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TRADEMARK

Defense preclusion at issue in 'Lucky' trademark tiff before Supreme Court

By Patrick H.J. Hughes

Two apparel companies using "Lucky" trademarks squared off Jan. 13 before the U.S. Supreme Court over what circumstances allow the doctrine of defense preclusion to apply, and attorneys predict the outcome will affect cases outside the intellectual property realm.

Lucky Brand Dungarees Inc. et al. v. Marcel Fashions Group Inc., No. 18-1086, oral argument held, 2020 WL 136777 (U.S. Jan. 13, 2020).

Lucky Brand Dungarees Inc. says the doctrine, which bars defendants from relitigating defenses that were asserted or could have been asserted in a prior case between the parties, should not bar its defense to Marcel Fashions Group Inc.'s trademark infringement allegations.

While Lucky Brand opted out of presenting the defense in a 2005 action, it says it should not have been precluded from doing so in 2011, when Marcel raised new claims in the long-running trademark dispute.



REUTERS/Fred Prouser

Shoppers walk by a Lucky Brand Jeans store in Glendale, California. The U.S. Supreme Court on Jan. 13 heard oral argument in the jeans company's trademark dispute against Marcel Fashions Group Inc.

Marcel says long-standing principles have restricted litigants from waging rematches after

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EXPERT ANALYSIS

California's landmark ban on reverse payments: Legal concerns and practical implications

Troutman Sanders attorneys Charan Brahma and Craig Crockett discuss California's controversial new statute banning "pay for delay" deals in which generic drugmakers receive payment or other incentives to postpone developing or selling a generic version of a drug.

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Westlaw Journal Intellectual Property

Published since August 1989

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Westlaw Journal Intellectual Property

(ISSN 2155-0913) is published biweekly by

Thomson Reuters.

Thomson Reuters

610 Opperman Drive, Eagan, MN 55123

www.westlaw.com

Customer service: 800-328-4880

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California's landmark ban on reverse payments: Legal concerns and practical implications

By **Charan Brahma, Esq., and Craig Crockett, Esq.**
Troutman Sanders

California recently became the first U.S. state to enact legislation to curb reverse payment, or “pay for delay,” litigation settlements in the pharmaceutical and biologics industries. Because of the importance of California as a market, the statute, referred to as Assembly Bill 824, has the potential to significantly deter settlements of patent infringement lawsuits across the country in cases involving pharmaceutical and biologic inventions.

other incentives are often used) to delay market entry until a specified date, avoiding further costs and risks of litigation.

California AB 824¹ took effect Jan. 1. It provides that a settlement where the accused infringing generic or biosimilar applicant “receives anything of value” in exchange for delayed market entry is presumptively anti-competitive, subject to limited exemptions

The Biologics Price Competition and Innovation Act, 42 U.S.C.A. § 262, similarly provides a mechanism for a reference product sponsor to file suit for infringement against the biosimilar applicant filing an abbreviated biologic license application.

Since a lawsuit is generally filed before FDA approval, the generic or biosimilar applicant has no competing product on the market and the brand has suffered no actual monetary damages at the time of suit.

By encouraging premarketing suits, these mechanisms minimize the financial risk to both the generic or biosimilar applicant and the brand manufacturer because, irrespective of the outcome of any patent litigation, the parties can litigate the patents before the generic or biosimilar becomes liable for substantial monetary damages or the brand irretrievably loses market share or pricing power.

Regardless of the outcome of any patent litigation, generics and biosimilars encounter little risk when they challenge patents — and they have an economic incentive to do so.

On the other hand, brands face high risk and have an economic incentive to enforce patents. The U.S. market for prescription drugs in 2018 was approximately \$344 billion.² Only a small fraction of potential products achieve FDA approval, and companies regularly spend well over a decade and billions of dollars to develop an FDA-approved product.³

Patents are critical to protect that investment by allowing the patent holder a lawful monopoly to exclude generic and biosimilar competitors beyond the relatively short periods of exclusivity granted by the FDA.

A brand's sales decline precipitously upon introduction of a competitor to the market. The prices of medicines plunge by about 50% in the first year after generic entry and up to about 80% within five years.⁴ A generic is preferentially dispensed to patients 97% of the time when available.⁵

Only a small fraction of potential products achieve FDA approval, and companies regularly spend well over a decade and billions of dollars to develop an FDA-approved product.

To the extent the law survives constitutional challenges, parties must plan at the outset of litigation and at the point of settlement to avoid an enforcement action by the California attorney general or private litigants who might seek to rely on an alleged violation as a predicate for antitrust or consumer rights actions.

BACKGROUND

Reverse payment settlements provide a practical means to settle patent litigation regarding a proposed generic pharmaceutical or biosimilar. Typically, the patent holder pays the alleged infringer money (although

and exceptions. Penalties for violating the law can exceed \$20 million.

Under the Hatch-Waxman Act, 21 U.S.C.A. § 355, an applicant seeking Food and Drug Administration approval of a generic pharmaceutical commonly certifies that it does not infringe any valid patent listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations publication, known as the Orange Book.

