



IP Law Update and the Impact on In-House Counsel

Amy Candido and Jordan Jaffe

November 2, 2022

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Agenda

- Venue Developments Affecting Patent Litigation
- AI Inventorship and Authorship
- Assignor Estoppel In Patent Cases Following *Minerva Surgical v. Hologic*
- Fair Use Doctrine In Copyright law
- Trade Secret Misappropriation Damages

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Venue Developments Affecting Patent Litigation

Old Regime – *VE Holding Corp v. Johnson Gas Appliance* (Fed. Cir. 1990)

1574

917 FEDERAL REPORTER, 2d SERIES

of the fees or impose some other sanction. The issue should therefore be remanded for an evidentiary hearing to determine whether the attorneys breached their fiduciary relationship to Sweeney and whether forfeiture of attorneys' fees is an appropriate sanction.

III. CONCLUSION

For the foregoing reasons, we AFFIRM the district court's decision to allocate the settlement fund in accordance with the April 22, 1988 fee agreement. We RE-MAND to the district court for the purpose of making adjustments in the allocation with the following instructions. The district court shall hear evidence regarding documentation of Butters' and Ponsoldt's hours and those of any other attorney in the case who has not previously presented documentation of hours. The district court shall then adjust the allocation based on that documentation if necessary. The district court shall also hear evidence relating to the alleged ethical violations of the attorneys and cause them to forfeit to Sweeney a portion of their fees if such a sanction is appropriate. The district court shall also make provision in accordance with this opinion for the payment of all attorneys' fees incurred by Sweeney in the underlying suit, including those incurred from the time of settlement with the doctors to the ultimate resolution of the case with the hospital, out of the 50% contingency fund created by the April 22nd agreement. Finally, the district court shall recategorize Jenkins' fee as an attorneys' fee, adding Jenkins' hours in with F & W's and making F & W responsible for paying Jenkins as an attorney associated with F & W on the case. Sweeney is thus to receive her full 50% of the settlement fund. Though under the April 22nd agreement she is responsible for paying the expenses of the litigation, no attorney's fee is to be deemed an "expense." To the contrary, all attorneys' fees shall be paid from the 50% contingency fund.

VE HOLDING CORPORATION,
Plaintiff-Appellant,
v.
JOHNSON GAS APPLIANCE COMPA-
NY, Defendant-Appellee.
Nos. 90-1270, 90-1274.

United States Court of Appeals,
Federal Circuit.

Now, under amended § 1391(c) as we here apply it, venue in a patent infringement case includes any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced. While this test is narrower than allowing venue wherever a corporate defendant could be served, it is somewhat broader than that encompassed by the previous standard of "place of incorporation." 20

Patent infringement. Court for venue, improper. The Court, Judge, corporate district in jurisdiction statute p. infringe- trict when Affirm remanded

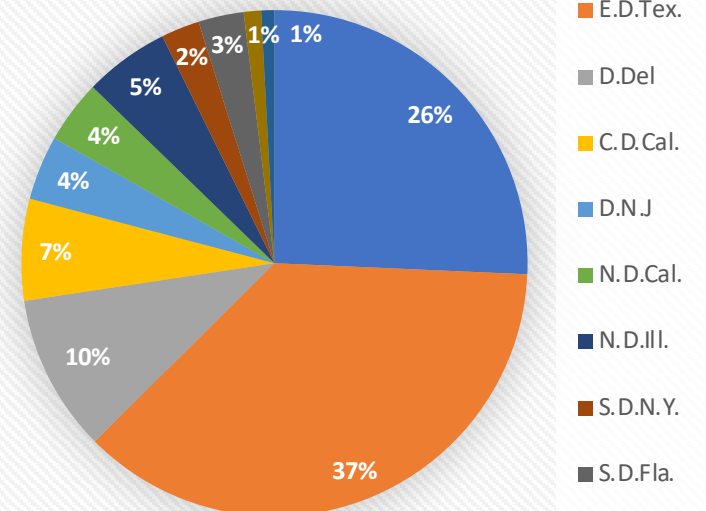
1. Patent Venue defendant t which it s redefined mitting ce to be bro defendant n 1400(b).

2. Statute General rule that general statute does not control or nullify specific statute, absent clear intention otherwise, did not govern question whether venue statute deeming corporate defendant to reside in any judicial district in which defendant is subject to personal jurisdiction applied to venue statute permitting civil action for patent



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2016 Patent Filings



Supreme Court Changes the Rules – *TC Heartland v. Kraft Foods Group* (2017)

TC HEARTLAND LLC, petitioner
v.
KRAFT FOODS GROUP BRANDS LLC.
No. 16-341.
Argued March 27, 2017.
Decided May 22, 2017.

Background: Patentee brought infringement action against alleged infringer, a competitor organized under Indiana law that had allegedly shipped an infringing product to Delaware. The United States District Court for the District of Delaware, Leonard P. Stark, Chief Judge, 2015 WL 5613160, adopted report and recommendation of Christopher J. Burke, United States Magistrate Judge, 2015 WL 4778828, and denied competitor's motion to either dismiss or transfer on ground that venue did not lie in Delaware. Competitor petitioned for writ of mandamus. The United States Court of Appeals for the Federal Circuit, Moore, Circuit Judge, 821 F.3d 1338, denied the petition, and certiorari was granted.

Holdings: The Supreme Court, Justice Thomas, held that:

(1) amendments to the general venue statute did not modify meaning of the patent venue statute, abrogating *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, and

(2) a domestic corporation "resides" only in its State of incorporation for purposes of the patent venue statute.

Reversed and remanded.

Justice Gorsuch took no part in the consideration or decision of the case.

* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *Union Pacific R. Co. v. Lumber Co.*, 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

1. Patents \Rightarrow 1728
Amendments to the patent venue statute, defining any judicial district corporation is subject to the personal jurisdiction, of the patent venue statute, *Holding Corp. v. Co.*, 917 F.2d 1574, §§ 1391(a, c), 1400(b).

2. Patents \Rightarrow 1728
A domestic corporation in its State of incorporation the patent venue statute, § 1400(b).
See publication for other jurisdictions and definitions.

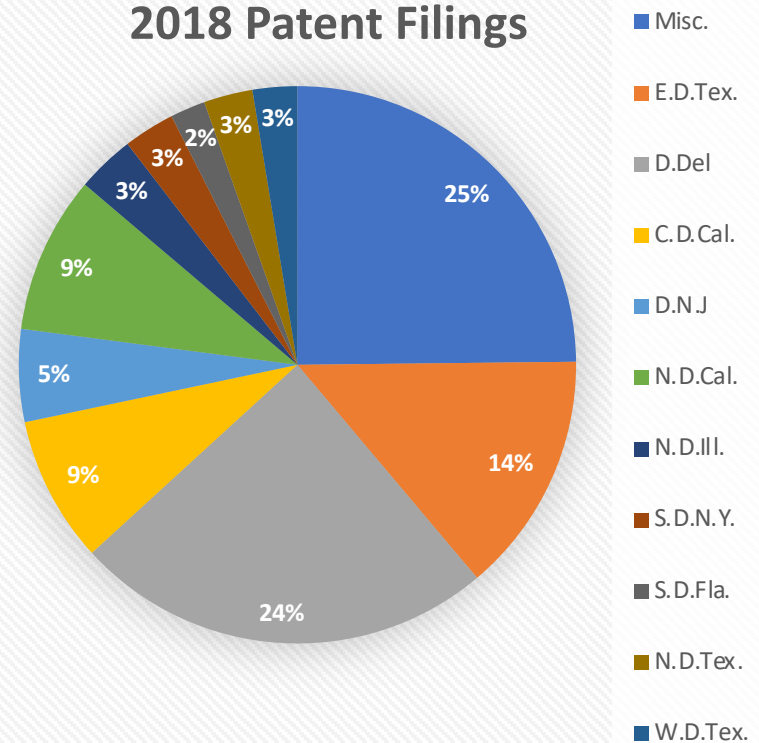
3. Statutes \Rightarrow 1456
When Congress changes in the meaning of the statute, it amends another statute, which provides a relatively clear intent in the text.

