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Multi-Defendant Joinder Under the America Invents Act: Much Ado About Nothing?

In September 2011, Congress passed the Leahy-Smith America Invents Act ("AIA"), which implemented a number of changes to the U.S. patent system. Notably, Congress took aim at a proliferation of patent infringement suits strategically directed to multiple unrelated defendants. In many of these cases, often the only fact common to the various defendants was that they were being sued for infringing the plaintiff's patent. Prior to the passage of the AIA, joinder issues in patent infringement suits had been governed by Rule 20 of the Federal Rules of Civil Procedure, and a minority of jurisdictions (primarily, the Eastern District of Texas) had followed an interpretation of Rule 20 that allowed plaintiffs to successfully maintain multidefendant patent suits involving many unrelated defendants.

Section 299 of the AIA modified the standard for joinder in patent infringement suits. While actions filed prior to the AIA's effective date remain governed by Rule 20, infringement suits filed after the AIA's effective date are subject to the higher joinder standard provided by Section 299 of the AIA, codified at 35 U.S.C. § 299 ("Section 299"). Whereas previously some courts (again, primarily in the Eastern District of Texas) had blessed multidefendant patent suits where there were few or no common questions of fact amongst the defendants, Section 299 permits joinder only where the claims against the defendants arise 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 "questions of fact common to all defendants or counterclaim defendants will arise in the action." 35 U.S.C. § 299(a)(1)-(2) (emphasis added). Now, absent waiver, accused infringers may not be joined

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Quinn Emanuel Deutschland Named "IP Law Firm of the Year" and "Patent Law Firm of the Year" by *JUVE*

JUVE, Germany's most prestigious legal publication, selected Quinn Emanuel as both the "IP Law Firm of the Year" and the "Patent Law Firm of the Year" for 2012. It is the first time in history that a U.S.-based law firm was so honored.

Each year, *JUVE* recognizes significant achievements in a number of practice areas. In selecting Quinn Emanuel for this prestigious award, the editors cited the number of high-profile, challenging (and ultimately successful) cases—particularly in the smartphone wars—in which the firm represented Samsung and Motorola. *JUVE* noted that, "Quinn Emanuel has become the leading law firm on the android side of the smartphone wars."

Quinn Emanuel opened its first German office in Mannheim in 2010 led by Dr. Marcus Grosch, formerly the head of Allen & Overy's German IP practice. In 2012, the firm opened its second German office in Hamburg led by Dr. Nadine Herrmann, formerly chair of Allen & Overy's German IP practice. Quinn Emanuel has 24 IP lawyers in Germany. The firm's German lawyers advise clients in all areas of intellectual property and antitrust litigation, in particular in the areas of patent, design, copyright, trademark and EU competition law. Q

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together "based solely on allegations that they each have infringed the patent or patents in suit." *Id.* § 299(a)(2).

The AIA's joinder provision marked a significant response to non-practicing entities, who had been the most conspicuous and prolific of plaintiffs filing the multidefendant suits targeted by Section 299. The legislative history makes it clear that non-practicing entities were, in fact, in the crosshairs. But while the Federal Circuit has not yet taken the opportunity to interpret the law, recent developments in the district courts suggest that Section 299 is not shaping up to be the panacea that Congress intended.

The Indefatigable **MyMail** *Precedent*

Prior to passage of the AIA, district courts typically applied Rule 20 of the Federal Rules of Civil Procedure to determine when permissive joinder was appropriate in a patent infringement suit. Rule 20 allows plaintiffs to join defendants if "(a) any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction occurrence, or series of transactions or occurrences; *and* . . . (b) any question of law or fact common to all defendants will arise in the action." Fed. R. Civ. P. 20 (emphasis added). Rule 20 appears to be, however, virtually identical to the patent-specific joinder requirements in Section 299. Indeed, commentators have observed that the plain language interpretation of Rule 20 is "substantively identical to the conditions set forth in section 299." Chandran B. Iyer & Ryan M. Corbett, *Joinder Limitations in the America Invents Act: Big Change?*, ABA Intell. Prop. Lit. Comm., February 20, 2012, *available at* http://apps.americanbar.org/litigation/committees/intellectual/articles/winter2012-joinder-limitationsamerica-invents-act.html.

Query, then, why draft and pass Section 299? The legislative history reveals a surprisingly simple answer: some courts, principally in the patent-heavy Eastern District of Texas, were applying an alternative interpretation of Rule 20 that originated in *MyMail, Ltd. v. AOL, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004) (Davis, J.). *See* 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (observing that Section 299 "effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas"); *see also* Tracie L. Bryant, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 Harv. J. L. & Tech. 673, 687-88 (2012) (collecting and discussing citations to Section 299's legislative history).

In *MyMail*, the plaintiff sued eight parties for infringement of a patented method and apparatus for accessing a computer network by a roaming user. Some of the defendants moved to sever and transfer the claims against them, and argued that the claims against them failed to meet the "same transaction or occurrence" test of Rule 20. The court denied the motion, reasoning that the "same transaction or occurrence" test of Rule 20 was met as long as "there is some nucleus of operative facts *or* law." *MyMail*, 223 F.R.D. at 456 (emphasis added). And because the same patent was asserted against all defendants, the court continued, joinder was appropriate because the plaintiff's claims against the defendants involved the "legal question as to the. . . [asserted] patent's scope." *Id.* In effect, *MyMail* opened the door to the joinder of unrelated defendants where the claims shared only legal questions like claim construction and patent validity.