The brand company holding the new drug application for the reference-listed drug must sue for patent infringement within 45 days of being notified of the generic application in order to stay the FDA's approval.



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It is therefore unsurprising that, even where the brand views its patent portfolio as strong, settlement agreements in this industry can result in payments by the brand because they buy the brand peace for a shortened period of time before the expiration of the patent, and the generic or biosimilar still gains otherwise early entry to the market.

CALIFORNIA AB 824

California AB 824 is intended to disrupt this dynamic and discourage reverse payment settlements. The settlement of a patent infringement claim is deemed presumptively anti-competitive if a generic or biosimilar applicant receives anything of value in exchange for agreeing to delay research, development, manufacturing, marketing or sale of the product for any period of time.

The California attorney general may enforce the law against any party that violates it or assists in the violation. Violators may be liable for three times the value of the consideration based on California's share of sales for the drug, or \$20 million, whichever is greater.

An enforcement action must be brought within four years after the cause of action accrues, which one assumes is on the date of execution or effective date of the settlement agreement.

into a reverse payment settlement without violating the statute.

EXEMPTIONS

The law exempts from "anything of value" certain types of consideration paid by the brand reference drug holder.

One notable exemption is if the accused infringer is compensated only for "saved reasonable future litigation expenses" of the reference drug holder, but only if:

- The amount of saved litigation expenses is reflected in budgets the reference drug holder adopted at least six months before the settlement.
- The compensation does not exceed the lower of \$7.5 million⁶ or 5% of the revenue that the nonreference drug holder projected it would receive in the first three years of sales of the brand version of the drug documented at least 12 months before the settlement, or \$250,000, if no projections are available.

This exemption is important to the current landscape of reverse payment settlements, where the majority of agreements contain payment in the form of litigation fees that often range between \$250,000 and \$7 million.⁷

Consideration of patent validity may inform the inquiry of causation when analyzing an antitrust claim and the expected competition that would have arisen in the absence of a settlement agreement.

By identifying reverse payment settlement agreements as violative of California law, the new law also appears to open litigants up to private actions under other state statutes, including the Cartwright Act, Cal. Bus. & Prof. Code § 16700; the Unfair Practices Act, Cal. Bus. & Prof. Code § 17000; or the unfair-competition law, Cal. Bus. & Prof. Code § 17200.

AB 824 defines "anything of value" broadly to mean not just monetary payments (above certain caps), but also to include an exclusive license or a promise that the brand company will not launch an authorized generic version of its own brand drug.

It also provides narrow but important exemptions and exceptions that litigants will need to adhere to if they want to enter

To qualify for this exemption, it will be important for the reference drug holder to maintain reasonable budgets throughout litigation. Further, while it is already common practice, the nonreference drug holder should prepare reasonable three-year revenue projections, ideally before litigation commences. Importantly, this provision favors earlier settlement as litigation cost savings decrease over time.

Additional exemptions from "anything of value" under the statute are:

- Market entry before the expiration of patent or statutory exclusivity (e.g., without monetary payment to the accused infringer).⁸
- A covenant not to sue.

- Permitting a nonreference drug filer to launch its product if the reference drug holder seeks approval or launches a different dosage, strength or form of the reference drug, other than an authorized generic, with the same active ingredient before the date set by the agreement for entry of the nonreference drug filer.
- An agreement to either facilitate or not interfere with the nonreference drug filer's ability to obtain approval.
- Forgiving damages accrued by a nonreference drug holder for an at-risk launch of the generic drug product at issue.

EXCEPTIONS

AB 824 also provides that a reverse payment settlement agreement does not violate the statute if the parties can demonstrate by a preponderance of the evidence that either of the following exceptions is met:

- The value received by the generic drug application filer is a "fair and reasonable compensation" for other goods or services that the nonreference drug filer has agreed to provide.
- The agreement has directly yielded procompetitive benefits, and the agreement's procompetitive benefits outweigh its anti-competitive effects.

This latter exception may provide room for parties to continue entering into more creative settlements, such as manufacturing, supply, distribution, marketing or packaging agreements. Further, the parties may continue to argue that a particular reverse payment settlement agreement has greater procompetitive benefits. In either event, California's law shifts the burden to the settling parties to justify the agreement.

CONSTITUTIONAL AND FEDERAL PREEMPTION ISSUES

Several aspects of AB 824 appear subject to challenge on constitutional and federal preemption grounds, particularly as private parties attempt to use the new law as a basis for private suits under other California statutes.

One apparent argument is that the law violates the extraterritoriality principle as it relates to the dormant commerce clause of the U.S. Constitution.⁹

"When a state statute directly regulates or discriminates against interstate commerce, ... [the Supreme Court has] generally struck down the statute without further inquiry."¹⁰

On its face, AB 824 directly regulates interstate commerce in drugs by dictating permissible terms of settlement of out-of-state litigation based on potential delays in out-of-state sales of products covered by federally issued patents. To the extent private litigants attempt to rely on AB 824, defendants are even more likely to raise challenges to the validity of AB 824.