mestic corporation. The patent venue statute, 28 U.S.C. § 1400(b), provides that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222,

Syllabus *

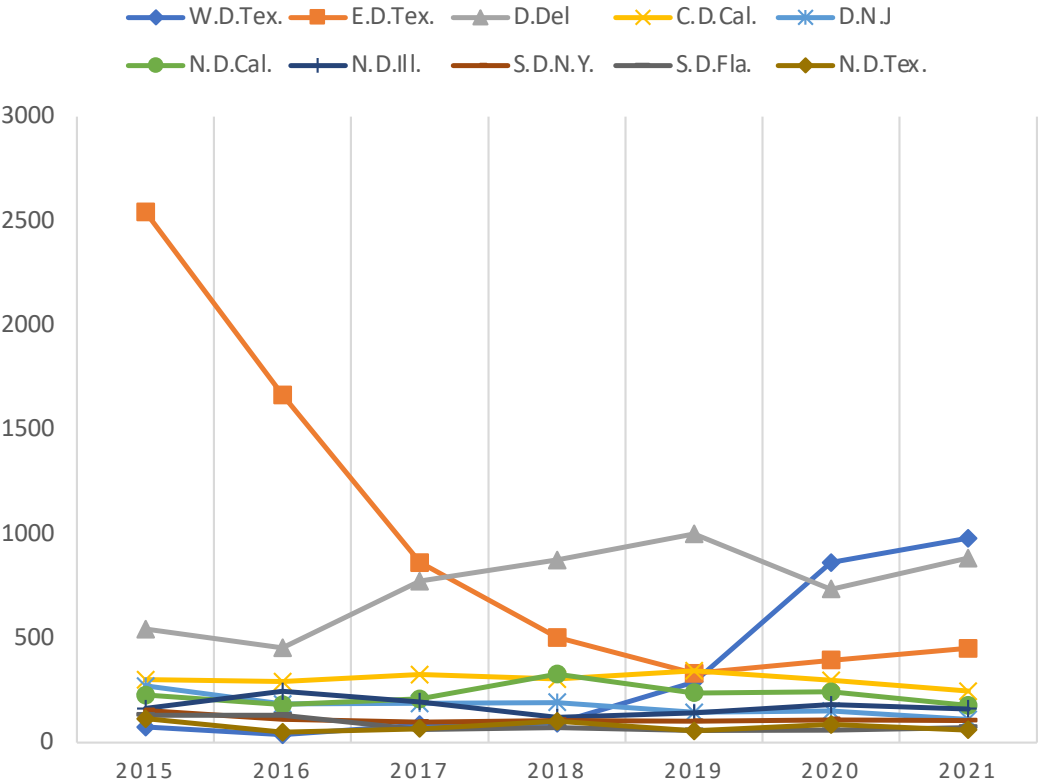
As applied to domestic corporations, "reside[nce]" in § 1400(b) refers only to the State of incorporation. Accordingly, we reverse the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion.

2018 Patent Filings



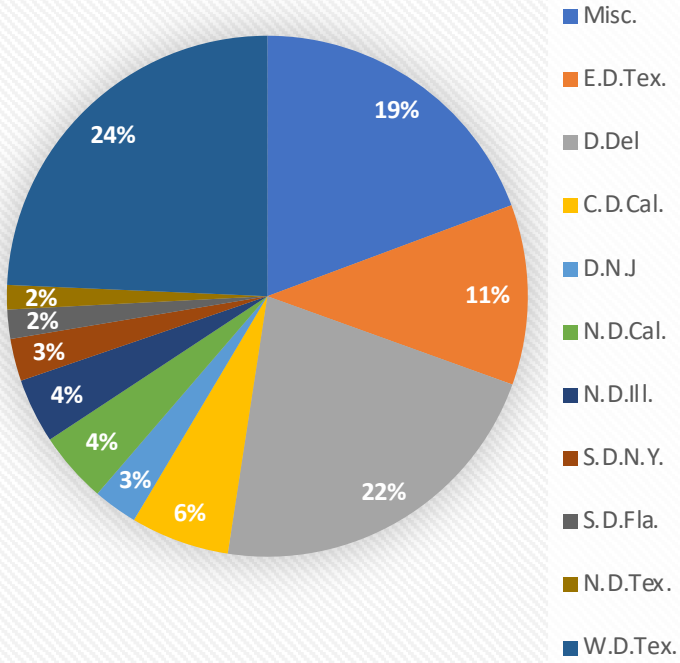
The Rise of the Western District of Texas and Judge Albright's Docket

CASES FILED BY YEAR



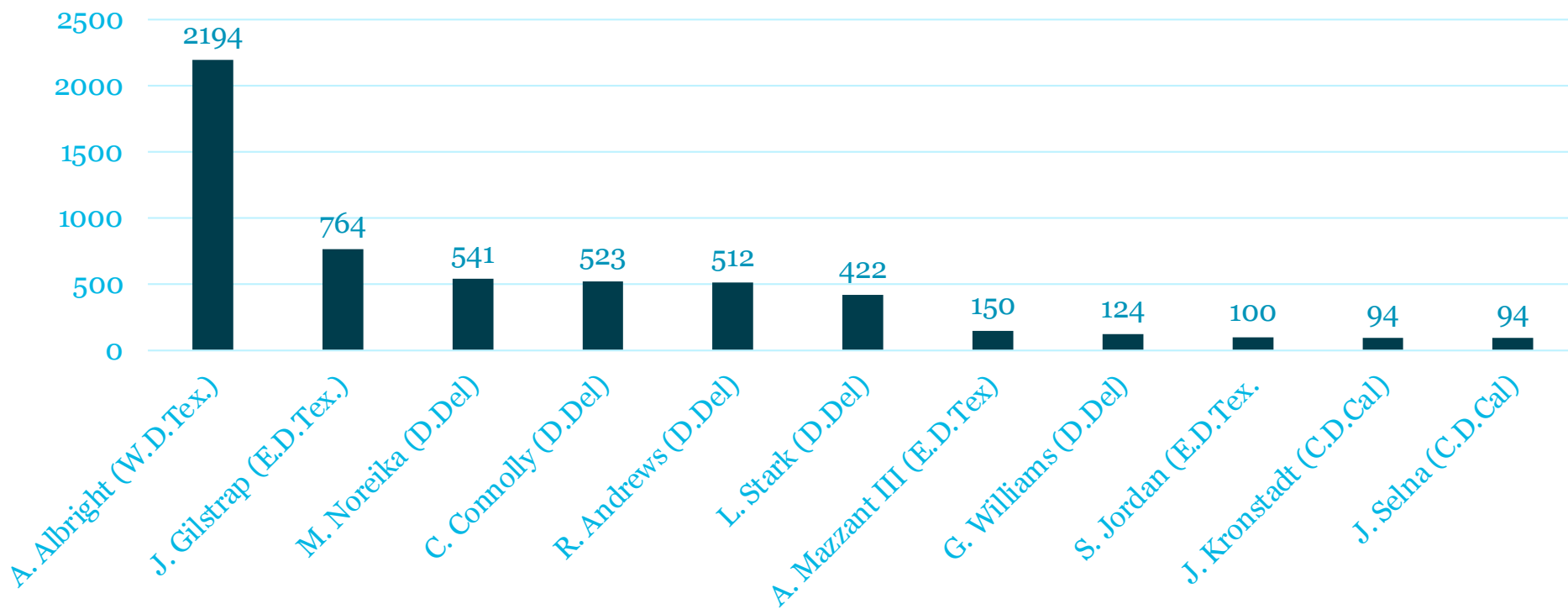
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2021 Patent Filings