The *MyMail* interpretation of Rule 20 was faithfully followed by other courts in the Eastern District of Texas, a fact assiduously noted in the House Report on the AIA: "Section 299 legislatively abrogates the construction of Rule 20(a) [enumerated in five cases out of the Eastern District of Texas]." H. R. Rep. No. 112-98, at 55 n. 61.

Predictably, patent infringement defendants sued in the Eastern District of Texas chaffed under the *MyMail* rule. The *MyMail* rule often pitted non-practicing entities against a multitude of unrelated defendants, who found themselves burdened with problems that were, as one practitioner described, "anything but trivial." Charles Gorenstein, *America Invents Act Exercises "Con-Troll" Over Patent Litigation*, Sept. 19, 2011, IPWatchdog.com, *available at* http://www.ipwatchdog.com/2011/09/19/con-troll-over-patent-litigation/id=19279.

For example, motions to transfer were often unsuccessful because the forced joinder of often disparate defendants amalgamated equally disparate concerns about efficiency and convenience, which in turn ensured that no other individual venue would likely be particularly convenient for all the parties. *Id.* Moreover, cooperation between codefendants was hampered by the fact that defendants often had "different accused products, differing business interests, and a host of other personal factors," and were in fact sometimes direct business competitors who were (understandably) reluctant to share confidential information to coordinate a common defense. *Id.*

And not least were the court-imposed constraints on the discovery phase, which sometimes limited depositions, discovery requests, and other motions practice such that defendants found themselves unable to adequately defend their individual interests. *Id.*

As Congress pointed out in drafting Section 299, *supra*, practically every other federal court in the country had rejected the *MyMail* rule. For example, one court observed that the *MyMail* rule in effect collapsed the two-element conjunctive test of Rule 20 into a mutated rule that required *only* common questions of law to permit joinder. *Rudd v. Lux Prods. Corp. Emerson Climate Technologies Braeburn Sys., LLC*, 2011 WL 148052, at *2 (N.D. Ill. Jan. 12, 2011) (agreeing that the *MyMail* rule "eviscerates the same transaction or occurrence requirement [of Rule 20] and makes it indistinguishable from the requirement that there be a common question of law or fact"). But because the Eastern District of Texas handled one of the heaviest patent dockets in the country, the *MyMail* rule wielded a disproportionately powerful effect on American patent litigation that persisted until Congress enacted the AIA.

Section 299: An Effective Weapon Against Trolls, or a Minor Adjustment to the Law?

Now that more than a year has passed since the AIA's effective date, a handful of district courts have had the opportunity to analyze the heightened joinder standard in Section 299. If Congress's goal was truly to adjust the balance of litigation bargaining power between patent trolls and their victims, the results appear mixed.

Unsurprisingly, plaintiffs have generally complied with the express requirements of Section 299. In the immediate aftermath of the AIA, many non-practicing entities "began to conform their practices: Instead of instituting one massive multidefendant infringement action, they would institute a multitude of separate but nearly identical patent infringement complaints against unrelated entities in the same court." Macedo et al., *AIA's Impact On Multidefendant Patent Litigation: Part 2*, Oct. 26, 2012, Law360.com, *available at* http://www.law360.com/ip/articles/387458/aia-s-impact-on-multidefendant-patent-litigation-part-2. And in cases involving unrelated patent infringement defendants, courts have applied Section 299 to sever improperly joined parties. For example, in *Digitech Image Technologies, LLC v. Agfaphoto Holding GmbH*, 2012 WL 4513805, at *1 (C.D. Cal. Oct. 1, 2012), a non-practicing entity sued 45 defendants for infringement of a patent teaching a device profile for use in a digital image processing system. *Id.* The defendants included retailers and manufacturers of various accused digital cameras. A single defendant brought a motion to sever for improper joinder under Section 299. *Id.* In response, plaintiff Digitech proffered arguments for joinder that the court deemed "creative" but ultimately rejected as meritless because the Digitech "essentially joined all Defendants in the known universe that make, import, sell, or offer to sell digital cameras that fall within the purview of the [asserted patent]." The court not only granted the movant's motion to sever, it elected to sever and dismiss every other named defendant except for the first named defendant. *Id.*

Courts in the Eastern District of Texas have also evidently begun to apply Section 299 with some rigor. In *Norman IP Holdings, LLC v. Lexmark Int'l, Inc.*, 2012 WL 3307942 (E.D. Tex. Aug. 10, 2012) (Davis, J.), the court dealt with a motion to sever defendants joined to the case after the AIA's effective date. The complaint had been duly filed the day before the AIA came into effect, and had named two defendants as accused infringers. Over the next few months, plaintiff Norman IP Holdings subsequently added 23 additional defendants. *Id.* at *1. On motions to sever and transfer under Section 299 by 13 of the newly added defendants, the *Norman* court granted severance after acknowledging that "unrelated defendants in this case were improperly joined and should either be dismissed from the case or severed into their own cases." *Id.* at *3. *See also Phoenix Licensing, LLC v. Aetna, Inc.*, 2012 WL 3472973, at *2 (E.D. Tex. Aug. 15, 2012) (Gilstrap, J.) (determining one defendant improperly joined under Section 299 because only commonality between codefendants was "allegations of patent infringement").