Likewise, retroactive application of the statute would arguably violate the contracts clause of the U.S. Constitution.

Typically, the question of whether a state statute violates the contracts clause is evaluated using a three-part test: whether there is a preexisting contractual obligation; whether the legislation imposes a "substantial impairment"¹¹; and if there is an impairment, whether the legislation is "reasonable and necessary to serve an important public purpose."¹²

Even if controlling drug pricing constitutes an important public purpose, it is unclear whether this legislation — which impairs the ability of parties to contractually settle litigation claims — is reasonable and necessary to serve that purpose.

The statute also appears to directly contradict federal patent law by requiring that the fact-finder "shall not presume" that "any patent is enforceable and infringed ... in the absence of a final adjudication binding on the filer of those issues."

While an antitrust fact-finder generally need not consider patent validity,¹³ that is not universally the case, and it is unclear whether precluding the fact-finder from presuming patent validity runs afoul of the U.S. Constitution's patent and copyright clause, U.S. Const. art. I, § 8, cl. 8, and the presumption of validity for duly issued patents under Section 282 of the Patent Act, 35 U.S.C.A. § 282.

Consideration of patent validity may inform the inquiry of causation when analyzing an antitrust claim and the expected competition that would have arisen in the absence of a settlement agreement. Further, at least some courts have observed that patent validity issues are appropriately considered

under certain circumstances within the antitrust context.¹⁴

Rather than a bright-line rule banning the fact-finder from ever presuming validity, the U.S. Supreme Court could require a more nuanced approach that allows the presumption to be considered under proper circumstances.

The California law also imposes other presumptions that appear to contradict federal case law. For example, the law requires that the fact-finder "shall presume" the relevant product market includes only the branded drug product and its AB-rated generic substitutes.

This potentially contradicts federal antitrust law in the pharmaceutical arena.¹⁵ However, because the law only imposes a rebuttable evidentiary presumption and does not directly contradict a federal statute, it is arguably not preempted by federal antitrust laws.

KEY TAKEAWAYS

California AB 824 will increase scrutiny over reverse payment settlement agreements and may lead to an increase in related antitrust and consumer rights litigation in California.

Depending on how it is enforced, the statute has the potential to upset the carefully balanced frameworks under Hatch-Waxman and the Biologics Price Competition and Innovation Act, causing litigation to revert to post-entry litigation and potentially large damages awards that previously dissuaded generic drugmakers from challenging patents on blockbuster drugs.

The legislation is likely to be challenged on constitutional and federal preemption grounds. Indeed, at least one association representing generic drug manufacturers has already sued the state over the constitutionality of AB 824 and sought (unsuccessfully, for now) to preliminarily enjoin its enforcement. *Ass'n for Accessible Meds. v. Becerra*, No. 19-cv-2281, *complaint filed*, 2019 WL 6001779 (E.D. Cal. Nov. 12, 2019).

The court denied a preliminary injunction primarily on the grounds that it was premature to determine whether the law would be enforced in an unconstitutional manner. However, it also indicated the plaintiff could "seek[] another preliminary injunction should certain facts develop and/

or certain claims become ripe." *Ass'n for Accessible Meds. v. Becerra*, No. 19-cv-2281, 2019 WL 7370421 (E.D. Cal. Dec. 31, 2019).

The court's reasoning suggests that the constitutionality of the new law in light of the dormant commerce clause may only be properly considered in the context of "a currently pending reverse payment settlement negotiation in which the parties would not settle as a result of AB 824 or feared prosecution under AB 824."

But in rejecting that argument for the time being, the court also warned that "if the attorney general were to enforce the terms of AB 824 against two out-of-state parties that entered into a settlement agreement outside of California, having nothing to do with California, such conduct would likely violate the dormant commerce clause."

The court also rejected the association's preemption arguments as "too speculative for the court to find one way or another that AB 824 will frustrate or further the aims of the Hatch-Waxman Act."

Notably though, the court's ruling rests largely on the plaintiff's failure to identify a specific provision of AB 824 that ostensibly contradicts federal patent law. In addition, the plaintiff did not squarely raise the law's prohibition on the presumption that an issued patent is enforceable.

Finally, the court held that AB 824 did not appear to violate due process, because like federal antitrust laws, it provides settling companies meaningful opportunities to rebut the presumption that a particular reverse payment settlement has procompetitive effects.

The court's decision leaves open whether AB 824 will be enforceable when faced with more developed facts surrounding an actual attempt by the California attorney general to enforce it.

In the meantime, reference and nonreference drug manufacturers should consider ways to structure reverse payment settlement agreements to avoid the prohibitions of the statute.

For example, a reverse payment settlement that does not explicitly delay generic or biologic entry, but instead attaches a high royalty reflective of the brand's anticipated losses to pre-expiration sales, may arguably not violate the statute even though it may have the same ultimate market effect.