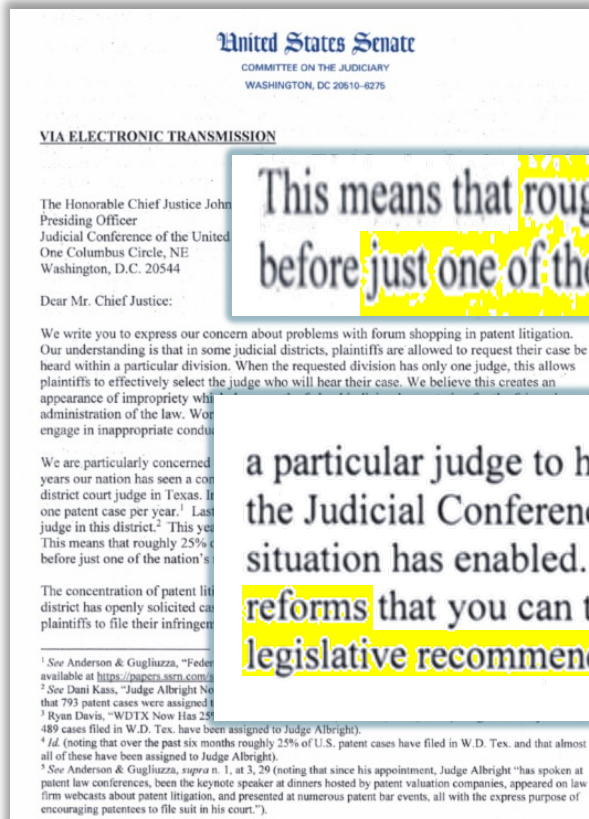


The Rise of the Western District of Texas and Judge Albright's Docket

Patent Filings by Judge (Jan. 2020 – June 2022)



Judge Albright and Response From Senators



This means that roughly 25% of all the patent litigation in the entire United States is pending before just one of the nation's more than 600 district court judges.⁴

a particular judge to hear their case. In order to correct these issues, we request that you direct the Judicial Conference to conduct a study of actual and potential abuses that the present situation has enabled. Additionally, we ask that such a study consider and implement appropriate reforms that you can take to address this issue. Finally, we ask that such a report provide legislative recommendations to ensure this problem does not arise in the future.

Judge Garcia's July 25th Order

FILED

JUL 25 2022

CLERK, U.S. DISTRICT COURT
WESTERN DISTRICT OF TEXAS
BY: LSR DEPUTY

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS

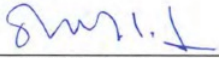
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**ORDER ASSIGNING THE BUSINESS OF THE COURT AS IT RELATES TO
PATENT CASES**

Upon consideration of the volume of new patent cases assigned to the Waco Division, and in an effort to equitably distribute those cases, it is hereby ORDERED that, in accordance with 28 U.S.C. § 137, all civil cases involving patents (Nature of Suit Codes 830 and 835), filed in the Waco Division on or after July 25, 2022, shall be randomly assigned to the following district judges of this Court until further order of the Court.¹

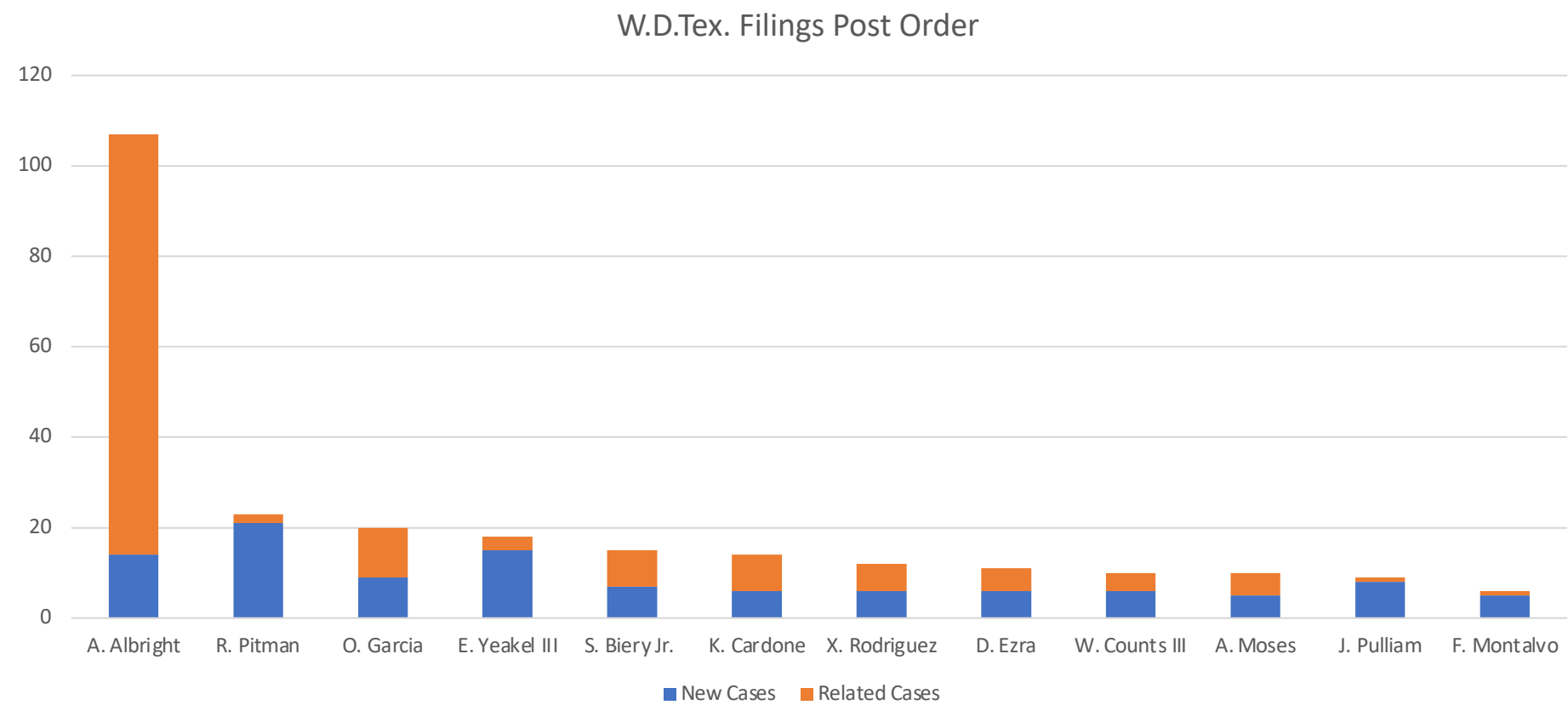
Chief U.S. District Judge Orlando Garcia, San Antonio Division
U.S. District Judge Fred Biery, San Antonio Division
U.S. District Judge Alia Moses, Del Rio Division
U.S. District Judge Lee Yeakel, Austin Division
U.S. District Judge Kathleen Cardone, El Paso Division
U.S. District Judge Frank Montalvo, El Paso Division
U.S. District Judge Xavier Rodriguez, San Antonio Division
U.S. District Judge Robert Pitman, Austin Division
U.S. District Judge David Counts, Midland/Odessa and Pecos Division
U.S. District Judge Alan Albright, Waco Division
U.S. District Judge Jason Pulliam, San Antonio Division
Senior U.S. District Judge David Ezra, San Antonio Division

SIGNED this 25th day of July 2022.

