from stereotyped and conclusory statements." *Ampong v. Costco Wholesale Corp.*, 550 F. Supp. 3d 136, 139 (S.D.N.Y. 2021). The decision to grant or deny a motion to compel " 'lies within the sound discretion of the district court.' " *Alaska Elec. Pension Fund v. Bank of Am. Corp.*, No. 14-CV-7126 (JMF), 2016 WL 6779901, at *4 (S.D.N.Y. Nov. 16, 2016) (quoting *Grady v. Affiliated Central, Inc.*, 130 F.3d 553, 561 (2d Cir. 1997)).

III. DISCUSSION

A. Foreign Regulatory Agency Documents

Plaintiffs seek to compel Exactech to produce documents concerning its communications with regulatory agencies located outside the United States, as set forth below.

RFP No. 4 seeks "all documents concerning communications between" Exactech and the U.S. Food and Drug Administration ("FDA") "or Foreign Government Agencies concerning Your Orthopedic Products." (Pls.' Mot. Ex. 1., ECF No. 434-1 at 17.) In response, Exactech produced only Corrective and Preventative Actions ("CAPAs"), Exactech's Product Safety Alerts, and correspondence with the FDA related to Plaintiffs' devices. (Pls.' Mot. Ex. 1., ECF No. 434-1 at 18.) Exactech objected to any further documents regarding Foreign Government Agencies because, they assert, (1) the documents are irrelevant to Plaintiffs' claims because the devices are manufactured and distributed within the United States; and (2) the request is overbroad and unduly burdensome, and the time and costs associated with producing the documents outweigh any benefit. (*Id.* at 17–18.)

RFP No. 5 seeks "all documents concerning interactions between" Exactech and the FDA "or Foreign Government Agencies concerning Your Orthopedic Products or process utilized with respect to Your Orthopedic Productions, including any inspections, notifications, violations or [CAPAs]." (Pls.' Mot. Ex. 1., ECF No. 434-1 at 21.) Similar to RFP No. 4, in response, Exactech produced CAPAs and correspondence with the FDA. (Pls.'

Mot. Ex. 1., ECF No. 434-1 at 22.) Exactech objected to producing any further documents because they are protected by privilege, are not relevant, and because RFP No. 5 is cumulative of RFP No. 4, overbroad, and unduly burdensome. (*Id.* at 21–22.)

RFP No. 12 requests "all documents concerning any federal, state, or foreign criminal investigation or federal, state, or foreign regulatory investigation of any of Your Orthopedic Products." (Pls.' Mot. Ex. 1., ECF No. 434-1 at 35.) In response Exactech produced FDA forms, correspondence with the FDA related to the recalled devices, and FDA discussions regarding reported complaints. (*Id.* at 36.) Exactech objected to any further production for similar grounds as its objections to RFP Nos. 4 and 5, including that Plaintiffs seek documents related to orthopedic devices not at issue here. (*Id.*)

Plaintiffs argue that Exactech's communications with foreign regulators are relevant because most of Exactech's hip and knee devices were sold outside the United States. (Pls.' Mot., ECF No. 434 at 1.) Further, because notice and causation are central issues in this products liability MDL, "the requested documents are relevant to Exactech's notice and knowledge of safety risks, adverse events, failure rates, safety and efficacy, and the need and timing of any design and marketing changes." (Pls.' Mot., ECF No. 434 at 2).

[5–7] The Court finds that some of the foreign regulatory documents are relevant to the central issues of notice and causation in this products liability action. For example, under strict liability doctrine, a manufacturer has a duty to warn against latent dangers resulting from foreseeable uses of its product of which it knew or should have known. *See, e.g.*, *Bee v. Novartis Pharm. Corp.*, 18 F. Supp. 3d 268, 283 (E.D.N.Y. 2014) (citing *Liriano v. Hobart Corp.*, 92 N.Y.2d 232, 237, 677 N.Y.S.2d 764, 700 N.E.2d 303 (1998)).[5] Similarly, a cause of action in negligence will lie where it can be shown that a manufacturer was responsible for a defect that caused injury, and that the manufacturer could have foreseen the injury. *See, e.g.*, *Kosmynka v. Polaris Indus., Inc.*, 462 F.3d 74, 86 (2d Cir. 2006) (citing *Robinson v. Reed–Prentice Div. of Package Mach. Co.*, 49 N.Y.2d 471, 426 N.Y.S.2d 717, 720–21, 403 N.E.2d 440 (N.Y. 1980)). As a result, Exactech's communications with foreign regulators can be relevant to establish what Exactech knew about the potential risks of their orthopedic products, when Exactech knew about those risks, what follow-up investigations Exactech did to learn more about those potential risks, and whether those risks were timely and appropriately communicated to medical professionals and patients. *In re Davol, Inc./C.R. Bard, Inc., Polypropylene Hernia Mesh Prod. Liab. Litig.*, 2:18-MD-2846, 2019 WL 341909, at *2 (S.D. Ohio Jan. 28, 2019) (citing *Hardy v. Pharmacia Corp.*, No. 4:09-CV-119 CDL, 2011 WL 2118983, at *3 (M.D. Ga. May 27, 2011)); *Hodges v. Pfizer, Inc.*, No. 14-CV-4855 (ADM/TNL), 2015 WL 13804602, at *6 (D. Minn. Dec. 17, 2015) ("Defendants [drug manufacturers] are correct that the foreign regulatory authorities may have different priorities. But, communications with foreign regulators [are] relevant to Defendants' knowledge of the risks of [adverse drug reactions]."), *objections overruled by* 2016 WL 1222229 (D. Minn. Mar. 28, 2016); *accord Alcon Vision, LLC v. Lens.com, Inc.*, No. 18-CV-407 (NG)(RLM), 2021 WL 200981, at *3–4 (E.D.N.Y. Jan. 20, 2021) (finding custodians' communications with foreign officials regarding FDA export certificates to be relevant to whether defendants' lenses sold in the United States comply with FDA requirements).

[8] Exactech argues that "[i]t is undisputed that foreign regulation of medical devices is different than FDA regulations, calling into question the relevance of documents from foreign agencies." (Def. Opp., ECF No. 446 at 1.) The Court is not persuaded by Exactech's attempt to distinguish FDA regulations from regulations governing its products overseas, or the authorities cited in its

5. While this Order relies on New York's standard for products liability and negligence, they are exemplars for the theories underlying Plaintiffs' causes of action. Prior rulings in this MDL have comprehensively assessed that various states' choice of law would apply to the substantive claims in any of the transferred cases. *See In re Exactech*, 2024 WL 991210, at *4–9.

opposition that appear to stand for this proposition. (*See* Def. Opp., ECF No. 446 at 1 (citing *In re Bard IVC Filters Prod. Liab. Litig.*, 317 F.R.D. 562, 566 (D. Ariz. 2016)[6] and *Rosales v. FitFlop USA, LLC*, No. 11-CV-0973 W(KSC), 2012 WL 13176110, at *6 (S.D. Cal. Dec. 10, 2012).) Regardless of the country in which Exactech operates, it is obligated to notify regulatory authorities of potential health and safety risks associated with its orthopedic products. *In re Davol*, 2019 WL 341909, at *2. Therefore, Exactech's relevance objections are overruled.