At the very least, reference drug holders considering patent litigation should plan to document and adopt litigation budgets and nonreference drug holders should prepare three-year revenue projections well in advance of any potential settlement to take advantage of the litigation savings exemption.

Parties should continue to consider settlements where the nonreference drug filer is compensated "solely for other goods or services."

Parties should approach internal and external communications and analysis regarding litigation that may be settled with a focus on procompetitive considerations.

WJ

NOTES

¹ Cal. Health & Safety Code, Div. 114.01 (Preserving Access to Affordable Drugs), § 134000.

² IQVIA Inst. for Human Data Sci., "Medicine Use and Spending in the U.S." (May 2019, summary available at <https://bit.ly/34yQIAd>)

³ Joe Kennedy, "The Link Between Drug Prices and Research on the Next Generation of Cures,"

Info. Tech. & Innovation Found. (Sept. 9, 2019) at <https://bit.ly/36YBAOB>.

⁴ IMS Inst. for Healthcare Informatics, "Price Declines after Branded Medicines Lose Exclusivity in the U.S." (Jan. 2016) at <https://bit.ly/2Ey9gGI>. Biosimilars are trending upward on market share when accessible, being dispensed 31% of the time when accessible in Q4 2018. IQVIA Inst. for Human Data Sci., "Medicine Use and Spending in the U.S." (May 2019, summary available at <https://bit.ly/34yQIAd>).

⁵ *Id.*

⁶ This amount is consistent with the Federal Trade Commission's recent statement that its "consent settlements often include an exception for avoided litigation fee payments under \$7 million." "Then, now, and down the road: Trends in pharmaceutical patent settlements after FTC v. Actavis" (May 28, 2019), <https://bit.ly/2NmE6Xv>.

⁷ "Agreements Filed with the Federal Trade Commission Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003: Overview of Agreements Filed In Fiscal Year 2016: A Report By the Bureau of Competition" (May 2019), <https://bit.ly/34zqPkq>.

⁸ Brands settle without "any compensation" to the generic approximately 80% of the time. See *id.*

⁹ See, e.g., *Ass'n for Accessible Meds. v. Frosh*, 887 F.3d 664, 666 (4th Cir. 2018) (holding Maryland statute on sale of prescription drugs violated dormant commerce clause).

¹⁰ *Brown-Forman Distillers Corp. v. N.Y. State Liquor Auth.*, 476 U.S. 573, 579 (1986).

¹¹ *Energy Reserves Grp. v. Kan. Power & Light Co.*, 459 U.S. 400, 411-12 (1983); *Allied Structural Steel Co. v. Spannaus*, 438 U.S. 234, 244-45 (1978).

¹² *U.S. Trust Co. v. New Jersey*, 431 U.S. 1, 22-27 (1977).

¹³ *Fed. Trade Comm'n v. Actavis Inc.*, 570 U.S. 136, 157 (2013) ("it is normally not necessary to litigate patent validity to answer the antitrust question").

¹⁴ See, e.g., *In re Nexium (Esomeprazole) Antitrust Litig.*, 842 F.3d 34, 63 (1st Cir. 2016) ("The district court thus did not err by requiring some evidence of the patents' invalidity or noninfringement before allowing the plaintiffs to pursue an at-risk launch theory").

¹⁵ See, e.g., *Mylan Pharm. Inc. v. Warner Chilcott PLC*, 838 F.3d 421, 437 (3d Cir. 2016) ("given the high degree of interchangeability and cross-elasticity demonstrated in the record, we agree with the district court that the relevant market consisted of Doryx and other oral tetracyclines prescribed to treat acne").

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Apple Watch infringes pulse-monitoring patents, suit says

By Patrick H.J. Hughes

The Apple Watch monitors pulse rates and oxygen levels in blood with “non-invasive technology” that infringes 10 patents, a California medical device company says in a federal court complaint.

Masimo Corp. et al. v. Apple Inc., No. 20-cv-48, complaint filed, 2020 WL 113810 (C.D. Cal. Jan. 9, 2020).

Masimo Corp. filed the suit Jan. 9 in the U.S. District Court for the Central District of California, saying Apple started using infringing technologies after the two companies met over the possibility of integrating health measurement capabilities into Apple products.

In addition to misappropriating trade secrets and infringing patents, Apple poached Masimo employees who later filed applications with the Patent and Trademark Office on behalf of Apple to obtain patents for devices they had invented while employed by Masimo, the suit says.

Masimo wants its name listed as inventor on several patents the PTO granted to Apple and seeks a judicial declaration that it is the proper owner of technologies described in pending applications that were filed by a former Masimo employee who is now at Apple.

SUIT: APPLE TOOK ‘KEY MASIMO PERSONNEL’

Irvine, California-based Masimo says in the complaint that it has “revolutionized non-invasive monitoring of physiological parameters.”

Founded in 1989, Masimo says it has invented devices that transmit light through body tissue to measure various components

in the body, including oxygen cells and other elements in blood, as well as blood pressure.