Pretrial Consolidation Under Federal Rule of Civil Procedure 42

Although courts appear to have faithfully followed the letter of the law in Section 299, it is a murkier question whether they have followed the spirit. While Section 299 clearly forbids one trial for codefendants who do not meet the heightened joinder standard, it does *not* speak to any phases of litigation other than trial. In *Norman*, the court severed the pertinent defendants into separate cases, but immediately ruled all "newly severed actions consolidated with the original filed case as to all issues, except venue, through pretrial only." *Norman*, 2012 WL 3307942, at *4. Consolidation (under Fed. R. Civ. P. 42) was appropriate, the court reasoned, because separate discovery proceedings would "wast[e] judicial resources by requiring common issues to be addressed individually for each case." *Id.*

Other courts in the Eastern District of Texas and in other jurisdictions have followed suit to consolidate separate actions involving unrelated defendants for pretrial proceedings. *See, e.g.*, *SoftView LLC v. Apple Inc.*, 2012 WL 3061027, at *11 (D. Del. Jul. 26, 2012) (consolidating newly-severed cases for all pre-trial purposes); *C.R. Bard, Inc. v. Med. Components, Inc.*, 2012 WL 3060105, at *1-*2 (D. Utah Jul. 25, 2012) (same, and concluding that pre-trial consolidation is not "violative of the spirit of the AIA"); *Rotatable Tech. LLC v. Nokia Inc.*, No. 2:12-cv-265 (E.D. Tex. filed May 1, 2012), ECF No. 60 (consolidating cases for pretrial purposes*); Roy-G-Biv Corp. v. Abb Ltd.*, No. 6:11-cv-00622 (E.D. Tex. filed Nov. 15, 2011), ECF No. 51 (same).

Moreover, seeking pretrial centralization by the Multidistrict Litigation panel remains a viable option for plaintiffs who want to consolidate pretrial litigation against disparate defendants. *See In re: Bear Creek Technologies, Inc.*, MDL 2344, 858 F. Supp. 2d 1375, 1377-78 (J.P.M.L. May 2, 2012) (concluding that Section 299 does not prohibit MDL coordination or consolidation for pretrial purposes).

At bottom, the federal courts' "early run of pretrial consolidations suggests that pretrial life under the AIA for purposes of joinder may closely resemble the pretrial state of affairs before the AIA." Macedo et al., *supra*. Under the current state of the law, patent plaintiffs (non-practicing entities and otherwise) should retain much of the tactical and strategic advantage that they held when they forced multiple unrelated defendants to jointly coordinate litigation, provided courts continue to follow the trend in consolidating pretrial litigation. Such a result seems problematic, and some observers have commented that consolidation may be an "end run" around Congressional purpose by, among other things, "reliev[ing] patent plaintiffs of the many financial impediments that Congress sought to impose on them." Maya M. Eckstein et al., *The (Unintended) Consequences of the AIA Joinder Provision* § IV.D.i, AIPLA Spring Meeting, Austin, Tex., May 10-12, 2012, *available at* http://www.aipla.org/learningcenter/library/papers/SM/2012_Spring/Documents/2012SM-Materials/Eckstein_Paper.pdf.

The Road Ahead

To date, none of the patent cases filed under the AIA have reached trial. The courts have seen an uptick in "serially file[d] multiple single-defendant (or defendant group) cases involving the same underlying patents." *Norman*, 2012 WL 3307942, at *4. Despite this fact, plaintiffs appear to have been reasonably successful in consolidating multiple cases for pretrial purposes. And open questions remain: for example, does pretrial consolidation circumvent Congress's purpose and violate the spirit of Section 299? How should courts apply claim construction term limits to consolidated claim construction, where different defendants seek to construe completely different terms in different ways? If one defendant wins a summary judgment motion on non-infringement or other issues, how will it affect the other consolidated defendants? As the post-AIA suits proceed, the courts will certainly find opportunities to answer.

Intellectual Property Trial Lawyer Amar Thakur Joins Quinn Emanuel

Amar Thakur has joined the firm as a partner in its Los Angeles office. Thakur, who has an Electrical Engineering degree, specializes in intellectual property litigation and intellectual property licensing matters. He has substantial experience involving acquisition of intellectual property and monetization of such assets. His practice focuses on the development and enforcement of patent portfolios, as well as creating partnerships between IP clients and private equity firms and other investors who can help to monetize promising patent portfolios. Thakur has represented companies in patent, trademark, and commercial disputes spanning the telecommunications/VOIP, medical device, software, and semiconductor industries.

The English Court of Appeal Decision in *Toshiba Carrier* May Lead to More Private Antitrust Actions in England

Introduction

A recent decision by the English Court of Appeal may lead to more private antitrust actions in England. This decision confirms that English courts have broad jurisdiction to maintain antitrust actions against UK defendants who are not addressees of European Commission (EC) cartel decisions. It also confirms that such UK defendants can be "anchor defendants" that establish jurisdiction over non-UK defendants who are associated with cartels.