[9] That said, the Court agrees with Exactech's objections that the RFPs are overly burdensome and not proportional to the needs of this MDL. (Def. Opp., ECF No. 446 at 2.) Courts generally permit discovery of documents and communications from foreign agencies when the requests are narrowed to specific countries, regulatory agencies, or subject areas. *E.g.*, *Hodges,* 2016 WL 1222229, at *3 (narrowing request for worldwide data to regulators in seven (mostly English-speaking) countries and three subject areas); *In re Davol,* 2019 WL 341909, at *4 (narrowing request for communications to six regulatory authorities regarding safety of only specific polypropylene hernia mesh products). Conversely, courts have denied requests for "all" documents and communications as overbroad and impermissible. *See, e.g.*, *In re Tenaris S.A. Sec. Litig.*, No. 18-CV-7059 (RJD)(SJB), 2022 WL 905125, at *1–2 (E.D.N.Y. Mar. 28, 2022) (denying motion to compel "ALL DOCUMENTS and COMMUNICATIONS CONCERNING ANY internal investigation conducted by DEFENDANTS in connection with ANY BRIBERY INVESTIGATION" as "breathtaking in their scope"); *see also Alaska Elec. Pension Fund,* 2016 WL 6779901, at *3 (denying motion to compel "[g]iven the breadth of Plaintiffs' requests — which ask for 'all documents produced for' or 'provided to' any governmental regulator, 'all' documents 'received from' any governmental regulator, and 'all correspondence' with any governmental regulator").

[10] Here, Plaintiffs seek "all" documents and communications between Exactech and "Foreign Regulatory Agencies" but do not specify from which countries, regulatory agencies, or authorities Exactech should produce records. (Pls.' Mot. Ex. 1., ECF No. 434-1 at 17, 21, 35.) The Court infers that the RFPs' introductory paragraphs define "Foreign Regulatory Agencies" and other terms, but Plaintiffs have not submitted their RFPs with their motion or in any subsequent filings and Exactech responses do not include Plaintiffs' definitions of terms. The Court is thus unable to assess whether Plaintiffs have defined "Foreign Government Agencies" narrowly enough to address Exactech (and the Court's) proportionality concerns. Moreover, Exactech correctly notes that the requests are unduly burdensome, "particularly where Plaintiffs are obtaining full discovery of FDA regulatory documents and communications." (Def. Opp., ECF No. 446 at 2.) Therefore, on their face, RFPs seeking "all documents" from undefined "Foreign Regulatory Agencies" are overly broad, and the burden of producing further responses to these RFPs outweighs the likely benefit of the requested documents. Fed. R. Civ. P. 26(b)(1).

For these reasons, Plaintiffs' motion to compel Exactech to produce foreign regulatory agency documents in RFP Nos. 4, 5, and 12 is **denied without prejudice**. The Court is willing to consider revised, narrowly tailored RFPs related to Exactech's communications with foreign regulators if Plaintiffs provide supplemental information. To that end, Plaintiffs shall submit the full RFPs dated June 5, 2023 (not Exactech's responses), including the applicable definitions, by October 4, 2024. The parties shall be prepared to discuss the scope of revised and narrowly tailored RFPs related to this issue at the October 7, 2024 status conference.

6. Of note, *In re Bard* rejected those plaintiffs' attempts to compel an ESI search of the defendant's foreign entities for communications with foreign regulators in part because those plaintiffs wanted to check for inconsistencies in the defendant's statements to U.S. and foreign regulators. *In re Bard,* 317 F.R.D. at 566. In contrast, Plaintiffs here seeks to establish the scope and timing of Exactech's knowledge of their orthopedic products' alleged defects.

B. Other Litigation Documents

Plaintiffs also seek to compel Exactech to produce discovery from other litigation alleging similar claims for personal injury involving the orthopedic products at issue. (Pls.' Mot., ECF No. 434 at 2.) Specifically, RFP No. 2 seeks discovery from other litigations "where claims for personal injury or fraud have been alleged concerning Your Orthopedic Products (*e.g.*, *U.S. ex rel. Wallace v. Exactech, Inc.*, N.D. Ala. Case No. 2:18-cv-01010-LSC; *Collum-Bradford v. Exactech, Inc.*, Superior Court of San Joaquin County, California, Case No. STK-CV-UPI-2019-17097)."[7] (Pls.' Mot. Ex. 1., ECF No. 434-1 at 13–14.) In its response, Exactech did not produce any documents and objected to the request on the basis that discovery from other lawsuits is irrelevant because it is predicated upon different facts, claims, injuries and circumstances. (*Id.* at 14.) Exactech specifically objects to producing the discovery from *Wallace* as irrelevant because it is a litigation that relates the Anti-Kickback Statute ("AKS") and False Claims Act ("FCA"). (*Id.* at 15.) Exactech further objected to the request as not reasonably tailored because the request for "discovery in other litigation" is overbroad and burdensome. (*Id.*)

As an initial matter, while RFP No. 2 only specifies discovery related to *Wallace* and *Collum-Bradford*, Plaintiffs' motion to compel discusses eight other actions filed against Exactech between 2017 and 2020 that are not specifically part of the request in RFP No. 2. (Pls.' Mot., ECF No. 434 at 2–3.) As a result, since Plaintiffs do not explicitly cite these other cases in RFP No. 2, the Court will narrow the request solely to *Wallace* and *Collum-Bradford.* Any request to compel discovery related to other litigations is denied at this time.

Plaintiffs argue that documents from other lawsuits alleging premature failure of Exactech's orthopedic products are relevant to Exactech's notice and knowledge of their products' defects—specifically, a known design defect that Exactech failed to report to the FDA. (Pls.' Mot., ECF No. 434 at 2–3.) Exactech argues that the requests exceed the scope of discovery as "cloned requests" and would lead to an unnecessary burden. (Def. Opp., ECF No. 446 at 2–3.)