Masimo spun off a part of its operations in 1998 to form what later became Cercacor Laboratories Inc., which joined Masimo in filing the suit against Apple.

Masimo and Cercacor carefully guard their research and other confidential information and required Apple to sign a confidentiality agreement when the companies in 2013 discussed a potential licensing deal, according to the lawsuit.

Instead of collaborating, Apple hired Masimo’s chief medical officer and recruited other “key Masimo personnel” shortly after the 2013 meetings, the suit says.

Apple released its first version of its Apple Watch in 2014 and later included physiological measurement devices that had “significant performance issues,” the suit says.

The lawsuit says Apple resolved these performance problems by copying Masimo’s patented technology for the series 4 and 5 versions of the Apple Watch, released in 2018 and 2019, respectively.

The 10 patents Masimo owns that it says Apple infringed include data collection systems for blood measurement and pulse-oximetry sensors.

The suit says Apple is liable for willfully and deliberately infringing each patent, so Masimo is entitled to treble damages



REUTERS/Brendan McDermid

Apple Inc.’s Series 5 Apple Watch, released in 2019, uses pulse-monitoring technology that infringes multiple patents, according to a lawsuit filed by a California medical device maker.

pursuant to Section 284 of the Patent Act, 35 U.S.C.A. § 284.

It also says Apple willfully violated California’s Uniform Trade Secrets Act, Cal. Civ. Code § 3426.

Masimo and Cercacor seek an order directing the PTO to correct the inventorship on five patents currently assigned to Apple, and two applications filed by the former Masimo employee.

It also seeks injunctive relief, compensatory damages not less than a reasonable royalty, pre- and post-judgment interest, costs and attorney fees. [WJ](#)

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Related Filings:

Complaint: 2020 WL 113810

See Document Section A (P. 17) for the complaint.

Federal Circuit nixes opioid patents in win for Alvogen

(Reuters) – A federal appeals court on Dec. 27 upheld a patent ruling that cleared the way for drug company Alvogen Inc. to launch a generic version of Currax Pharmaceuticals LLC’s painkiller Zohydro ER.

Persion Pharmaceuticals LLC v. Alvogen Malta Operations Ltd., No. 2018-2361, 2019 WL 7202668 (Fed. Cir. Dec. 27, 2019).

The U.S. Court of Appeals for the Federal Circuit affirmed a lower court judge’s determination that two Currax patents on the opioid were invalid on obviousness grounds.

A predecessor to Currax, Pernix Therapeutics Holdings Inc., said last year when the lower court ruling landed that if affirmed it would allow Alvogen to launch a generic version of Zohydro ER as soon as October 2019.

Alvogen representatives did not respond to requests for comment on the status of the company’s planned generic.

Zohydro ER is a long-acting formulation of the opioid hydrocodone indicated for management of severe chronic pain. Zohydro is often prescribed to patients with compromised liver function because unlike some other opioids it does not contain acetaminophen, which can cause liver damage.

Morristown, New Jersey-based Currax, an entity formed by affiliates of private equity

firm Highbridge Capital Management LLC, acquired the rights to drug from Pernix after it filed for bankruptcy.

Pine Brook, New Jersey-based Alvogen in 2016 filed for regulatory approval to launch a copycat version of Zohydro ER.

Pernix, the predecessor to Currax, sued Alvogen in federal court, alleging the proposed generic would infringe two patents covering the discovery that the same starting dose of certain ER hydrocodone-only formulations could be administered to patients with liver impairment as patients without liver impairment.

Federal Circuit judge William Bryson, sitting by designation in Delaware, issued a final judgment in favor of Pernix in 2018, saying key claims in the two patents were invalid as obvious. *Pernix Ireland Pain DAC v. Alvogen Malta Operations Ltd.*, 323 F. Supp. 3d 566 (D. Del. 2018).

Currax appealed, arguing the patents covered a genuine innovation that allowed patients with chronic pain and liver impairment to be given sufficient medication

without risking inadequate pain relief from a lower starting dose.

A unanimous three-judge Federal Circuit panel said in the Dec. 27 precedential decision that, “after reviewing the entire evidentiary record, we are not left with any conviction that the district court has made a mistake.”

U.S. Circuit Judge Jimmie V. Reyna wrote the decision. He was joined by U.S. Circuit Judges Kathleen O’Malley and Raymond Chen. [WJ](#)

(Reporting by Jan Wolfe)

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Related Filings:

Federal Circuit opinion: 2019 WL 7202668
District Court opinion: 323 F. Supp. 3d 566
Complaint: 2016 WL 10718487

COPYRIGHT

Failure to mitigate damages not a complete defense in copyright cases, 5th Circuit says

(Reuters) – Addressing a novel legal question, a federal appeals court on Jan. 15 said failure to mitigate is not a complete defense to liability for statutory damages for copyright infringement.

Energy Intelligence Group Inc. et al. v. Kayne Anderson Capital Advisors et al., Nos. 18-20350 and 18-20615, 2020 WL 219008 (5th Cir. Jan. 15, 2020).