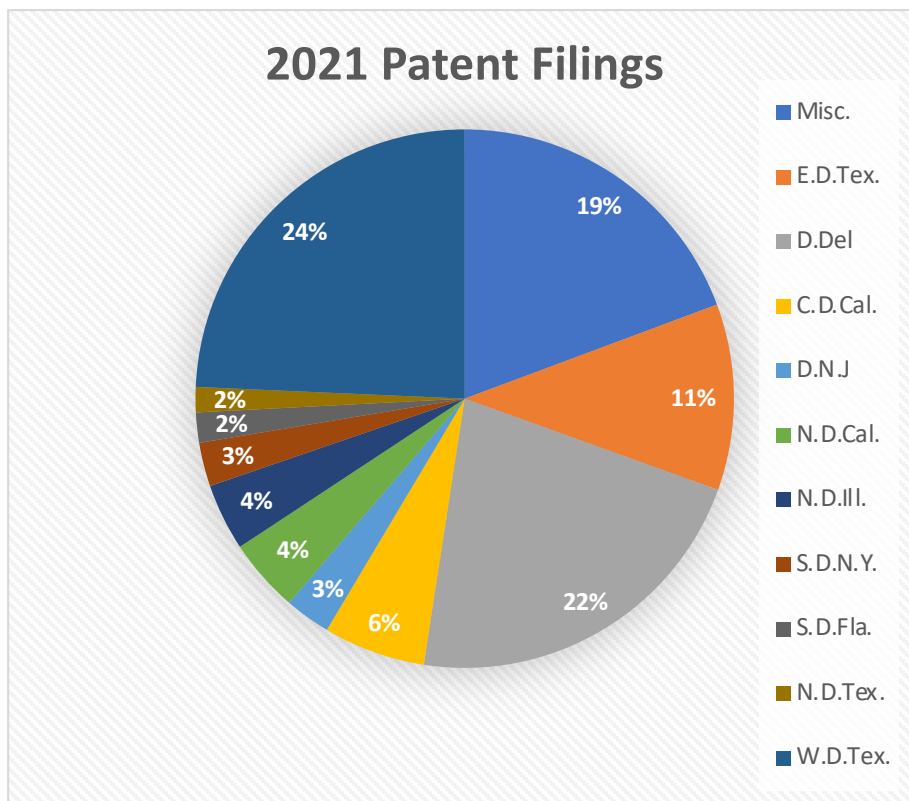
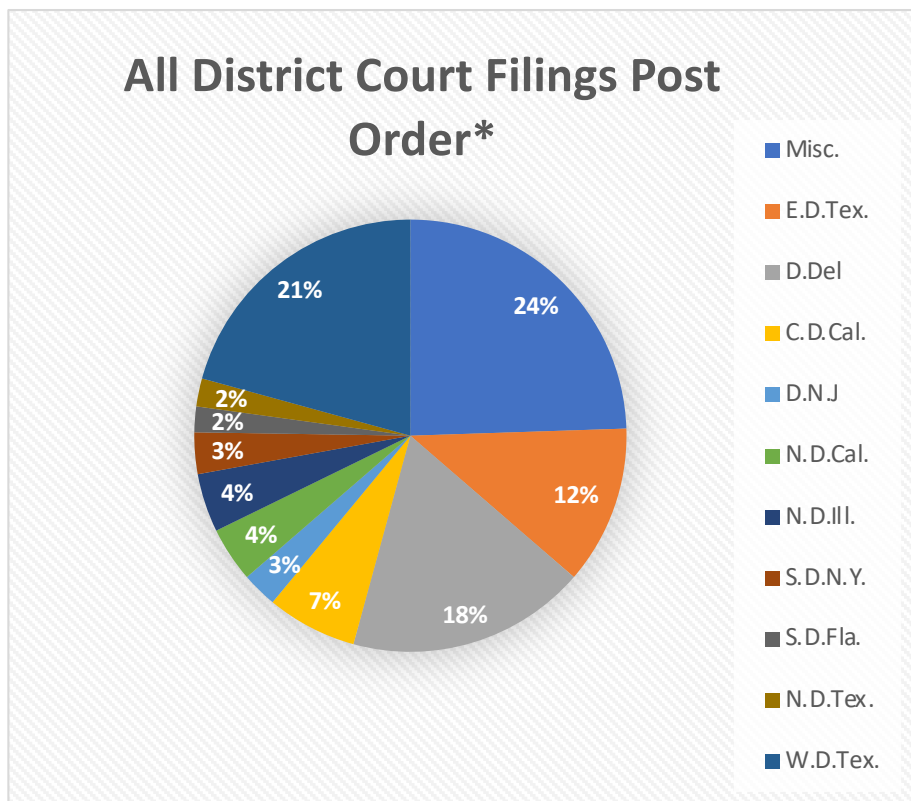

ORLANDO L. GARCIA
CHIEF UNITED STATES DISTRICT JUDGE

¹ With the exception of new patent assignments addressed herein, the Court's 'Amended Order Assigning the Business of the Court' filed on May 10, 2021, remains in full force and effect.

Filing Data Since Judge Garcia’s July 25th Order



Filing Data Since Judge Garcia's July 25th Order



**More than ~50% of WDTX cases are related to previously-filed cases assigned to Judge Albright.*

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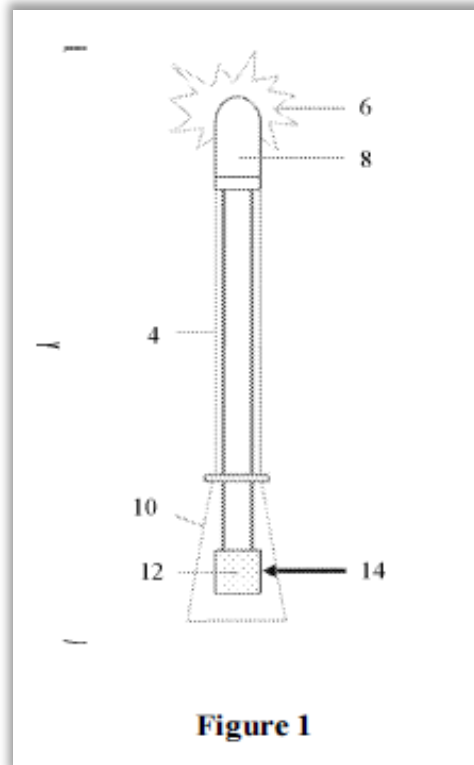
AI Inventorship and Authorship

The DABUS Project

A newer Creative AI paradigm is “DABUS”, wherein controlled chaos combines whole neural nets, each containing simple notions, into complex notions (e.g., inventions). The representation of ideas takes the form of snake-like chains of nets often involving millions to trillions of artificial neurons. Similarly, the consequences sprouting from these notions are represented as chained nets whose formation may trigger the release of simulated reward or penalty neurotransmitters to either reinforce any worthwhile idea or otherwise erase it. As these serpentine forms appear, they are filtered for their self-assessed novelty, utility or value and then absorbed within another net that serves as an interrogatable ‘witness’ of ideas cumulatively developed by the system.

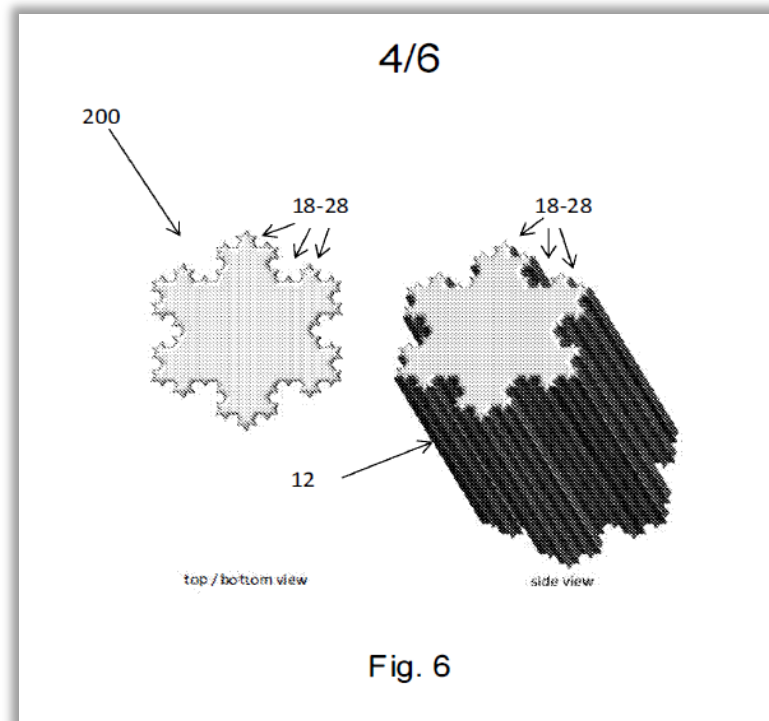
The DABUS Project – Patent Applications

“Device and Method for Attracting Enhanced Attention”