The Use of "Anchor Defendants" in Antitrust Actions

In Europe, private antitrust claims are often brought against a defendant who was an addressee of an EC cartel decision. These "follow on" claims generally must be brought in the country where the defendant is domiciled. However, when multiple defendants are addressees of the EC cartel decision, claims may be brought in any country where one of the defendants is domiciled so long as the claims are sufficiently connected.

English courts have gone even further and established jurisdiction when private antitrust claims were brought against UK-domiciled subsidiaries of companies who were addressees of the EC's cartel decision, even though the UK-domiciled subsidiaries were not subject to the EC decision. These UK-domiciled subsidiaries are often referred to as "anchor defendants."

Toshiba Carrier *Expands the Use of Anchor Defendants*

***The European Commission Action*:** In December 2003, the EC found three companies violated Article 81(1) of the EC Treaty for participating in a price-fixing and market-sharing cartel in the industrial copper tubes sector. The Commission found the three non-UK companies—Outokumpu Oyj of Finland, Wieland-Werke AG of Germany, and the KM Europa Metal group (KME Group) of Germany—liable for operating a secret cartel between May 1988 and March 2001 in the copper tube market. The three companies appealed the EC's decision and their appeals were dismissed in May 2009.

***The "Follow On" Action*:** In December 2009, Toshiba Carrier UK Limited and various associated companies (the claimants) brought a damages action before the High Court in England. These companies each bought substantial quantities of copper tubes, or goods incorporating such tubes, during the period of the cartel. They sought damages resulting from the infringements established in the EC's decision.

The damages action was brought against three companies domiciled in the UK, including KME Yorkshire Limited, who were not named in the EC's decision (the UK Defendants). The damages action was also brought against several companies who were the addressees of the EC's decision but who were not domiciled in the UK (the non-UK Defendants). The UK Defendants sought orders striking out the claim against them on the ground that there was no reasonable ground for bringing it or alternatively summarily dismissing the claim on the ground that no claimant had a real prospect of succeeding on the claim against them.

In October 2011, the High Court denied the UK Defendants' requests. The High Court found that the claimants' pleadings sufficiently alleged that each of the UK Defendants was part of the undertaking and engaged in the same economic activity as the non-UK Defendants. The High Court also found that the pleadings sufficiently alleged that the activity undertaken by the non-UK Defendants infringed Article 101 of the TFEU and the UK Defendants implemented the unlawful arrangements. The non-UK Defendants also sought an order declaring that the courts of England and Wales did not have jurisdiction to try the claims against them, but that too was dismissed. The defendants appealed this decision to the Court of Appeal.

***The Court of Appeal Decision*:** In September 2012, the English Court of Appeal affirmed the High Court's decision. *KME Yorkshire Ltd and others v. Toshiba Carrier UK Ltd and others* [2012] EWCA Civ 1190. The Court of Appeal found that the claimants' pleadings sufficiently alleged that the UK-domiciled subsidiary had participated in, and implemented, the cartel arrangements, with knowledge of the cartel agreement.

The main issue before the Court of Appeal was whether the High Court should have dismissed the action against the only remaining UK Defendant, KME Yorkshire Limited (KME UK). If the claim against KME UK was not dismissed, the parties agreed that the High Court would have jurisdiction over the non-UK defendants.

KME UK argued that an essential element of conduct that infringes Article 101 is a meeting of minds or concurrence of wills between rival parties to conduct themselves on the market in a specific way that gives rise to an unlawful agreement. On this basis, implementation of an unlawful anti-competitive agreement reached between others is not enough, even if the implementation is with knowledge of the agreement. KME UK claimed that the claimants' pleadings did not contain an allegation against KME UK of that essential element.

The Court of Appeal did not accept KME UK's arguments. The court noted that well-established case law holds that "concerted practices" which fall short of a complete agreement can constitute infringement of Article 101. *Case 48-69 ICI v. Commission* [1972] ECR 619. Further, even indirect and isolated instances of contact between competitors may be sufficient to infringe Article 101, if their object is to promote artificial conditions of competition in the market. *Case C-49/92 P Commission v. Anic Partecipazioni SpA.* [1999] ECR I-4125. The court also found that acts of implementation alone were capable of amounting to concerted practices where they are carried out pursuant to an anti-competitive agreement made between others and with knowledge of that agreement.

Under this legal backdrop, the Court of Appeal found that it was "perfectly clear" that the claimants' allegations provided sufficient grounds for a cause of action against KME UK for infringement of Article 101 and a corresponding breach of statutory duty. The court also found that there were clear allegations of unlawful conduct by KME UK, including that it refrained from selling or offering certain products to customers to allow other members of the cartel to secure the business and/or that it exchanged confidential information with competitors in order to monitor and implement the cartel arrangements. These allegations presupposed knowledge of, and an intention to implement, the cartel agreement and concerted practices described in the Commission's decision. They also amounted to a stand-alone claim for conducting concerted practices contrary to Article 101.