[11] "[N]umerous courts have found that requests for 'all' documents produced in another litigation, so-called 'clone [or] 'copycat' discovery, are inherently overbroad requests requiring the Court to considerably scale back the information that a producing party must produce from another litigation or deny it entirely on the ground that a party must do its own work." *United States v. Anthem, Inc.,* No. 20-CV-2593 (ALC)(KHP), 2024 WL 1116276, at *4 (S.D.N.Y. Mar. 13, 2024) (collecting cases). Courts only grant motions to compel discovery from another case when the requests are narrowly tailored to request discovery from another case that is essentially identical and deny requests to compel discovery from another case "merely because there are some similarities between cases." *Scricca v. Boppy Co., LLC*, No. 3:22-CV-01497 (RNC), 2024 WL 1211061, at *6 (D. Conn. Mar. 21, 2024) (discussing *Sticht v. Wells Fargo Bank, N.A.*, No. 3:20-CV-1550 (VAB), 2023 WL 2206641 (D. Conn. Feb. 24, 2023)).

[12, 13] The Court concludes that the discovery from *Collum-Bradford* may be relevant to the issues in this litigation but that discovery from *Wallace* is not. *Collum-Bradford* is a products liability action against Exactech claiming injuries to that plaintiff's knee arising from a knee operation which required a revision surgery, as alleged, due to Exactech's deficient joint replacement part. (ECF No. 459-1 at 3.) Its basic facts thus appear to mirror Plaintiffs' claims in the MDL. In contrast, the connection between this MDL and *Wallace* is far more tenuous. The Court agrees with Exactech that *Wallace* "is not even a products liability or personal injury case." (Pls.' Mot., Ex. 1., ECF No. 434-1 at 15.) *Wallace* is a *qui tam* action alleging violations of the FCA and corresponding state FCAs for: (1) knowingly caus-

7. Requested documents include: "(a) transcripts of depositions, with accompanying deposition exhibits, taken of Your employees, former employees, and third parties; (b) Documents and things that have been produced; (c) Your responses to Interrogatories, Requests for Production, and Requests for Admissions; and (d) Expert reports." (Pls.' Mot. Ex. 1., ECF No. 434-1 at 14.)

ing false claims to be submitted to federal and state healthcare programs for defective knee replacement devices and (2) paying physicians who suspected the defects in order to induce them to continue to buy Exactech products. (Pls.' Mot. Ex. 2., ECF No. 434-2 at 2–3.) The Court finds that *Wallace* is not relevant because FCA or AKS claims are not similar enough or identical to the products liability case at issue here to justify producing that case's discovery. As a result, the Court denies Plaintiffs' motion to compel discovery from *Wallace*.

[14] The Court also finds that even if the *Collum-Bradford* discovery is relevant, RFP No. 2 is overbroad and not proportional to the needs of this MDL. Plaintiffs seek "documents and things that have been produced" including transcripts of depositions, discovery responses, and expert reports, without limitation. (Pls.' Mot. Ex. 1., ECF No. 434-1 at 14.) Plaintiffs' request does not specify exact discovery responses, depositions, or expert reports that it seeks from *Collum-Bradford*. In addition, the parties recently reported that the *Wallace* documents were produced in *Collum-Bradford* on July 10, 2024, after the instant motion was filed. (Oct. 2, 2024 Status Rep., ECF No. 731 at 9.)[8] To the extent that Plaintiffs are seeking the *Wallace* documents through *Collum-Bradford*, the request is denied because as discussed, *Wallace* is not relevant to this litigation. Further, because the request is written broadly, it is unclear to the Court what specific discovery Plaintiffs are seeking from the production in *Collum-Bradford* that would be relevant, where that case concerned Exactech's metal finned tibial tray, not the polyethylene components as issue in the MDL.

For these reasons, Plaintiffs' motion to compel discovery produced in *Collum-Bradford* is **denied without prejudice**. The Court is willing to consider a revised and narrowly tailored request that is specific to the orthopedics products at issue in this MDL. The parties shall be prepared to discuss the scope of a revised and narrowly tailored RFP at the October 7, 2024 conference.

C. Merger-Related Discovery

Plaintiffs request discovery related to the merger between Exactech and the TPG Entities. (Pls.' Mot., ECF No. 434 at 3.)

1. Due Diligence Documents

RFP No. 29 seeks "[a]ll due diligence-related documents related to the merger agreement between Exactech and Defendants and TPG [Entities][.]" (Pls.' Mot. Ex. 1., ECF No. 434-1 at 71.) In response, Exactech did not produce any documents and objected that any documents would be protected by privilege and that documents related to a business transaction are not relevant. (*Id.* at 72.) Exactech further objected that the request is not restricted to the parties' claims and defenses and unduly burdensome considering the time and costs required to produce documents related to the request. (*Id.*)

Plaintiffs argue that "due diligence documents contain discoverable information related to Exactech's contingent liabilities and known manufacturing and design concerns and defects." (Pls.' Mot., ECF No. 434 at 3.) More specifically, Plaintiffs argue that the discovery will reveal "information shared with TPG regarding premature polyethylene degradation that is relevant to defect, notice, concealment, and Exactech's recall issued four years after the acquisitions." (*Id.*; *see also* Oct. 12, 2023 Tr. 13:12–24; 17:25–18:5, ECF No. 457 (Plaintiffs' argument that the requested documents will show whether Exactech had knowledge about the defects as part of the merger with the TPG Entities in advance of the recalls).) Exactech argues that Plaintiffs' requests are overly broad, burdensome, and irrelevant to the products and claims at issue. (Def. Opp., ECF No. 446 at 3; *see also* Oct. 12, 2023 Tr. 14:4–16:6, ECF No. 457 (defense argument that the

8. The *Collum-Bradford* production was pursuant to that plaintiff's motion to compel, which a special discovery master granted in part and denied in part, and that court overruled Exactech's objections. (ECF No. 347 (describing discovery disputes in *Collum-Bradford*); Oct. 12, 2023, Tr. 46:21–49:2, ECF No. 457 (same); ECF No. 459-1 at 1–31 (special master's decision on motion to compel).)

demands for "all due diligence documents" amount to a fishing expedition).)

[15, 16] The Court agrees that merger-related documents are relevant to whether Exactech had knowledge about the defective products and if so, the scope of the defects and what decisions were made regarding the products, especially before the recalls in June and August 2021. *EEOC v. M & T Bank Corp.*, No. 17-CV-5077 (KMK)(LMS), 2018 WL 11631436, at *5 (S.D.N.Y. May 4, 2018) (finding merger documents relevant to the issue of successor liability). While the due diligence documents requested in RFP No. 29 may be relevant, the Court agrees with Exactech that RFP No. 29 as written is overbroad and disproportional to the needs of the case. Plaintiffs argue that the goal of the demand is to "identify those communications between Exactech and TPG with regard to due diligence that identifies issues associated with polyethylene in the hips and knees[.]" (Oct. 12, 2023 Tr. 16:13–18, ECF No. 457.) But as written, "Plaintiff[s] [are] hoping that in the millions of pages of due diligence documents [they] will find some reference to the [issues associated with polyethylene in the hips and knees] from which it could impute [Exactech's] knowledge of and perhaps" notice of the defects at issue. *Value Drug Co. v. Takeda Pharms. U.S.A., Inc.*, No. 2:21-CV-03500 (MAK), 2022 WL 1110356, at *2 (E.D. Pa. Apr. 11, 2022), *adopted by* 2022 WL 1104753 (E.D. Pa. Apr. 13, 2022). Simply put, the requests for all documents related to the merger are burdensome, would impose significant delays, and are not proportional to the needs of this case. *Syntel Sterling Best Shores Mauritius Ltd. v. TriZetto Grp., Inc.*, 328 F.R.D. 450, 451–52 (S.D.N.Y. 2018). As a result, Plaintiffs' motion to compel Exactech to respond to RFP No. 29 is **denied without prejudice**. The Court is willing to consider a revised and narrowly tailored request and the parties shall be prepared discuss this option at the October 7, 2024 conference.