The 5th U.S. Circuit Court of Appeals set aside a \$585,000 jury verdict in favor of the publisher of an energy industry newsletter that had accused an investment house of passing around unauthorized copies.

The court gave the publisher, Energy Intelligence Group, an opportunity to seek additional damages on remand, saying the trial judge erred in instructing jurors that EIG was not entitled to recover damages for acts of infringement that could have been avoided through reasonable effort.

“We really appreciate the court’s consideration of the issues,” said Robert Powley of Powley & Gibson, EIG’s counsel.

Representatives of the defendant, Kayne Anderson Capital Advisors, did not respond to a request for comment.

New York-based EIG publishes Oil Daily, a premium newsletter for the petroleum industry. One of its subscribers was Kayne Anderson, a Los Angeles-based investment firm focused on the energy industry.

In 2014, an assistant at Kayne Anderson included an EIG employee on email

correspondence that suggested the investment firm was widely sharing the newsletter in violation of a subscription agreement.

EIG sued Kayne Anderson that year, alleging copyright infringement.

EIG brought copyright cases around the same time against other clients, including Houston energy companies Enterprise Products Partners LP and Cheniere Energy Inc. Those cases settled on confidential terms.

In late 2017, when the case went to trial, U.S. District Judge Sim Lake of the Southern District of Texas instructed jurors that EIG could “not recover for any item of damage that they could have avoided through reasonable effort.”

Kayne Anderson argued that EIG had pursued a litigious business strategy of waiting for infringements to pile up and then seeking outsized statutory damages.

The jury found that Kayne Anderson infringed 1,646 individual Oil Daily works, but that EIG failed to mitigate its copyright damages and could have avoided 1,607 of those 1,646 acts of infringement through reasonable diligence.

That finding resulted in EIG, which had sought about \$25 million, winning just \$585,000 in statutory damages plus \$2.6 million in attorney fees.

EIG argued on appeal that the judge had erred in finding that failure to mitigate is not a complete defense to liability for statutory damages for copyright infringement.

The 5th Circuit agreed, saying failure to mitigate is a relevant factor in deciding what statutory damages ought to be imposed, but should not be an absolute bar. **WJ**

(Reporting by Jan Wolfe)

Attorneys:

Plaintiff-appellants: Robert L. Powley and Stephen M. Ankrom, Powley & Gibson, New York, NY; George R. Gibson, Nathan Sommers Jacobs and David M. Gunn, Beck Redden LLP, Houston, TX

Defendant-appellees: Jason E. Mueller and Galyn D. Gafford, Sheppard Mullin Richter & Hampton, Dallas, TX; Roy W. Hardin and W. Scott Hastings, Locke Lord LLP, Dallas, TX; Edward L. Friedman, Baker & Hostetler, Houston, TX

Related Filings:

5th Circuit opinion: 2020 WL 219008
Complaint: 2014 WL 12880704

COPYRIGHT

Amazon’s Audible settles copyright fight with publishers over text feature

(Reuters) – Amazon.com Inc.’s Audible has reached a settlement in a copyright lawsuit brought by top U.S. publishers over a mobile-app feature planned by the audiobook seller that shows text on screen as a book is narrated, according to court filings.

Chronicle Books LLC et al. v. Audible Inc., No. 19-cv-7913, dismissal order issued (S.D.N.Y. Jan. 14, 2020).

Audible lawyer Emily Reisbaum said in a Jan. 13 letter to U.S. District Judge Valerie Caproni in Manhattan that “the parties have resolved their dispute.”

Judge Caproni dismissed the case Jan. 14. The terms of the settlement were not public.

The lawsuit was filed in August by seven members of the Association of American Publishers, including HarperCollins Publishers, Penguin Random House, Hachette Book Group, Simon & Schuster and Macmillan Publishers.

On July 15, Audible announced it would be adding a feature to its app called “Audible Captions” that allows users to follow

along with snippets of text as they hear an audiobook performed. According to the publishers, Audible Captions does not require users to purchase an ebook as well as an audiobook.

Audible has defended Captions as an educational feature designed to help children and improve literacy, saying in an August statement that the feature “is not and was never intended to be a book.”

The publishers’ complaint, filed in August, alleged that “Audible’s actions — taking copyrighted works and repurposing them for its own benefit without permission — are the kind of quintessential infringement that the Copyright Act directly forbids.”

Audible argued in a September court filing that the infringement claims were barred by licensing agreements and, in the alternative,



REUTERS/Pascal Rossignol

Audible Captions was protected by the “fair use” defense to copyright infringement. **WJ**

(Reporting by Jan Wolfe)

Attorneys:

Plaintiffs: Dale Cendali, Jordan Romanoff and Joshua Simmons, Kirkland & Ellis, New York, NY

Defendant: Aaron Hayes Crowell, Emily Reisbaum, Emily A. Weissler and Nicole L. Gueron, Clarick Gueron Reisbaum, New York, NY

Booking.com's trademark registration spat evokes reactions from IP groups

By Patrick H.J. Hughes

The American Intellectual Property Law Association and the Electronic Frontier Foundation have filed contrasting friend-of-the-court briefs in travel website Booking.com's trademark dispute with the Patent and Trademark Office currently before the U.S. Supreme Court.