The Court of Appeal was also satisfied that KME UK's knowledge was sufficiently pleaded to constitute a valid allegation of infringement of Article 101 by KME UK. In the particular circumstances of the present case, these allegations were sufficient to survive the defendants' application to dismiss the claim and for summary judgment. The Court of Appeal also noted that anti-competitive cartels are by their very nature "shrouded in secrecy," and therefore it is difficult until after disclosure to assess the strength of an allegation that a defendant was a party to or aware of anti-competitive conduct by members of the same corporate group.

Conclusion

This decision is a significant development likely to expand the ability of claimants to bring actions against UK defendants—as "anchor defendants"—and against non-UK defendants (addressees of cartel decisions) in the High Court. The Court of Appeal's willingness to allow the *Toshiba Carrier* action to proceed will provide antitrust claimants with a higher degree of confidence that their claims will survive an early application to strike out or summary judgment and therefore encourage the filing of more private antitrust damages actions in England. Q

Jennifer Kash Named Among *The Recorder*'s 40 Women Leaders in Law

San Francisco partner Jennifer Kash was named among *The Recorder*'s 40 Women Leaders in Law for 2012. The publication selected its 40 "champion networkers" based on the nominees' "creativity, effort and results." *The Recorder* praised Kash for her client outreach and recruitment initiatives at Quinn Emanuel, efforts that merited her recently acquired role as co-managing partner of the firm's San Francisco office. Q

Sports Litigation Update

***District Court Finds Appearance of Logo in Documentaries and Stadium Displays, but Not Video Games, to Be Fair Uses*:** A recent decision by Judge Marvin J. Garbis in the District Court of Maryland has provided further guidance as to when the use of an athletic team's copyrighted logo may or may not be a fair use under the Copyright Act. Judge Garbis's opinion confirms that the use of a team's copyrighted logo for the purpose of offering commentary, criticism, or documentation of historical facts likely will be fair uses, while the use of a logo for its "nostalgia value" may not be sufficient.

When the Baltimore Ravens first moved to Baltimore in 1996, they adopted an inaugural logo (the "'Flying B' Logo"), used by the team for its 1996-1998 seasons. After the 1996 season completed, Frederick E. Bouchat filed a lawsuit alleging that the "Flying B" Logo infringed his own copyrighted drawing and seeking damages in the form of a percentage of profits of all merchandise sold bearing the logo. A jury found that the "Flying B" Logo infringed Bouchat's drawing, but awarded Bouchat zero damages. In 2008, Bouchat filed another lawsuit, claiming that the NFL's sales of Ravens highlight films from the 1996-1998 seasons (which necessarily included images of the "Flying B" Logo on the uniforms and the field) infringed his copyright. In a 2-1 decision, the Fourth Circuit found that the use of the logo in team highlight films was not a fair use because, in part, "[t]he simple act of filming the game in which the copyrighted work was displayed did not 'add[] something new' to the logo." *Bouchat v. Baltimore Ravens Ltd. P'ship*, 619 F.3d 301, 309 (4th Cir. 2010) (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994)). However, in the same decision, the Fourth Circuit unanimously concluded that the use of the logo in a photographic display in the headquarters of the Ravens' corporate office was fair because, in part, "[t]hese depictions of the logo are consistent with the fair use display of copyrighted material in a museum," which "'adds something new' to its original purpose as a symbol identifying the Ravens." *Id.* at 314 (quoting *Campbell*, 510 U.S. at 579).

In 2011 and 2012, Bouchat filed three more lawsuits: (1) one against the Ravens organization for its display of historical photographic displays in M&T Stadium (the Ravens' home stadium) that included the "Flying B" Logo; (2) one against various NFL entities for its use of the "Flying B" Logo in its NFL Network documentary series *Top Ten* and *Sound FX*; and (3) one against Electronic Arts for its use of the "Flying B" logo as one of many "throwback" uniform options in a series of *Madden NFL* video games. *See Bouchat v. Baltimore Ravens Ltd. P'ship*, 12-cv-1905 (D. Md.), *Bouchat v. NFL Enterprises LLC*, 12-cv-1495 (D. Md.); *Bouchat v. NFL Properties LLC*, 11-cv-2878 (D. Md.). The defendants in these three lawsuits filed motions for summary judgment, contending that all of the uses of the "Flying B" Logo at issue were fair uses under the Copyright Act, 17 U.S.C. § 107.

In an omnibus decision, Judge Garbis found that the use of the "Flying B" Logo in the Stadium photographs and in NFL Network programming were fair uses, while the use of the logo in EA's *Madden NFL* games was not fair. *See Bouchat v. NFL Enterprises LLC*, 12-cv-1495, Doc. No. 33 (Decision Re: Fair Use Issues) (D. Md. Nov. 19, 2012). As to the Stadium historical displays, the Court found that the use of the "Flying B" Logo was transformative because, just as was the case with the display in the Ravens' headquarters, it was used not for its expressive content, but rather for its factual content—*i.e.*, "to represent the inaugural season and the team's first draft picks." *Id.* at 19 (quoting *Bouchat*, 619 F.3d at 314). As to the use of the "Flying B" Logo in the NFL Network documentaries, the Court determined that the logo was used "selectively as necessary to portray 'history' in biographical and comparative presentations," and that the uses were "substantially transformative" because they "add[ed] something new by representing factual content, documenting and commenting on historical events, or functioning as a biography or career retrospective." *Id.* at 25-26. The Court found that the transformative nature of the use of the logo in the Stadium displays and the documentaries offset any potential harm to the market for Bouchat's drawing. *Id.* at 21, 27.