2. Financial Information

[17] RFP No. 32 seeks "[a]ll work papers . . . including documents supporting all valuation analyses . . . and projected financial information provided" during the merger between Exactech and the TPG Entities. (Pls.' Mot., Ex. 1., ECF No. 434-1 at 74.) In response, Exactech did not produce any documents and objected on the basis that the documents are protected by privilege and documents regarding a business transaction are irrelevant to a products liability action. (*Id.* at 74–75.) Exactech further objected that the burden of identifying the documents would outweigh any benefit to the litigation. (*Id.*)

Plaintiffs make identical relevance arguments for RFP No. 32 and argue that the request will reveal "discoverable information related to Exactech's contingent liabilities and known manufacturing and design concerns and defects." (Pls.' Mot., ECF No. 434 at 3.) In its opposition, Exactech argues that RFP No. 32 is irrelevant because the action is not about the valuation of Exactech in 2017 and that the demand is overbroad, unduly burdensome and not proportional to the issues of the litigation. (Def. Opp., ECF No. 446 at 3; Oct. 12, 2023 Tr. 14:12–15:12, ECF No. 457.)

The Court is not persuaded by Plaintiffs' conclusory relevance argument. Plaintiffs do not specify why *financial* documents related to the Exactech and TPG merger would reveal discoverable information about Exactech's concealment of known manufacturing and design defects. Fed. R. Civ. P. 26(b)(1). As a result, Plaintiffs have failed to show the relevance of RFP No. 32, and thus, the motion with respect to RFP No. 32 is denied.

3. Pre-Merger Disclosures

[18] Interrogatory No. 16 asks whether, during the pre-merger due diligence period, Exactech disclosed to the TPG Entities "any issues associated with polyethylene wear of the Orthopedic Products," including packaging, contingent liabilities, any plans to change the manufacturing process," and demands that Exactech identify "all" documents or records captured by these disclosures. (Pls.' Mot. Ex. 3., ECF No. 434-3 at 23.) Exactech did not produce a substantive response and instead objected on the grounds that pre-merger due diligence is irrelevant to the

issues of a products liability case and that the discovery is unduly burdensome. (*Id.*)

As with RFP Nos. 29 and 32, Plaintiffs appear to argue that Exactech's disclosures to the TPG Entities regarding premature polyethylene degradation is relevant to "defect, notice, concealment, and Exactech's recall issued four years after the acquisition." (Pls.' Mot., ECF No. 434 at 3.) Exactech has conceded that "clearly, issues of polyethylene wear are involved in this case," but argues that Interrogatory 16 is still overboard. (Oct. 12, 2023 Tr. 15:13–16:6, ECF No. 457.)

Unlike RFPs 29 and 32, the Court finds that Interrogatory 16 is narrowly tailored and seeks information relevant to whether Exactech knew about defects in its orthopedic products at issue in this litigation and whether Exactech disclosed this information to the TPG entities. (Pls.' Mot. Ex. 3., ECF No. 434-3 at 23.) Exactech's objections are conclusory and unsubstantiated because Exactech has not specified why answering "yes" or "no" to this narrowly tailored question would cause any burden. With respect to the request to identify "all" records related to these disclosures, the Court finds this demand to be facially overbroad as discussed in connection with Plaintiffs' RFPs and declines to direct Exactech to respond. (*See* Sections III.C.1., *supra.*)

Accordingly, Plaintiffs' motion to compel Exactech to respond to Interrogatory 16 is **granted in part** in that Exactech is required to respond in writing to the portion of the Interrogatory asking whether it disclosed issues with polyethylene wear to the TPG Entities during the pre-merger due diligence period. The portion of the Interrogatory seeking identification of all documents is **denied without prejudice** consistent with the Court's ruling on the related RFPs.

D. Custodian Files

Plaintiffs also move to compel production of non-custodial core design and regulatory documents and certain files for nine custodians. (*See* Pls.' 2d Mot., ECF No. 506.) As noted, the parties have narrowed this dispute after good faith meet-and-confer efforts (which the Court continues to encourage). At the March 13, 2024 status conference, Plaintiffs reported that Exactech agreed to produce the non-custodial files and that the discovery related to those requests was ongoing. (Mar. 13, 2024 Tr. 5:10–6:7, ECF No. 569.) With respect to the custodial files, Exactech agreed to withdraw objections to three of the nine custodians. (Def. 2d Opp., ECF No. 520 at 3; Mar. 13, 2024 Tr. 6:8–7:22, ECF No. 569.) The parties further confirmed that Exactech agreed to produce the disputed non-custodial core design and regulatory documents and that the parties were cooperating to coordinate the production. (June 11, 2024 Status Rep., ECF No. 632 at 11–12; 14–15; Oct. 2, 2024 Status Rep., ECF No. 731 at 8.) Accordingly, Plaintiffs' motion to compel production of non-custodial core design and regulatory documents and the three custodian files which Exactech agreed to produce is **denied as moot**.

The remaining six contested custodians are Jim Staffiera, Lance Terrill, Charlie Rye, Graham Cuthbert, Joseph Pizzuro, and Raymond Cloutier. (Def. 2d Opp., ECF No. 520 at 3; Mar. 13, 2024 Tr. 6:8–7:22, ECF No. 569; June 11, 2024 Status Rep., ECF No. 632 at 10; Oct. 2, 2024 Status Rep., ECF No. 731 at 8.) Plaintiffs generally argue that without the disputed custodial files, "Plaintiffs will lack discovery concerning Exactech's corporate knowledge and strategy, marketing, corporate control, knowledge of issues and device related complaints with physicians, regulatory affairs prior to 2012, and quality assurance prior to 2007[.]" (Pls.' 2d Mot., ECF No. 506 at 5.) Exactech argues that the requested files are either cumulative or burdensome because the files are inaccessible. (Def. 2d Opp., ECF No. 520 at 3.)