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“Food Container”



The DABUS Project – Patent Applications

Rejected by USPTO

Electronic Patent Application Fee Transmittal

Application Number:

Filing Date:

First Named Inventor/Applicant Name:

[DABUS] [Invention generated by Artificial Intelligence]

First Named Inventor/Applicant Name:

[DABUS] [Invention generated by Artificial Intelligence]



Thaler v. Hirshfeld, 2021 WL 3934803 (E.D. Va. Sept. 2, 2021)



Case 1:20-cv-00903-LMB-TCB Document 34 Filed 09/02/21 Page 1 of 1 PageID# 802

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

STEPHEN THALER,)
)
Plaintiff,)
)
v.) 1:20-cv-903 (LMB/TCB)
)


ANDREW HIRSHFELD, Per
Functions and Duties of th
of Commerce for Intellect
Director of the United Sta
Trademark Office, et al.,
Defendants.

For the reasons stated in
for Summary Judgment [Dkt. N
Judgment [Dkt. No. 18] is DEN
ORDERED that judgme
ORDERED that the Mo
Memorandum Opposing MSJ a
be and is GRANTED.

The Clerk is directed to
Civil Procedure 58, forward cop
counsel of record, and close this

Entered this 2nd day of September, 2021.

Alexandria, Virginia


Leonie M. Brinkema
United States District Judge

Appx0002
Case: 21-2347 Document: 34-1 Page: 5 Filed: 12/03/2021

ORDER

For the reasons stated in the accompanying Memorandum Opinion, Defendants' Motion for Summary Judgment [Dkt. No. 23] is GRANTED and Plaintiff's Motion for Summary Judgment [Dkt. No. 18] is DENIED. Accordingly, it is hereby

ORDERED that judgment be and is entered in favor of defendants; and it is further

Thaler v. Vidal, 43 F.4th 1207 (Fed. Circ. 2022)

Case: 21-2347 Document: 60 Page: 1 Filed: 08/05/2022

United States Court of Appeals
for the Federal Circuit

The sole issue on appeal is whether an AI software system can be an “inventor” under the Patent Act. In resolving disputes of statutory interpretation, we “begin[] with the statutory text, and end[] there as well if the text is unambiguous.” *BedRoc Ltd. v. United States*, 541 U.S. 176, 183 (2004). Here, there is no ambiguity: the Patent Act requires that inventors must be natural persons; that is, human beings.



35 U.S.C. § 100 – Leahy-Smith America Invents Act

PUBLIC LAW 112-29—SEPT. 16, 2011

“(f) The term ‘inventor’ means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.

“(g) The terms ‘joint inventor’ and ‘coinventor’ mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.

Strategic Considerations - Potential “Hole” in U.S. Intellectual Property Regime

For inventions with no appropriate human inventor, consider:

- ***Trade secret protection.***
 - But must be kept secret.

Strategic Considerations - Can an AI Inventor Assign Its Invention?

ASSIGNMENT

DABUS, the Creativity machine that has produced the below-detailed invention, as the sole inventor (represented in this Assignment by its owner, Stephen L. Thaler, hereinafter called the "Assignor"), hereby assigns and transfers to:

Stephen L. Thaler
1767 Waterfall Dr., St. Charles, MO 63303

(hereinafter called the "Assignee"), its successors, assignees, nominees, or other legal representatives, the Assignor's entire right, title, and interest, including, but not limited to, copyrights, trade secrets, trademarks and associated good will and patent rights in the invention and the registrations to the Invention entitled:

DABUS, the Creativity machine that has produced the below-detailed invention, as the sole inventor (represented in this Assignment by its owner, Stephen L. Thaler, hereinafter called the "Assignor"), hereby assigns and transfers to:

(hereinafter called the "Assignee"), its successors, assignees, nominees, or other legal representatives, the Assignor's entire right, title, and interest, including, but not limited to, copyrights, trade secrets, trademarks and associated good will and patent rights in the invention and the registrations to the Invention entitled:

"DEVICES AND

described and claimed in identified as FlashPoint IP any and all inventions and above application(s) and to the rights of priority to a continuation in whole or in phase entries, related thereto including reissues, extensions, applications, the priority rights granted thereon, together with all provisional rights.

Assignor agrees that Assignor represents and covenants with Assignee mortgage, license, or other

In view of the fact that the to execute said assignment Machine, this Assignment the owner of DABUS, the

Similarly, DABUS, being receive any consideration, the receipt and sufficiency

Signed and sealed this 23rd day of July 2019,

Stephen L. Thaler
Stephen L. Thaler
On behalf of DABUS, Assignor
Stephen L. Thaler
Assignee

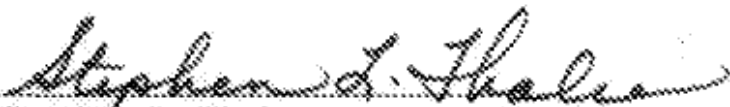
• FlashPoint IP • Where Volatile Ideas Ignite •
• Dr. Reem K. Mounem, LL.M. • IP Management Consultant/Strategic Advisor •
• Registered Patent Attorney • Registered U.S. Patent Agent • e-mail: chris@FlashPointIP.com •
• website: www.FlashPointIP.com • LinkedIn: www.linkedin.com/company/FlashPointIP •
• tel: 972-553-1199 (U.S. line) / 972-62-761-8228 (U.S. toll-free) / 516-301-1649 (U.S. line)

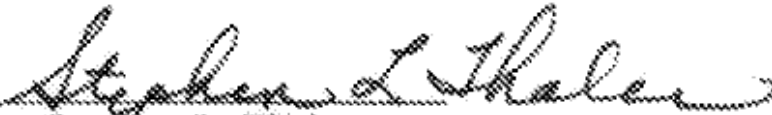
Strategic Considerations – Can an AI Inventor Assign Its Invention?

FlashPoint IP
Where Volatile Ideas Ignite

Similarly, DABUS, being a machine and having no legal personality, does not have the capability to receive any consideration, and therefore, Stephen L. Thaler, as its owner/representative, acknowledges the receipt and sufficiency of good and valuable consideration for this assignment.

Signed and sealed this 23rd day of July 2019,


Stephen L. Thaler
On behalf of DABUS,
Assignor


Stephen L. Thaler
Assignee

Stephen L. Thaler
On behalf of DABUS,
Assignor

Stephen L. Thaler
Assignee

• FlashPoint IP • Where Volatile Ideas Ignite •
• Dr. Rosaura K. Monallem, LL.M. • IP Management Consultant/Strategic Advisor •
• Registered Patent Attorney • Registered U.S. Patent Agent • e-mail: chris@FlashPointIP.com •
• website: www.FlashPointIP.com • LinkedIn: www.linkedin.com/company/FlashPointIP •
• tel: 972-5536-1199 (IL, IN) / 972-672-7611-8228 (IL, OH) / 516-301-1649 (US Int'l) •

Strategic Considerations – How Can an AI Inventor Comply with the Duty of Candor Owed to the U.S. Patent Office During Prosecution?



2001 Duty of Disclosure, Candor, and Good Faith

37 C.F.R. 1.56 Duty to disclose information material to patentability.

[...]

Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section.

[...]

Strategic Considerations – Discovery in Litigation

For inventions with no appropriate human inventor, consider:

- How can an AI inventor be deposed?
- How can an alleged infringer seek discovery from an AI inventor?
- Does attorney client privilege exist with the AI inventor?