However, for the *Madden NFL* games, the Court found that the "Flying B" Logo was being used in the same manner as the Ravens used it in 1996-1998: as a symbol identifying the Ravens. Thus, according to the Court, the use of the logo in the games was not transformative. Further, the Court held that use of the "Flying B" Logo for "nostalgia value" did not render such a use transformative. *Id.* at 31. Finally, the Court noted that football teams play official games in throwback uniforms and that some NFL teams offer for sale replicas of throwback uniforms, evidencing the existence of a potential market to exploit the nostalgia value of past logos. *Id.* at 33-34. Weighing all four fair-use factors, the Court concluded that the use of the "Flying B" Logo in the *Madden NFL* games was not fair. *Id.* at 35.

While fair use is inherently a case-by-case inquiry, Judge Garbis's decision demonstrates the centrality of the "transformative" inquiry in fair use determinations. If a work is used to communicate factual content or comment on historical events, it will likely be a transformative use and be adjudged a fair one. However, a work used only to communicate "nostalgia," without anything more, may not be seen as a fair use. Nostalgic uses, like other uses, must add "something new" to the original in order to communicate a historical or other perspective, rather than simply evoke emotion already embedded in the copyrighted work, in order to be adjudged fair.

Quinn Emanuel represented defendants NFL Enterprises LLC, NFL Network Services, Inc. & NFL Productions LLC d/b/a NFL Films in *Bouchat v. NFL Enterprises LLC*, MJG-12-1495 (D. Md.); Baltimore Ravens Limited Partnership in *Bouchat v. Baltimore Ravens Limited Partnership*, MJG-12-1905 (D. Md.); and NFL Properties LLC in *Bouchat v. NFL Properties LLC*, 11-cv-2878 (D. Md.).

Insurance Litigation Update

***Exhaustion Means Exhaustion: Courts Require Complete Exhaustion for Excess Coverage*:** The idea behind excess insurance is easy to understand—an excess policy provides additional coverage above the limits of the underlying, or primary policy. While excess policies generally require primary coverage to be fully exhausted before any claim can be made, insureds and third-party claimants often attempt to access excess coverage prematurely, either through settlements with primary (or lower-tier excess) carriers, or through other creative strategies. In 2012, courts have continued to reject those strategies as disregarding the plain language of the excess policies, finding the requirement of underlying exhaustion to be a condition precedent to coverage.

In *Goodyear Tire & Rubber Co. v. Nat'l Union Fire Insurance Company of Pittsburgh, PA*, 694 F.3d 781 (6th Cir. 2012), the Sixth Circuit held that Goodyear's excess insurer (Federal) did not owe Goodyear any coverage under an excess policy because the primary insurer (National Union) had settled for less than its full limits—even though the total loss was greater than the full amount of the underlying limits. Goodyear incurred $30 million in costs it claimed were covered, and had a $15 million policy from National Union and a $10 million policy from Federal, with a single, $5 million deductible. *Id.* Although National Union disputed that the losses were covered, it settled for $10 million. *Id.* The district court granted summary judgment to Federal, and the Sixth Circuit affirmed on the plain language of the policy that provided "[c]overage hereunder shall attach only after [National Union] shall have paid in legal currency the full amount of the Underlying Limit." *Id.* The Sixth Circuit refused to accept any "public policy favoring settlement" as abrogating the policy language, *id.* at 783, having already noted its view that the appeal was "the latest in a series of recent cases in which one corporation asks us to disregard the plain terms of its insurance agreement with another corporation." *Id.* at 782.

Likewise in *JP Morgan Chase & Co. v. Indian Harbor Ins. Co.*, 98 A.D. 3d 18 (1st Dep't 2012), New York's Appellate Division, 1st Department (applying Illinois law), held that where the insured had a multi-layer excess insurance structure, the carriers in the higher layers had no duty to indemnify the insured because of the mechanics of the insured's settlement with other, lower layer carriers. Finding a condition precedent to payment similar to the one in *Goodyear*, the First Department held that no liability could attach to the fourth excess policy because the third excess layer carrier "did not admit liability when it settled with plaintiff" and in fact had also settled an unrelated claim made by the same insured against another insurer affiliated with the third excess layer carrier, with no allocation to the specific claim at issue. *Id.* at 20-21. Since the insured could not demonstrate that the underlying insurers had "duly admitted liability and [had] paid the full amount of their respective liability," it could not recover. *Id.* Making similar findings for higher-tier carriers, the First Department expressly rejected the notion that a lower layer policy can be deemed exhausted if the insured is willing to absorb the difference in settlement. *Id.* at 22-23.