[19–21] "Discovery disputes concerning the collection, review and production of ESI present special challenges that standard discovery disputes do not, including the substantial likelihood that the data possessed by the responding party is voluminous, stored in multiple formats and is duplicative across custodians." *Blackrock Allocation Target Shares: Series S Portfolio v. Bank of New York Mellon*, No. 14-CIV-9372 (GBD)(HBP), 2018 WL 2215510, at *7 (S.D.N.Y. May 15,

2018) (internal citations and quotations omitted). "Thus, a party requesting discovery may not be entitled, under the rules of proportionality, to every single relevant document." *Id.* (cleaned up). "[P]arties seeking searches of additional custodians beyond those initially disclosed 'must demonstrate that the additional requested custodians would provide *unique* relevant information by providing evidence that there are unique responsive documents being missed in the current search scheme that would justify the inclusion of additional custodians." *Griffin v. Johnson & Johnson*, No. 2:21-CV-134, 2024 WL 3023600, at *2 (D. Vt. June 17, 2024) (quoting *Conventry Cap. US LLC v. EEA Life Settlements Inc.*, 17-CV-7417 (VM)(SLC), 2020 WL 7383940, at *6 (S.D.N.Y. Dec. 16, 2020)). Thus, "courts will grant motions to compel disclosure of additional custodians when the moving party can show 'that they will have additional, highly relevant materials' that were not previous shared." *Id.* (quoting *Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 269 F.R.D. 609, 620 (S.D.W. Va. 2010)).

[22, 23] "The Court is obligated to consider, among other things, whether the discovery sought is of sufficient importance to justify the burden and cost that discovery will impose on the responding party." *Blackrock*, 2018 WL 2215510, at *12. " '[T]he producing party is relieved of the initial obligation to produce information from these sources only if they are properly identified as 'inaccessible.' . . . [T]he identification must provide details on the burdens and costs that would result from providing the discovery, and on the likelihood of finding responsive information the identified sources." *Thomas v. City of New York*, 336 F.R.D. 1, 3 (E.D.N.Y. 2020) (quoting 8 Arthur R. Wright & Charles Alan Miller *et al., Federal Practice & Procedure* § 2008.2 (3d ed. 2020)).

1. Jim Staffiera

[24] Mr. Staffiera was the Senior Director of Quality Assurance at Exactech from October 2004 to December 2017 and was the primary person responsible for Exactech's Risk Management System and in charge of implementing Exactech's CAPAs resulting from a 2017 FDA inspection of Exactech's facilities. (Pls.' 2d Mot., ECF No. 506 at 10.) Plaintiffs argue that that Mr. Staffiera's "custodial file will be critically relevant to numerous aspects of Plaintiffs' claims and Exactech's possible defenses." (*Id.*) Exactech argues that the file for Mr. Staffiera is inaccessible and that in order to obtain this file, Exactech would have to search through hundreds of backup tapes spanning two different platforms and then hire a third-party vendor to collect, restore, and produce those files. (Def. 2d Opp., ECF No. 520 at 8, 10.) Exactech also argues that Plaintiffs should be obligated to share in the cost of data restoration, collection, review, and production if the Court compels production of inaccessible custodial files and requests a briefing on the issue of cost-sharing. (Def. 2d Opp., ECF No. 520 at 11 n. 12.)

The Court finds that Plaintiffs have not met their burden to establish why Mr. Staffiera's file is particularly relevant or unique. In fact, Plaintiffs state in a conclusory manner that Mr. Staffiera's file is "relevant to Plaintiffs' claims and Exactech's possible defenses" without elaborating on what information or documents Mr. Staffiera's file may include. (Pls.' 2d Mot., ECF No. 506 at 10.) Because the Court does not find that Mr. Staffiera's file is unique enough to justify the potential costs on Exactech to search for and produce this custodian's records, Plaintiffs' motion to compel Mr. Staffiera's file is denied.

2. Lance Terrill

[25] Mr. Terrill was a Product Development Engineer who focused on the hip products from 2003 – 2011, was involved in the research of Exactech's polyethylene and worked with outside consultants to extend the shelf life and aging protocols. (Pls.' 2d Mot., ECF No. 506 at 10.) Mr. Terrill worked on Exactech's project to extend the shelf life of the polyethylene inserts including spearheading the creation of accelerated aging protocols for the polyethylene. (*Id.*) Plaintiffs argue that Mr. Terrill's file is relevant because he was the designated point person to work on accelerated aging protocols and worked on testing the oxidation of the polyethylene. (*Id.* at 11.) Plaintiffs argue that Mr. Terrill's file is unique because of his commu-

nications with outside consultants. (*Id.*) Exactech raises the same arguments about inaccessibility, burden, and proportionality for Mr. Terrill's file. (Def. 2d Opp., ECF No. 520 at 8–11.)

The Court agrees with Plaintiffs that Mr. Terrill's custodial file is relevant because it relates to the polyethylene implants' shelf life and aging protocols that are directly at issue in this litigation. The Court is, however, concerned about the burdens and expenses raised by Exactech related to producing Mr. Terrill's custodial file. (Def. 2d Opp., ECF No. 520 at 8–11.) The Court agrees that cost-sharing is reasonable in light of the identified obstacles to accessing the information. Therefore, while Plaintiffs' motion as to Mr. Terrill's custodian file is granted, Plaintiffs shall share in the cost to produce the file.

3. Charlie Rye

[26] Mr. Rye was the Director of Marketing for Exactech's knee products from 2001 to 2011 and, from 2011 to 2014, he was a Clinical Consultant for Exactech who worked with surgeons and attended revision surgeries. (Pls.' 2d Mot., ECF No. 506 at 11.) Plaintiffs argue that there are no agreed upon custodians covering marketing and sales from 2011–2014. (*Id.*) Exactech raises the same arguments about inaccessibility, burden, and proportionality of Mr. Rye's file. (Def. 2d Opp., ECF No. 520 at 8–11.) Plaintiffs rebut Exactech's objection related to burden and argue that Mr. Rye's file was already produced in a *qui tam* action and thus, the file is not burdensome. (Pls.' 2d Mot., ECF No. 506 at 12.)

The Court finds that Mr. Rye's custodial file is not particularly unique to justify the costs and burden to Exactech. Exactech has agreed to produce the file of Darrin Johnson, Exactech's President and CEO who Plaintiffs state has a "unique knowledgebase of Exactech's marketing and sales and its interplay at both the customer level and the corporate level" since 2002. (Pls.' 2d Mot., ECF No. 506 at 7; Def. 2d Opp., ECF No. 520 at 3.) In addition, as discussed below, the Court's rulings regarding the remaining custodial files will render Mr. Rye's file cumulative (*see* Section III.D.5., *infra*). Accordingly, Plaintiffs' motion to compel Mr. Rye's file is denied.