U.S. Patent and Trademark Office et al. v. Booking.com BV, No. 19-46, amicus briefs filed, 2020 WL 242509 and 2020 WL 256707 (U.S. Jan. 13, 2020).

AIPLA filed its amicus brief Jan. 13, claiming there should be no "blanket rule" that says adding ".com" to a generic word such as "booking" can never create a registrable trademark.

In contrast, EFF in a brief filed the same day says giving trademark rights to combinations like the one used by Netherlands-based travel agency Booking.com BV "sets a dangerous precedent that will undermine competition, impede efficient trademark review and create new litigation risks for small businesses that can ill-afford them."

The PTO refused registration of the Booking.com mark, saying the term "booking" was generic for travel reservations and that adding a ".com" generic top-level domain, or gTLD, did not create a registrable mark.

On appeal, the U.S. District Court for the Eastern District of Virginia said the name was a descriptive mark that had acquired a secondary meaning and ordered the PTO to register it. *Booking.com BV v. Matal*, 278 F. Supp. 3d 891 (E.D. Va. 2017).

The 4th U.S. Circuit Court of Appeals affirmed, ruling that the mark was descriptive and eligible to be registered. *Booking.com BV v. U.S. Patent and Trademark Office*, 915 F.3d 171 (4th Cir. 2019).

The Supreme Court agreed in November to answer whether combining an otherwise generic term with a gTLD can create a protectable trademark. *U.S. Patent and Trademark Office v. Booking.com BV*, No. 19-46, 2019 WL 5850636 (U.S. Nov. 8, 2019).

'BRAND IDENTIFIER'

AIPLA says it should be possible to create a protectable mark by combining generic terms, but the group urges some caution. An owner

of a Toys.com mark, for instance, should have a disclaimer that allows standalone uses of "Toys" and ".com," AIPLA says.

The Arlington, Virginia-based nonprofit for owners and users of IP explains in its brief the history of gTLDs and how that history intersects with trademark law.

The brief recounts how the domain name system began when internet protocol addresses proved too difficult to remember, so recognizable terms had to be used.

These recognizable terms can be so commonly used that they lack any trademark protection and are considered generic, but AIPLA notes the PTO in its Trademark Manual of Examining Procedure explains that "there is no per se rule" that says the addition of a gTLD cannot create something nongeneric.

AIPLA distinguishes this situation with the long-held rule established in *Goodyear's Rubber Manufacturing Co. v. Goodyear Rubber Co.*, 128 U.S. 598 (1888), that requires more than the addition of the word "company" to create a protectible mark.

While not always protectible, "gTLDs can serve, and have served, as a brand identifier when used as part of a combination mark," so each instance should be evaluated on a case-by-case basis, AIPLA says.

'GENERIC IDENTIFIER'

EFF, which has a mission to protect internet users from trademark liability, says the 4th Circuit erred in ignoring the purpose of gTLDs, which is to be a "generic identifier."

In its historical account, EFF explains that internet pioneers came up with the domain name system so IP addresses would be more "human friendly."

The label immediately to the left of the ".com" is a second-level domain, which EFF analogizes with a telephone number's last seven digits.

The ".com" designation was one of the first gTLDs, meant to identify that a commercial business was at that second-level domain, EFF explains.

Under the functionality doctrine, which rules out trademark protection for "functional" marks, the ".com" in the name should receive the same treatment as the word "company," EFF says.

The brief explains that the doctrine typically applies in trade dress cases, for instance when someone tries to register a fabric pattern. The PTO might reject such an application if it finds the pattern was intended to be aesthetically pleasing and not used as a source identifier.

Some gTLDs, such as ".com," are more stable and secure than other gTLDs, so they can benefit the trademark owner in ways other than as a source identifier, EFF says.

If the 4th Circuit's ruling is not overturned, small businesses will be harmed because they will be inhibited from using generic words such as "booking" or run the risk of costly litigation if they use such terms, EFF says.

The trademark system was developed to simplify and reduce confusion, but granting trademark protection for gTLDs with generic words will only complicate trademark examination procedures, slow down registrations and create uncertainty, EFF says. [WJ](#)

Attorneys:

Amicus (AIPLA): Barbara A. Fiacco, Foley Hoag LLP, Boston, MA; Craig B. Whitney, Frankfurt Kurnit Klein & Selz, New York, NY

Amicus (EFF): Alexandra H. Moss, Cara L. Gagliano and Corynne McSherry, Electronic Frontier Foundation, San Francisco, CA

Related Filings:

Amicus brief (AIPLA): 2020 WL 242509

Amicus brief (EFF): 2020 WL 256707

Reply brief: 2019 WL 3960719

Opposition brief: 2019 WL 3854679

Petition for cert.: 2019 WL 2966240

4th Circuit opinion: 915 F.3d 171

District Court opinion: 278 F. Supp. 3d 891

Flight-connection search engine grabs ‘Skyscanner’ domain

By Patrick H.J. Hughes

Skyscanner Ltd., an online travel agency based in Edinburgh, Scotland, has persuaded the World Intellectual Property Organization to give it the domain name skyscanner.best.