Lastly, in *Preferred Construction, Inc., v. Illinois Nat. Ins. Co*, No. 11-4339-cv, 2012 WL 3735056 (2d. Cir. Aug. 30, 2012), the Second Circuit held that an excess carrier could not be called to defend an insured where the primary carrier's policy had not exhausted, even though the underlying claim only sought "any recovery that [the underlying plaintiff] may obtain in excess of the primary policy limits." In *Preferred Construction*, the excess policy contained a requirement that it did not attach until "the total applicable limits of Scheduled Underlying Insurance have been exhausted." *Id.* at *2. The Second Circuit rejected plaintiff's argument that the policy was triggered because the "complaint seeks only damages above the 'applicable limits' of the underlying coverage" as "miss[ing] the mark, however, because even if … the claim is one for damages above the 'applicable limits,' exhaustion is still a condition precedent to triggering [the excess policy], and that condition has not been met." *Id.* at *3.

ITC Update

***ITC Proposes Modifications to E-Discovery Practices in Section 337 Investigations*:** This fall, the U.S. International Trade Commission (Commission) proposed changes to its rules governing discovery in Section 337 investigations. The main thrust of these proposed changes is to place limitations on discovery of electronically stored information (e-discovery) "to increase the efficiency" of Section 337 investigations. *See* 77 Fed. Reg. 60953-56 (Oct. 5, 2012). The current rules lack many of the limitations found in district court litigation regarding e-discovery, which has made discovery in Section 337 investigations unnecessarily broad and expensive—particularly when paired with the Commission Administrative Law Judges' historically permissive attitude toward broad discovery. The Commission proposed the changes, in part, in response to comments made by practitioners at an event in July 2011. In presenting these proposed changes, the Commission considered the e-discovery standards of a variety of district courts, a model e-discovery order prepared by the Federal Circuit Advisory Council, as well as ground rules issued by the Commission's ALJs, and the Federal Rules of Civil Procedure.

The proposed changes relate to Commission Rule 210.27, which contains general provisions governing discovery. Proposed subsection (c) is similar to Federal Rule of Civil Procedure 26(b)(2)(B) and allows a party to refuse production of electronic documents and information from sources that are not reasonably accessible. If a party can show that the requested documents and/or information is not reasonably accessible because of undue burden or cost, the presiding ALJ then determines whether the requesting party has shown good cause for the production of the requested materials. If the requesting party does not meet this burden, the ALJ can deny the discovery request or specify conditions for the discovery. New subsection (c) specifically provides the ALJ with the option of conditioning requiring the requesting party to pay for costs associated with the discovery of information from sources that are not reasonably accessible. By allowing for cost shifting, the Commission is attempting to address the current status quo where parties to Section 337 proceedings may be required to produce millions of documents even though few are actually allowed into the evidentiary record.

Proposed subsection (d) requires the ALJ to impose limitations if he determines that: "the discovery sought is duplicative or can be obtained from a less burdensome source; the party seeking discovery has had ample opportunity to obtain the information; or the burden of the proposed discovery outweighs its likely benefit." 77 Fed. Reg. 60954. This proposed rule is similar to Federal Rule of Civil Procedure 26(b)(2)(C). Unlike the Federal Rules of Civil Procedure, however, subsection (d) requires the ALJ to limit discovery when the party from whom discovery is sought has stipulated to facts or waived the legal position to which the discovery pertains—which occurs frequently in Section 337 proceedings. Additionally, this proposed addition requires the ALJ to consider the importance of the discovery requested to resolving issues decided by the Commission.

Proposed subsection (e) clarifies questions of waiver pertaining to privileged information and attorney work product. It also sets forth uniform procedures for privilege logs, an area that is currently governed by the ground rules of the presiding ALJ in each investigation. Subsection (e) also attempts to clear up the uncertainty surrounding the consequences of disclosure of privileged or work product documents by setting forth clear procedures for dealing with such disclosures, similar to the procedure set forth in Federal Rule of Civil Procedure 26(b)(5). It also sets forth specific deadlines for resolving privilege disputes in line with the rapid pace of Section 337 investigations. Commission ALJs currently vary in their treatment of waiver, even when the parties privately agree to a claw-back agreement.

The Commission issued its Notice of Proposed Rulemaking on October 5, 2012, and will accept public comments on the revisions through December 4, 2012. The rules will not become effective until after the Commission has an opportunity to review public comments and publishes final amendments to the rules at least thirty days prior to their effective date.

Unanimous Affirmance of Trial Court Victory in *Forum Non Conveniens* Case

After winning dismissal of a lawsuit against The Coca-Cola Company ("TCCC") in the Southern District of New York, Quinn Emanuel recently secured a unanimous affirmance in the Second Circuit Court of Appeals. In 2010, two Guatemalan citizens filed suit in New York against TCCC on the basis of anti-labor violence allegedly perpetrated in Guatemala not by TCCC, but by its former independent local bottler. TCCC itself had nothing to do with this wrongdoing, and was not even aware of it while it was occurring, but nevertheless found itself embroiled in potentially costly litigation in a forum thousands of miles away from where the events had occurred. Quinn Emanuel stepped in, as it has in numerous similar lawsuits arising around the globe, and immediately obtained *forum non conveniens* dismissal on the ground that the plaintiffs should have brought their case in Guatemala, where the underlying events had occurred and the pertinent evidence and witnesses were located. Quinn Emanuel demonstrated to the district court's satisfaction that Guatemala was a fully adequate judicial forum (a prerequisite to obtaining dismissal), and that the plaintiffs would not have to appear in Guatemalan court—thus assuaging the court's concerns for their safety. The district court thus dismissed the case.