4. Graham Cuthbert

[27] Mr. Cuthbert served in several positions related to regulatory affairs at Exactech including Regulatory Affairs Specialist (2004–2012); Manager, Regulatory Affairs (2012–2017); Senior Manager, Regulatory Affairs-Post Market (2017–2019); Director of Regulatory Affairs and Operations (2020–2022); and Director of Regulatory Affairs, Labeling from 2022–May 2023. (Pls.' 2d Mot., ECF No. 506 at 13.) In these roles, Mr. Cuthbert's responsibilities included regulatory submissions, complaint coordination, and devising Quality Management system policies. (*Id.*) Plaintiffs argue that there are no agreed-upon regulatory affairs custodians before 2012 and that Mr. Cuthbert's file is essential to understanding Exactech's regulatory affairs department. (Pls.' 2d Mot., ECF No. 506 at 13–14.) Exactech argues that Mr. Cuthbert's custodial file is cumulative because the parties have already agreed to produce the files of Dawn Davisson, Senior Director of Regulatory Affairs, and Kate Jacobson, who worked in quality systems and compliance. (Def. 2d Opp., ECF No. 520 at 7.)

The Court concludes that records in Mr. Cuthbert's file are particularly unique because of his continuous employment over nearly two decades in Exactech's regulatory affairs department. Mr. Cuthbert's records will reflect deep institutional knowledge about Exactech's compliance procedures in development, manufacturing, and marketing its orthopedics products that are relevant towards this products liability action. In addition, Mr. Cuthbert's file will introduce information for the time periods before *and* after the 2021 recalls of the devices at issue. The parties do not present any evidence of any other custodian with this experience, and thus the file is not cumulative. As a result, Plaintiffs' motion to compel Mr. Cuthbert's file is granted.

5. Joseph Pizzuro

[28] Mr. Pizzuro served as Exactech's Director of Marketing (Knees) from 2012 to 2016 and Vice President of Marketing from

2016 to 2020. (Pls.' 2d Mot., ECF No. 506 at 14.) Mr. Pizzuro worked with physicians to discuss design and development strategies and had direct communications with physicians regarding Exactech's failing devices. (*Id.*) Mr. Pizzuro's role was to develop relationships with physicians and their sale representatives and was the first in line of contact at the company. (*Id.*) Plaintiffs argue that Mr. Pizzuro's file is relevant because his conversations with physicians regarding Exactech's failing devices were the same defects alleged by Plaintiffs in this litigation. (*Id.*) Exactech argues that the parties have already agreed to produce the records for Steve Szabo, who worked at Exactech in marketing for 20 years and thus, Mr. Pizzuro's custodial file is cumulative. (Def. 2d Opp., ECF No. 520 at 7.)

The Court concludes that Mr. Pizzuro's custodial file is uniquely relevant because the conversations with physicians about Exactech's devices at issue are relevant to show Exactech's knowledge about the defects in its orthopedic products and its responses (or lack thereof) when doctors raised these issues. Specifically, Mr. Pizzuro's file will reveal the information Exactech was communicating about design and development strategies about the failing devices at issue in this litigation. Exactech's objection focuses on Mr. Pizzuro's role in marketing instead of Mr. Pizzuro's conversations and knowledge about Exactech's devices with other physicians which the Court finds relevant, and thus, not cumulative. Exactech's objection is overruled. As a result, Plaintiffs' motion to compel Mr. Pizzuro's file is granted.

6. Raymond Cloutier

[29] Mr. Cloutier served as Exactech's Director of Engineering & Development from 1992–2002; Vice President of Engineering from 2002–2008; Vice President of Engineering & Development (Spine) from 2008–2017; and Vice President, Engineering & Development, Advanced Technologies from 2017–2018. (Pls.' 2d Mot., ECF No. 506 at 14.) Mr. Cloutier was on the knee replacement design team and is referenced in the design history files for Exactech's knee system and polyethylene hip liners which Plaintiffs argue are relevant for this litigation. (*Id.*) Exactech argues that Mr. Cloutier's file is not relevant because he spent most of his career engineering spinal devices which are not at issue in this litigation. (Def. 2d Opp., ECF No. 520 at 6–7.) Exactech further argues that Mr. Cloutier's tangential relationship to the products at issue here are disproportional to the needs of the case because Exactech has already produced other engineering and design professionals responsible for the products at issue in this litigation. (*Id.* at 7.)

The Court finds that Plaintiffs have not met their burden of identifying why Mr. Cloutier's custodial file is particularly unique nor do they argue what specific information or documents are missing in the current production that Mr. Cloutier's file would reveal. The Court is also persuaded by Exactech's arguments that Mr. Cloutier's focus on spinal devices coupled with Exactech's arguments that it has already produced engineering and design professionals responsible for the products at issue in this litigation, renders Mr. Cloutier's file irrelevant. As a result, Plaintiffs' motion to compel Mr. Cloutier's custodial file is denied.

Accordingly, Plaintiffs' motion to compel additional custodians is **granted in part and denied in part**. Exactech will produce the custodial files for Mr. Terrill, Mr. Cuthbert, and Mr. Pizzuro, but only after conferring with Plaintiffs regarding costs, which will be borne by Plaintiffs and Exactech. The parties should be prepared to discuss this issue at the October 7, 2024 status conference.

E. TAR 2.0 Protocol

[30] Finally, the parties disagree regarding the applicable TAR 2.0 protocol to govern additional ESI searches in this case. (TAR Mot., ECF No. 447 at 9–13.) Of note, the parties' competing TAR Protocols are nearly identical. (*Compare* TAR Mot. Ex. 3., ECF No. 447-3 (Pls.' TAR Protocol) *with* TAR Mot. Ex. 4., ECF No. 447-4 (Def. TAR Protocol).) The only dispute is related to Plaintiffs' proposal to permit them to review non-privileged documents coded as "non-responsive" to ensure the responsiveness of those docu-

ments. Specifically, Plaintiffs propose the following language in Section 4(b)(ii):

> Following this review of the ESTIMATION SAMPLE, the Exactech Defendants agree to make available to Plainitffs the non-privileged documents coded as non-responsive in the ESTIMATION SAMPLE to be viewable in the DISCO platform. For any documents withheld as privileged, the Exactech Defendants will provide to Plaintiffs a log of the documents withheld for privilege that will allow for the identification of the subject matter, date, persons associated with the document, and basis for privilege within 30 days of making the ESTIMATION SAMPLE documents available for review. Should a disagreement arise regarding the responsiveness of certain documents within the sample, the Parties will meet and confer to resolve the disagreement.