AI & Copyright

- On November 8, 2018, Steven Thaler – Copyright Registration for “A Recent Entrance to Paradise” – listing author as the “Creativity Machine.” He noted the Work “was autonomously created by a computer algorithm running on a machine.”
- “[S]eeking to register this computer-generated work as a work-for-hire to the owner of the Creativity Machine.”
- On February 14, 2022 -- Copyright Review Board affirmed the denial of copyright registration, stating copyright law only protects works that are the product of human authorship: **“Human authorship is a prerequisite to copyright protection in the United States.”**



AI & Copyright

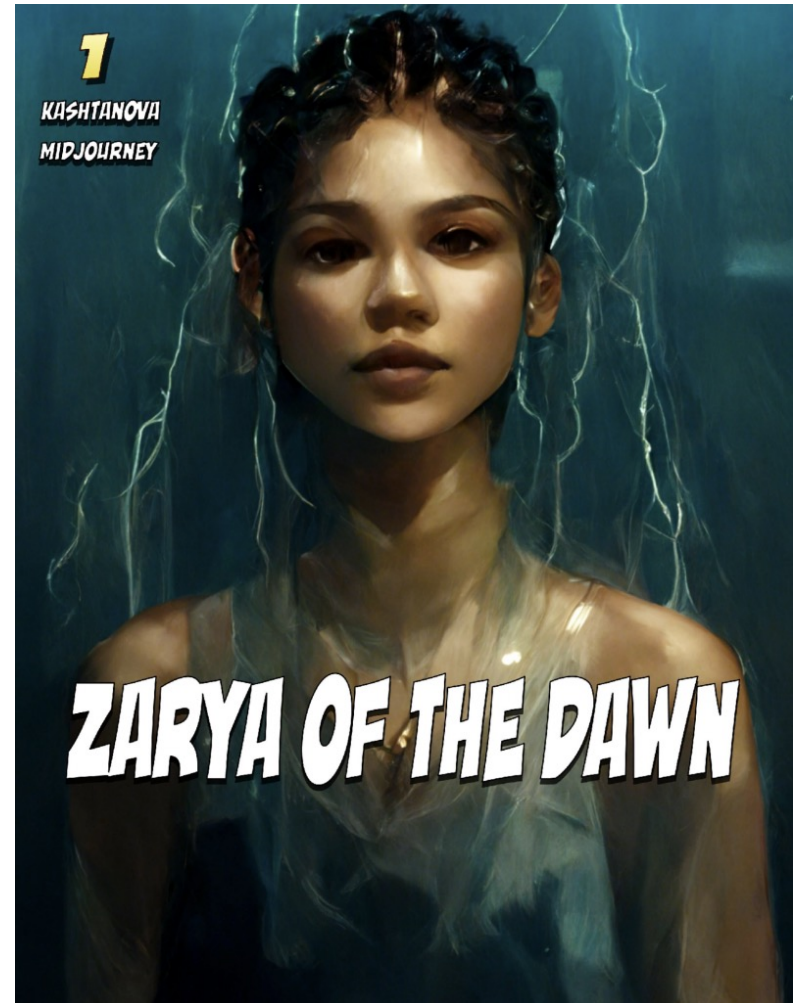
- The Copyright Act affords protection to “original works of authorship” that are fixed in a tangible medium of expression. 17 U.S.C. § 102(a).
- Courts interpreting the Copyright Act, including the Supreme Court, have uniformly **limited copyright protection to creations of human authors**.
- *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 56 (1884):
 - Rejected the argument that a photograph is not the production of “an author,” holding that an author is “he to whom anything owes its origin; originator; maker; one who completes a work of science or literature” and that photographs are “representatives of original intellectual conceptions of [an] author.” *Id.* at 57-59.
 - Court referred to “**authors**” as **human** and described copyright as “**the exclusive right of a man to the production of his own genius or intellect.**” *Id.* at 58.

AI & Copyright

- *Urantia Found v. Kristen Maaherra*, 114 F.3d 955, 957-59 (9th Cir. 1997) – finding a book containing words “authored by non-human spiritual beings” can only gain copyright protection if there is “**human selection and arrangement of the revelations**”
- *Naruto v. Slater*, 888 F.3d 418, 426 (9th Cir. 2018) – **a monkey cannot register a copyright** in photos it captures with a camera
- USPTO sought public comment on AI and copyright and, in its summary of responses, the USPTO noted that “the vast majority of commenters acknowledged that existing law does not permit a non-human to be an author [and] this should remain the law.”

AI & Copyright

- September 2022 -- Kris Kashtanova, a graphic artist received the first known U.S. copyright registration for **artworks created by an AI-image generator**.
- Zarya of the Dawn, a graphic novel/comic book was **assisted by text-to-image generators, but was not wholly made by such programs** (DALL-E and Midjourney). Kashtanova used AI-image generators as a tool to assist the work, but they **wrote the comic book story, designed the layout and made artistic choices**.
- Kashnatova announced on Instagram: “I tried to make a case that we do own copyright when we make something using AI. I registered it as visual arts work. My certificate is in the mail and I got the number and a confirmation today that it was approved. My friend lawyer gave me this idea and I decided to make precedent.”



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Assignor Estoppel

The Doctrine of Assignor Estoppel

Assignor estoppel is an equitable doctrine with roots in English common law that prevents one who has assigned the rights to a patent from later contending that what was assigned is a nullity.

- Two 20th century Supreme Court cases approved assignor estoppel but carved out exceptions:
 1. *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U.S. 342 (1924) (prior art can be used to narrow a patent in claim construction)
 2. *Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U.S. 249 (1945) (assignor estoppel does not bar the defense of practicing an expired patent)
- The Federal Circuit first examined and affirmed the vitality of the doctrine of assignor estoppel in *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220 (Fed. Cir. 1988)
- But since then, the Federal Circuit has held that assignor estoppel applies in every Federal Circuit case addressing the issue.

The Doctrine of Assignor Estoppel

*Operates to bar other parties in **privity** with the assignor, such as a corporation founded by the assignor.*

Privity is a case-specific determination that depends on the equities and the nature of the inventor's role in the new company.

- Courts apply *Shamrock* factors
- See *MAG Aerospace Indus., Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1380 (Fed. Cir. 2016) citing *Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793–96 (Fed. Cir. 1990)

Shamrock Factors:

1. Assignor's leadership role at the new employer;
2. Assignor's ownership stake in the defendant company;
3. Whether defendant changed course to infringing activity after the inventor was hired;
4. Assignor's role in the infringing activities;
5. Whether the inventor was hired to start the infringing operations;
6. Whether the decision to make infringing product was made partly by the inventor;
7. Whether the defendant began making the accused product shortly after hiring the assignor; and
8. Whether the inventor was in charge of the infringing operation.

Minerva Surgical, Inc. v. Hologic, Inc., 141 S. Ct. 2298 (2021)

Holding

- “Assignor estoppel applies when an invalidity defense in an infringement suit conflicts with an explicit or implicit representation made in assigning patent rights,”
- Abrogated *Diamond Scientific* because it “applied the doctrine too expansively.”
- Announced three examples of when assignor estoppel does not apply, but since *Minerva* decision in June of 2021, none of the seven cases citing *Minerva* have applied those exceptions.



Minerva v. Hologic - SCOTUS decision

When does assignor estoppel apply?

5-4 decision, majority opinion by **Kagan**, joined by **Roberts, Breyer, Sotomayor, and Kavanaugh**

“In *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924), this Court approved the ‘well settled’ patent-law doctrine of ‘assignor estoppel.’ That doctrine, rooted in an idea of fair dealing, limits an inventor’s ability to assign a patent to another for value and later contend in litigation that the patent is invalid. The question presented here is whether to discard this century-old form of estoppel. Continuing to see value in the doctrine, we decline to do so. But in upholding assignor estoppel, we clarify that it reaches only so far as the equitable principle long understood to lie at its core. **The doctrine applies when, but only when, the assignor’s claim of invalidity contradicts explicit or implicit representations he made in assigning the patent.**” 141 S. Ct. at 2302.