The district court, however, left the plaintiffs with an out: If the Guatemalan courts refused to hear their case, and if such a decision was affirmed by that country's highest tribunal, the district court indicated willingness to reinstate the complaint in New York. But because the plaintiffs had no interest in actually pursuing their case outside the U.S., they responded to the dismissal order by filing a purposefully inadequate complaint in Guatemala. When the Guatemalan court dismissed that complaint, the plaintiffs declined to pursue an appeal in Guatemala, and instead immediately returned to the district court in New York.

Quinn Emanuel convinced the court that the plaintiffs' efforts in Guatemala did not comply with the district court's conditions to reinstatement because the Guatemalan complaint had obscured the reason for the Southern District's dismissal order, and had even suggested inaccurately that the U.S. courts had retained jurisdiction. Worse, the plaintiffs had neglected to inform the Guatemalan court of a clear basis for its own authority to hear the case. The district court agreed, and refused to reinstate the plaintiffs' complaint. And, in September, a three-judge appellate panel unanimously affirmed, adopting TCCC's position (and that of the district court) in full.

Patent Victories for Motorola Mobility in Germany

The firm recently obtained a complete dismissal of all claims asserted by Apple in a German design patent action for its client Motorola Mobility. In 2011, Apple had filed an action with the Düsseldorf District Court seeking a pan-European injunction against Motorola's tablet computer Xoom.

Apple claimed that the design of Xoom infringed three design patents registered to Apple in the European Union. The design patents were based on the design of the first iPad model. Apple further asserted trade dress claims and claims for infringement of an unregistered three dimensional trademark in the shape of the iPad. The case was tried in two hearings: one dealing with design patent and trade dress claims, and the other one dealing with trademark claims.

Quinn Emanuel convinced the court that the impression created upon users by the design of Motorola's Xoom device differs from the impression created by Apple's design patents. Consequently, the court found non-infringement of Apple's design. Quinn Emanuel also convinced the Düsseldorf court that Apple's trade dress claims were invalid because there would be neither confusion as to source nor any exploitation of reputation. Finally, Quinn Emanuel convinced the court that Apple had no trademark claims, which resulted in a complete dismissal of Apple's action.

The firm also obtained a full dismissal for Motorola Mobility of all claims asserted by Apple in a German patent case. In 2011, Apple filed an action with the District Court Mannheim seeking an injunction against Motorola devices running the Android operating system. Apple claimed that the devices infringed upon a patent pertaining to touch event model. This patent was directed to the processing of multiple touch events occurring on a touchscreen device. The patent provides for views of a graphical user interface, each of which is associated with an exclusive touch flag for allowing a device to set a specific view to an exclusive mode in which multiple simultaneous touches on other views are not being processed.

The case turned on construction of the patent's claims, and we convinced the court that our claim constructions were correct. As a result, Apple was not able to show that such flags exist in the implementation of the Android operating system. Consequently, the court found non-infringement of the asserted claims.

Summary Judgment Victory in *Deep9 v. Barnes & Noble, et al.*

Quinn Emanuel recently obtained summary judgment of non-infringement of all claims for Barnes & Noble in a patent case brought in Seattle by Deep9 Corporation. The case involved Deep9's claim that Barnes & Noble's Nook eReaders infringed two patents related to methods for syncing information between two or more devices in a network.

Quinn Emanuel took over from another firm very late in the case—after claim construction and in the middle of expert discovery—and had just over two weeks to prepare and file Barnes & Noble's summary judgment motion. Quinn Emanuel focused Barnes & Noble's motion on a "divided infringement" theory of non-infringement. Quinn Emanuel argued that Barnes & Noble could not be liable for infringement because no single entity carried out all of the steps of Deep9's asserted patent claims; instead, those steps were carried out, if at all, in part by Barnes & Noble's servers and in part by users of Nook eReaders, over whom Barnes & Noble had no control with respect to the use of their individual Nook eReaders.

After briefing and oral argument, the district court granted Barnes & Noble's motion for summary judgment of non-infringement based on Quinn Emanuel's "divided infringement" theory and entered final judgment, ending the case. The district court's order is well-reasoned and closely follows each of the arguments the firm made in its briefs and at the hearing. Needless to say, Barnes & Noble is very happy that it decided to bring Quinn Emanuel into the case. Q

Quinn Emanuel Holds "Demystifying U.S. Jury Trials" Event in Zurich

Quinn Emanuel recently collaborated with the Europa Institut of the University of Zurich and the Swiss-American Chamber of Commerce to conduct a Mock Jury program at the Kongresshaus in Zurich on October 10, 2012. The event was attended by 150 top Swiss lawyers, CEOs, business managers, and students from the Universities of Basel and Zurich. It was deemed a huge success by all who attended. Q

Judge Martin Feldman explains the U.S. jury trial process to the attendees

Quinn Emanuel Managing Partner, John Quinn, does a direct examination

Quinn Emanuel Partner, Bill Price, cross-examines a witness

A witness responds to a question during examination

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business litigation report

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