(TAR Mot. Ex. 3., ECF No. 447-3 at 6 (Pls.' TAR Protocol).) Plaintiffs argue that their proposal efficiently explores the issue of Exactech's responsiveness at the beginning of the production process instead of at the end. (TAR Mot., ECF No. 447 at 11–12.)[9] Exactech argues that Plaintiffs do not have a right to be involved in a producing party's responsiveness. (Def. TAR Opp., ECF No. 458 at 1.)

[31–33] "Where, as here, a party seeks 'discovery on discovery,' that party 'must provide an adequate factual basis' to justify the discovery, and the Court must closely scrutinize the request 'in light of the danger of extending the already costly and time-consuming discovery process[.]' " *Kaye v. New York City Health & Hosps. Corp.*, No. 18-CV-12137 (JPO)(JLC), 2020 WL 283702, at *1 (S.D.N.Y. Jan. 21, 2020) (quoting *Winfield v. City of New York*, No 15-CV-5236 (LTS)(KHP), 2018 WL 840085, at * 3 (S.D.N.Y. Feb. 12, 2018) (cleaned up). " 'Responding parties are best situated to evaluate the procedures, methodologies, and technologies appropriate for preserving and producing their own electronically stored information.' " *Hyles v. New York City*, No. 10-CIV-3119 (AT)(AJP), 2016 WL 4077114, at *3 (S.D.N.Y. Aug. 1, 2016) (quoting *The Sedona Principles: Second Edition*, Best Practices Recommendations & Principles for Addressing Electronic Document Production, Principle 6).[10] Courts generally decline to intervene in a responding party's decisions about how to use TAR, unless the requesting party shows a specific deficiency in production or unreasonableness in process. *See, e.g.*, *Freedman v. Weatherford Int'l Ltd.*, No. 12-CV-2121 (LAK)(JCF), 2014 WL 3767034, at *2–3 (S.D.N.Y. July 25, 2014) (denying access to search reports), *adhered to on recons.*, 2014 WL 4547039 (S.D.N.Y. Sept. 12, 2014) ("*Freedman II*"); *see also* The Sedona Conference, *TAR Case Law Primer, Second Edition*, 24 Sedona Conf. J. 1, 27–30 (collecting cases).

Here, the parties have largely agreed to a TAR protocol including detailed information regarding the collection criteria used and the culling and review process. (*See* TAR Mot. Ex. 3., ECF No. 447-3 at 5–9 (Pls.' TAR Protocol); TAR Mot., Ex. 4., ECF No. 447-4 at 5–9 (Def. TAR Protocol).) "This is sufficient information to make the production transparent." *Kaye*, 2020 WL 283702, at *2. Plaintiffs' assertion that they shall be permitted to review non-privileged documents coded as non-responsive is wholly unsupported by the law. *Id.* ("When documents are produced in discovery, whether they be produced electronically or otherwise, the Court does not believe that, in the first instance, the receiving party has a right to examine and evaluate the way the production was made or require collaboration in the review protocol and validation process."); *see also Hyles*, 2016 WL 4077114, at *3.[11]

9. On May 30, 2024, the Court denied Plaintiffs' motion to file a reply in support of their TAR 2.0 Protocol and directed the parties to present any further arguments at the next status conference or status report. (*See* May 30, 2024 Order.) The parties did so in their next status report. (*See* June 11. 2024 Status Rep., ECF No. 632 at 9–10, 12–14.)

10. The Sedona Conference publications are available at http://www.the sedona conference.org)/publications (last visited Oct. 3, 2024).

11. For that reason, the cases that Plaintiffs cite are inapposite because they hold that a party cannot be forced to use a TAR protocol that they did not participate in negotiating. (*See* TAR Mot., ECF No. 447 at 12 n.4 (citing *In re Valsartan,*

Finally, more recently, Plaintiffs argue that their oversight of Exactech's TAR implementation is necessary because in the related cases pending in Florida state court, the Court granted Plaintiffs' motion to compel and ordered Exactech to produce documents that were mis-coded as privileged. (June 11, 2024 Status Rep., ECF No. 632 at 9–10.) Plaintiffs have not yet demonstrated deficiencies in Exactech's TAR protocol as applied in this MDL litigation. Moreover, Exactech is well aware of the consequences if its protocol does not reasonably and proportionally capture responsive documents. *See* Fed. R. Civ. P. 26(b)(1)(G). If Plaintiffs later demonstrate specific deficiencies in Exactech's production as a result of its improper application of the TAR protocol, they may raise the issue with the Court. *Hyles*, 2016 WL 4077114, at *3; *Freedman II*, 2014 WL 4547039, at *3.

Accordingly, the Court adopts Exactech's proposed TAR 2.0 Protocol.

IV. CONCLUSION

For the foregoing reasons, the Court rules as follows: (1) Plaintiffs' motion to compel at ECF No. 434 is **granted in part and denied in part**; (2) Plaintiff's motion to compel at ECF No. 506 is **granted in part and denied in part**; and (3) Exactech's TAR 2.0 Protocol at ECF No. 447-3 shall be adopted in full The parties shall confer and shall be prepared to discuss the rulings set forth in this Order at the October 7, 2024 status conference.

Losartan, & Irbesartan Prod. Liab. Litig., 337 F.R.D. 610, 622 (D.N.J. 2020)). That is not the case here, where Plaintiffs do not object to the use of a TAR protocol. (Aug. 22, 2023 Tr. 20:15–23, ECF No. 426.)

UNITED STATES of America, Plaintiff,

v.

Karen VEERASWAMY, as the Administrator of the Estate of Mr. Velappan Veeraswamy, Deceased, Defendant.

23-CV-9379

United States District Court,
E.D. New York.

Signed November 13, 2024

Background: In action brought by United States against administrator of taxpayer's estate, seeking to collect civil Report of Foreign Bank and Financial Accounts (FBAR) penalties and statutory additions and accruals, United States moved to compel administrator to amend and supplement her responses to first sets of interrogatories, requests for production of documents, and requests of admissions and to stay discovery or, alternatively, extend discovery deadlines.

Holdings: The District Court, Joseph A. Marutollo, United States Magistrate Judge, held that:

(1) administrator's "General Objections and Reservation of Rights" was improper;

(2) information United States sought from administrator was relevant and proportional to needs of case;

(3) boilerplate objections on which administrator relied in response to interrogatories could not serve as basis for administrator to resist discovery;

(4) District Court would limit scope of request for production that sought documents related to educational trust created by taxpayer;

(5) administrator failed to demonstrate she made reasonable inquiry into each of United States' requests for admissions before denying them;

United States Patent and Trademark Office

Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

17 October 2025

An Open Letter From America's Innovation Agency

Bringing the USPTO Back to the Future: Return of Institution Authority under 35 U.S.C. §§ 314 and 324 to the Director

Dear Colleagues, Inventors, and Americans,

Under the America Invents Act (AIA), Congress entrusted the United States Patent and Trademark Office with several mandates to ensure the timely and fair adjudication of patent validity challenges through post-grant review (PGR) or inter partes review (IPR) mechanisms and priority contests via derivation proceedings. As to IPRs specifically, under **35 U.S.C. § 314(a)**, Congress made plain that:

> *The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition … shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.*

This statutory language expressly vests the *authority to institute IPRs and PGRs* in the USPTO Director. While 35 U.S.C. § 3(b)(3)(B) *permits* delegation of that authority, such delegation is non-exclusive. Statutorily, the Director retains full and concurrent authority over whether an IPR or PGR shall proceed.