Minerva v. Hologic – Dissenting Opinions

- **Barrett** joined by **Thomas** and **Gorsuch**
 - The 1952 Patent Act abrogated the doctrine of assignor estoppel altogether
 - Invalidity “shall” be a defense “in any action involving the validity or infringement of a patent.” 35 U.S.C. § 282(b).
 - Assignor estoppel not “a background principle of patent adjudication”
 - 1952 statute contained material change (“patents shall have the attributes of *personal property*”)
- **Alito**
 - The Court should address whether “*Westinghouse . . .*, which recognized assignor estoppel, should be overruled.”
 - Since neither the majority nor the dissent addressed that question – he “would dismiss the writ as improvidently granted.”

Minerva v. Hologic - SCOTUS decision

Assignor estoppel survives, but as a more limited doctrine

- Classic case: inventor **obtains** a patent, assigns it, and later develops a similar product
- “The assignor’s **explicit or ‘implicit representation’** that the patent he is assigning is ‘not worthless ... deprive[s] him of the ability to challenge later the [patent’s] validity.’” 141 S. Ct. at 2305 (quoting *Diamond Scientific*, 848 F.2d at 1224).
- “And the original warranty need not be express; as we have explained, **the assignment of specific patent claims carries with it an implied assurance.**” 141 S. Ct. at 2310.
- Abrogated *Diamond Scientific* that it was irrelevant whether Hologic expanded the assigned claims
- Remanded to the Federal Circuit to address whether Hologic’s new claim is materially broader than the ones Truckai assigned

Minerva v. Hologic - SCOTUS decision

Three examples of situations where an inventor's representations do not conflict with an invalidity defense

1. Employment agreement-type assignments.

- “One example of non-contradiction is when the assignment occurs before an inventor can possibly make a warranty of validity as to specific patent claims. Consider a common employment arrangement. An employee assigns to his employer patent rights in any future inventions he develops during his employment; the employer then decides which, if any, of those inventions to patent. In that scenario, the assignment contains no representation that a patent is valid. How could it? ***The invention itself has not come into being. And so the employee's transfer of rights cannot estop him from alleging a patent's invalidity in later litigation.***” 141 S. Ct. at 2310.

2. A change in the law

- “A second example is when a later legal development renders irrelevant the warranty given at the time of assignment. Suppose an inventor conveys a patent for value, with the warranty of validity that act implies. But the governing law then changes, so that previously valid patents become invalid. **The inventor may claim that the patent is invalid in light of that change in law without contradicting his earlier representation.** What was valid before is invalid today, and no principle of consistency prevents the assignor from saying so.” 141 S. Ct. at 2310.

Minerva v. Hologic - SCOTUS decision

Three examples of situations where an inventor's representations do not conflict with an invalidity defense

3. When the claims at issue are materially broader than the claims assigned

- “Most relevant here, another post-assignment development—a change in patent claims—can remove the rationale for applying assignor estoppel. [T]he assignee, once he is the owner of the application, may return to the PTO to “enlarge[]” the patent’s claims. And the new claims resulting from that process may go beyond what “the assignor intended” to claim as patentable. **Assuming that the new claims are materially broader than the old claims, the assignor did not warrant to the new claims’ validity.** And if he made no such representation, then he can challenge the new claims in litigation: **Because there is no inconsistency in his positions, there is no estoppel.**” 141 S. Ct. at 2310.

Minerva v. Hologic - Remand

- Issue: was Hologic's new claim "materially broader" than the ones Truckai assigned?
 - Minerva's argument: the new claim expanded on what was assigned by covering any applicator head, even ones that are not moisture-permeable
 - Hologic's argument: the asserted claim matched a prior one that Truckai assigned to Novacept
- Every issued and pending claim at the time of the assignment from Novacept to Hologic in 2004 had an express limitation that the applicator head be moisture permeable
- Prosecution claim 31 recited "an electrode array" no explicit permeability requirement
 - Pending from 1998 to 2002
 - Cancelled in 2002 before assignment to Hologic in 2004

Minerva v. Hologic - Remand

Case: 19-2054 Document: 106 Page: 1 Filed: 08/11/2022

United States Court of Appeals
for the Federal Circuit

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CAROLIN
DC; VET
Palo Alto, CA; OLIVIA M. KIM, EDWARD POPLAWSKI, Los An-
geles, CA.

For the reasons below, we hold that claim 1 is not “materially broader” than the claims assigned to Hologic. Accordingly, Minerva is estopped from challenging the validity of claim 1 of the ’348 patent. We therefore affirm the district court’s summary judgment that claim 1 is not invalid. We also reinstate our earlier judgment in all other respects.

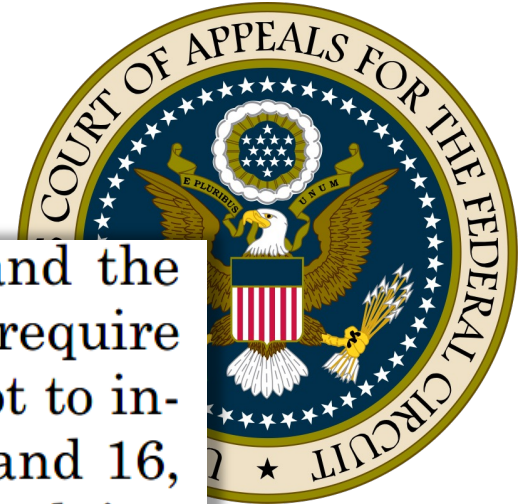


Minerva v. Hologic - Remand

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United States Court of Appeals
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elastic member”). This shows that Mr. Truckai and the other inventors knew how to draft claims that require moisture permeability. The fact that they chose not to include this limitation in claim 31, unlike claims 1 and 16, indicates that they did not intend to so limit that claim. *See Phillips*, 415 F.3d at 1314 (“Differences among claims can also be a useful guide in understanding the meaning of particular claim terms.”).



Strategic Takeaways

- Before litigation
 - No challenge clauses in employment agreement may not provide protection from invalidity challenges
 - Consider new inventor declarations and assignments for each continuation
- In discovery phase of litigation
 - Identify the assignment(s) and inventor declarations(s)
 - Analyze claims pending and issued at time of assignment(s)
 - Analyze post assignment changes to the claims
 - Consider changes in the law (*Alice?*)
- During pre-trial phase
 - Consider MIL to exclude or at least cabin in the testimony of an inventor

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Fair Use Doctrine

How Do You Show Fair Use?

“[T]he **fair use** of a copyrighted work, ... for purposes such as criticism, comment, news reporting, teaching ... scholarship, or research, is **not an infringement** of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.”

17 U.S.C. § 107

The Supreme Court has construed the first factor as asking whether the new work “adds something new, with a further purpose or different character, **altering the first with new expression, meaning, or message**; it asks, in other words, whether and to what extent the new work is **‘transformative.’**”

Campbell, 510 U.S. at 579

The Warhol Case—Background

In December 1981, Goldsmith photographed Prince at her studio while on assignment for *Newsweek*.

Three years later, *Vanity Fair* was doing a piece called “Purple Fame” on Prince’s ascendancy to celebrity. It commissioned Warhol to create art depicting Prince to accompany the article and licensed one of Goldsmith’s photos as an artist reference for Warhol.

Warhol made 16 works based on that photo (collectively, the “Prince Series”). *Vanity Fair* used one as its cover, with an attribution to Goldsmith.



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The Prince Series & “Orange Prince”

After Prince died in 2016, Condé Nast published a commemorative magazine titled “The Genius of Prince.” Its cover was “Orange Prince,” a different one of the Prince Series works licensed from the Andy Warhol Foundation (“AWF”).



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The Warhol Case—The District Court

After the Condé Nast article, Goldsmith contacted AWF, claiming that the Prince Series infringed her copyright.

AWF filed a declaratory judgment action seeking, among other things, a judgment that (1) none of the works in the Prince Series used copyrightable elements of Goldsmith’s 1981 photograph; and (2) the Prince Series is protected as fair use. Goldsmith filed counterclaims for copyright infringement implicating all of the Prince series.