Since the AIA's enactment, initial operational choices led to the delegation of institution decisions to the Patent Trial and Appeal Board, where panels then adjudicated the merits once instituted. Although this delegation was initially practical, experience has raised *structural, perceptual, and procedural concerns* inconsistent with the AIA's design, clear language, and intent affecting, among other things, the public's rightful expectation of impartiality. Given the statutory charge, my aim as Director is to address these concerns.

Under oath in my confirmation hearing before the Senate Judiciary Committee and thereafter in my submitted Questions for the Record responses, I expressed discomfort that data seemed to be "skewed" in favor of certain provisions (namely IPRs over PGRs and a very high invalidation rate). To me, this raised questions about both the administration of IPR proceedings and their institution in particular. I vowed to administer the AIA as the statute provides and as Congress intended.

Today, in keeping with my vow and having now taken the Oath of Office as USPTO Director, I have ordered changes pursuant to my memo to the Board (attached). Below, I describe the reasons for my action today.

Over the past several years, the delegated-institution model has given rise to the following difficulties:

1. **Perception of Self-Incentivization**
   – While the Board has done an admirable job, performance metrics and workload structures have created the *appearance* that institution decisions affect docket size, credit, and resource allocation—inviting concern that the Board may be "filling its own docket."
   – This may be unfounded, but nevertheless such a perception undermines public confidence in the integrity of our Office's adjudicatory functions with respect to IPRs.

2. **Bifurcated Procedures for Discretionary Considerations**
   – The evolution of the bifurcated processes, which were smart and necessary, was never intended to be permanent. Under those processes, a preliminary review precedes Board referral. However, this appears to have inadvertently produced extraordinarily high institution rates (at one point exceeding 95 percent) for referred cases.

3. **Statutory Adherence and Administrative Clarity**
   – Congress expressly charges the *Director*—not the Board as delegees —to make institution determinations. Returning this function to the Director re-aligns our Office's procedures with the clear language and intent of the statute and returns accountability for such decisions to the Director just as the framework of the AIA provides.

In sum, reclaiming the Director's statutory role is intended to:

- **Eliminate the appearance of self-interest** by separating the power to institute from the body that conducts the trial;

- **Remove a perceived referral-signal bias** by centralizing the decision point;

- **Enhance transparency and public trust** through a single line of authority; and

- **Re-align the duties and responsibilities** of the Director, as a Presidentially appointed and Senate-confirmed officer, to be accountable for this threshold determination and properly effectuate the clear language of the AIA and thus Congress's intent.

This action aligns the USPTO's administration of IPRs with both the **letter and the spirit of 35 U.S.C. § 314** and strengthens the integrity of the Office's adjudicatory processes.

In closing, the mission of America's Innovation Agency is to lead the world in intellectual property protection. We can do so and serve the public interest only by maintaining a patent system that is fair, predictable, and respected. Returning institution authority to the Director bolsters our mission because it restores the statutory framework mandated by Congress in the America Invents Act.

Yours in Innovation,

John A. Squires
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

MEMORANDUM

To: All PTAB Judges

From: John A. Squires
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

Subject: Director Institution of AIA Trial Proceedings

Date: October 17, 2025

To improve efficiency, consistency, and adherence to the statutory requirements for institution of trial, effective October 20, 2025, the Director will determine whether to institute trial for *inter partes* review ("IPR") and post-grant review ("PGR") proceedings.[1] This process will maintain PTAB's capacity to conduct IPR and PGR trials and promote consistent application of considerations for institution of trial proceedings before the PTAB. This approach to institution flows from the processes outlined in the March 26, 2025 memorandum entitled "Interim Processes for PTAB Workload Management" ("Interim Processes"),[2] under which the Director determines whether or not to deny a petition based on discretionary considerations.

Similar to the discretionary considerations process, the Director, in consultation with at least three PTAB judges, will determine whether to institute trials in all IPR and PGR proceedings. Upon review of discretionary considerations, the merits, and non-discretionary

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[1] Congress provided that the Director determines whether to institute trials under the America Invents Act. *See* 35 U.S.C. § 314(a) ("The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."); *id.* § 314(b) ("The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition . . . ."); *id.* § 314(c) ("The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable."); *see also id.* § 324(a), (c), (d) (similar).

[2] Available at https://www.uspto.gov/sites/default/files/documents/InterimProcesses-PTABWorkloadMgmt-20250326.pdf.

considerations, if the Director determines that institution is appropriate on at least one ground for one challenged claim, the Director will issue a summary notice to the parties granting institution. *See* 35 U.S.C. §§ 314(c), 324(d). Similarly, if the Director determines that institution is not appropriate, whether based on discretionary considerations, the merits, or other non-discretionary considerations, the Director will issue a summary notice denying institution. In proceedings involving novel or important factual or legal issues, the Director may issue a decision on institution addressing those issues. Additionally, where the Director determines detailed treatment of issues raised in a petition is appropriate (e.g., complex claim construction issues, priority analysis, or real party in interest determination), the Director may refer the decision on institution to one or more members of the PTAB. The Office has issued more than 580 decisions under the Interim Processes, providing substantial guidance on how the Director will handle discretionary considerations. Any instituted IPR or PGR proceeding will be referred to a three-member panel of the PTAB to conduct the trial and that panel will be assigned according to PTAB Standard Operating Procedure (SOP) 1 (Rev. 16).[3]

This Memorandum supersedes the Interim Processes to the extent that (1) routine decisions on institution will be limited to summary notices, and (2) merit-based decisions on whether to institute petitions will not be referred to a three-member panel of the PTAB. The process for briefing discretionary considerations, as outlined in the Interim Processes and the Discretionary Decisions webpage,[4] and the process for briefing the merits and non-statutory considerations will remain the same. Further, all petitions referred to the PTAB for consideration of the merits and non-discretionary considerations under the Interim Processes prior to October 20, 2025 will remain with a three-member panel.

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[3] Available at https://www.uspto.gov/sites/default/files/documents/sop1_r16_final.pdf.
[4] Available at https://www.uspto.gov/patents/ptab/interim-director-discretionary-process.