On cross motions for **summary judgment**, the district court granted AWF’s motion, holding that all of the Prince series works were **protected by fair use**. For purposes of the first fair use factor, the court found that the Prince Series was “**transformative as a matter of law**” because it had a “**communicative result[]**” **distinct from the Goldsmith photo** and thus provided the “**new expression, meaning, or message**” **needed to satisfy Campbell**. The court also held that factors two through four weighed in favor of AWF.

Andy Warhol Found. of the Visual Arts, Inc. v. Goldsmith, 382 F.Supp.3d 312, 325-31 (S.D.N.Y. 2019) (quoting *Campbell*, 510 U.S. at 579)

The Warhol Case—The Second Circuit

The Second Circuit reversed, finding Goldsmith’s photograph and Warhol’s Prince Series expressed different messages. But it then held that the Prince Series was **not transformative** based on three interrelated holdings.

- First, the panel categorically **barred courts from assessing a follow-on work’s meaning or message**, holding that “the district judge should not assume the role of art critic and seek to ascertain the intent behind or meaning of the works at issue.”
- Second, in the panel’s view, “the secondary work’s **transformative purpose character must, at a bare minimum, comprise something more than the imposition of another artist’s style on the primary work** such that the secondary work remains both recognizably deriving from, and retaining the essential elements of, its source material.”
- Third, the panel found that the Warhol work had the same purpose as the Goldsmith photo: “there can be no meaningful dispute that the **overarching purpose and function of the two works at issue here is identical**, not merely in the broad sense that they are created as **works of visual art**, but also in the narrow but essential sense that they are **portraits of the same person**.”

The Second Circuit also found the other three fair use factors weighed in favor of Goldsmith.

The Warhol Case—SCOTUS

The Supreme Court granted certiorari on a narrow question related to only the first fair use factor: **“Whether a work of art is ‘transformative’ when it conveys a different meaning or message from its source material..., or whether a court is forbidden from considering the meaning of the accused work where it ‘recognizably deriv[es] from’ its source material...”**

Petitioner Br. at i; Respondent Br. at (I)

AWF argued that the first factor “transformativeness” inquiry should focus on what the new work *means*, not how much it resembles the original. In other words, a follow-on work is **transformative if it can “reasonably be perceived as communicating a new meaning or message.”**

Petitioner Br. at 30, 33

Goldsmith argued that the first factor “inquiry examines whether new uses **copy original works out of necessity, or instead supersede them.**” The “purpose” is different for the follow-on work “where copying is **necessary to some distinct creative end.**”

Respondent Br. at 21

The **government** argued that for the first factor, the second work’s “purpose” is different if “some copying of the original [is] **necessary or at least useful in making the second author’s own expression clearer and more effective.**”

Gov’t Amicus Br. at 10 (emphasis added)

The Warhol Case—Supreme Court Oral Argument

At oral argument, the justices seemed concerned with line-drawing issues on both sides.

For AWF, the justices asked several questions about derivative works and how the free-standing meaning-and-message test would apply in those cases. Specifically, the justices asked why factor one would not often weigh in favor of secondary derivative works being fair use under AWF's test, even though the Copyright Act explicitly allows copyright holders the right to derivative works.

For Goldsmith, the justices questioned why the copying must be strictly “necessary” for factor one to weigh in favor of fair use. They used examples such as Warhol's Campbell's soup cans, asking why those were necessary. Couldn't Warhol have used some other commercial product, such as Cheerios? Justices also asked why sending a different message could not be indicative of a different purpose.

The Warhol Case—Implications

As the Supreme Court's first non-software fair use decision since 1994, this case will have far-reaching implications regardless of how it comes out.

The hope is for direction leading to more predictable analysis of whether a new work sufficiently alters the nature of an old one to be fair use.

As explained in the WSGR amicus brief filed on behalf of artists, a test that does not allow artists to copy in furtherance of a different meaning would greatly curtail artistic expression and any unclear test would chill artists' expression.

On the other hand, a test that relies too heavily on meaning-and-message to the exclusion of other factors could inadequately protect copyrights, which—by statute—cover derivative works.

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Trade Secret Misappropriation Damages

Trade Secret Damages – UTSA & DTSA

Damages for trade secret misappropriation include both the “**actual loss** caused by [the] misappropriation and the **unjust enrichment** caused by [the] misappropriation that is not taken into account in computing actual loss.”

“In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a **reasonable royalty** for a misappropriator’s unauthorized disclosure or use of a trade secret.”

UTSA § 3(a); 18 USCA § 1836(b)

Increasing Flexibility In Measurement of Unjust Enrichment Damages

- “Simply put, there is no single way to measure the benefit conferred on a defendant; the measurement is context dependent. The important considerations are that a judge or jury calculates **the benefit to the defendant**—not the loss to the plaintiff—and that this calculation is done with reasonable certainty.”

Epic Sys. Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117, 1130 (7th Cir. 2020).

Increasing Flexibility In Measurement of Unjust Enrichment Damages

- Defendant's profits
- Defendant's avoided development costs, such as avoided research and development costs
 - May consider Plaintiff's research and development costs as a "proxy" for Defendant's costs with appropriate adjustments
- The value of Defendant's head start in its operation, development, competition etc.

Appian v. Pegasystems – Who Has the Burden of Proof?

- May 9, 2022 – Jury awarded Appian **\$2.036 Billion** in unjust enrichment damages under the Virginia UTSA
- Virginia UTSA: damages include “unjust enrichment caused by the misappropriation” – but who has the burden to prove which of the defendant’s sales were caused by the misappropriation?
- Restatement: “The **plaintiff** is entitled to the defendant’s net profits from the sales of goods incorporating the trade secret ... [and **only**] **bears the burden of establishing sales**; the defendant has the burden of establishing deductible expenses and any sales not attributable to the use of the trade secret.”
- Supreme Court of Virginia has held that a trade secret plaintiff bears the burden of proving that its damages were proximately caused by the wrongful conduct.

Apportionment Considerations

- “Relevant California authority does not require an apportionment of damages....BladeRoom could argue that ... the misappropriation of any of the asserted trade secrets would have caused all of the damages it sought.”

BladeRoom Grp. Ltd. v. Emerson Elec. Co., 2018 WL 3707285 (N.D. Cal. Aug. 3, 2018)

- After Plaintiff alleged 11 trade secrets were misappropriated, but jury found 5 were misappropriated and only 1 resulted in unjust enrichment damages, the court vacated the jury’s award of \$12 Million in damages on the grounds that the Plaintiff failed to prove damages for the 1 trade secret that had been misappropriated. Since the Plaintiff’s damages expert “provided the jury with a damages calculation based on an assumption that all of the trade secrets were misappropriated,” the jury was “then left without sufficient evidence, or a reasonable basis, to determine the unjust enrichment damages.”

O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc., 399 F. Supp. 2d 1064, 1076-77 (N.D. Cal. 2005)

Apportionment Considerations

- Required apportionment among trade secrets
 - Where bell-weather trial would be on fewer than all of the alleged trade secrets
 - Court found insufficient evidence to support plaintiff's claim that apportionment was unnecessary because each trade secret was "independently necessary to achieve the benefit of the software"
- Allowed jury to decide
 - Finding failure to apportion not fatal where expert testified that it was not possible to apportion because the trade secrets were all integral to the product
 - Finding exclusion for failure to apportion premature and question for the jury
- Vacated damages award
 - Where no basis to conclude that remaining basis for liability on appeal supports the entire damages award
- Required apportionment between legitimately acquired benefits and trade secrets, applying principles from patent law, including the Entire Market Value Rule

Presenters



Amy Candido
Partner
IP Litigation
acandido@wsgr.com
D: 415-947-2043



Jordan Jaffe
Partner
Patent Litigation
jjaffe@wsgr.com
D: 415-947-2171