Skyscanner Ltd. v. WhoisGuard Inc./ El Shawaf, No. D2019-2789, 2019 WL 7482292 (WIPO Arb. Dec. 26, 2019).

The WIPO Arbitration and Mediation Center on Dec. 26 said Palestine resident Rafat El Shawaf, who registered the disputed domain in October, appeared to be trying to divert online traffic looking for Skyscanner’s services, an indication of bad faith.

Skyscanner operates a travel search site at skyscanner.com and holds trademark registrations for its name around the world. The WIPO decision described the firm as a global business offering a search engine for customers seeking flight connections.

Before the dispute, the disputed domain had resolved to a flight search engine in Arabic but, at the time of the decision, resolved to an offer to sell that domain, according to the decision.

The panel said the original registrant had demonstrated bad faith when he offered to sell the skyscanner.best domain for \$10,000 after WIPO approached him with Skyscanner’s complaint.

Other than the sales offer, the registrant failed to respond substantively to WIPO’s

emails, according to the decision. The panel said this supports the conclusion that the domain was registered and being used in bad faith.

UDRP FACTORS

The Uniform Domain Name Dispute Resolution Policy, commonly called UDRP, is the legal framework established by the Internet Corporation for Assigned Names and Numbers for the resolution of domain name registration disputes.

and has since obtained other “Skyscanner” registrations in the U.S. and in other countries.

The WIPO panel said Skyscanner’s marks were confusingly similar to the disputed domain. The addition of the “.best” generic top-level domain did not lessen the similarity, the panel said.

Further, El Shawaf appeared to have no legitimate interest in the domain, as there was no evidence that he was commonly known as “Skyscanner,” the panel said.

If the defendant had a legitimate purpose for registering the skyscanner.best domain, he would have probably responded to the complaint with something other than an offer to sell for \$10,000, the panel said.

In addition to a showing of bad faith, the UDRP requires a complainant to show it has priority rights to a trademark that is confusingly similar to the disputed domain and that the registrant had no legitimate interest in the domain.

Skyscanner registered its name with the U.S. Patent and Trademark Office in 2007

If El Shawaf had a legitimate purpose for registering the skyscanner.best domain, he would have probably responded to the complaint with something other than an offer to sell for \$10,000, the panel said, ordering the domain transferred to the Scottish company. **WJ**

Related Filings:

Decision: 2019 WL 7482292

See Document Section B (P. 39) for the decision.

Competitor accuses WebMD of poaching employees, decimating business

By John Fitzgerald

An online health care information and marketing company that provides service across Latin America is leveling employee poaching and trade-secret theft accusations in federal court against New York City-based competitor WebMD.

Medcenter Holdings Inc. et al. v. WebMD Health Corp. et al., No. 20-cv-53, complaint filed, 2020 WL 42221 (S.D.N.Y. Jan. 3, 2020).

Medcenter Holdings Inc. asserts in a lawsuit filed Jan. 3 in the U.S. District Court for the Southern District of New York that WebMD Health Corp. stole confidential information that led to the downfall of the international company.

From 1999 to 2016, Medcenter had a dominant position providing internet-based education programs and pharmaceutical information to physicians in 19 Central and South American countries, the complaint says.

Medcenter's decline in the Latin American market began when its director and executive Mariel Aristu suddenly began working for WebMD in 2016, taking proprietary data and millions of dollars in future contracts with her, the suit says.

MARKET DOMINANCE

Formed in 2002, Medcenter is based in Monaco, but has subsidiaries that operate in Argentina, Brazil, Mexico and elsewhere in the western hemisphere.

By the mid-2000s, Medcenter was providing continuing education, professional education and pharmaceutical drug information to physician associations throughout Central and South America, the suit says.

By 2016 the company had amassed a database containing detailed information on more than 420,000 doctors in 19 countries, according to the lawsuit.

Medcenter used this data to build pharmaceutical and medical marketing campaigns for companies such as Pfizer, Novartis, Bayer, Johnson & Johnson, Hoffmann-La Roche, Stryker and Septodont, the complaint says.

By 2016, these targeted marketing campaigns were Medcenter's primary source of revenue, the lawsuit says.

FAILED PURCHASE TALKS

Outside of Central and South America, the biggest providers of such information were WebMD, a division of California software firm Internet Brands, and Japan-based M3 Inc., the suit says.

In its desire to claim that it had "global reach," WebMD began talks to buy Medcenter in 2014 and leaders of the two companies signed nondisclosure agreements. But talks broke down in 2015, according to the lawsuit.

Medcenter alleges that WebMD then tried to poach a top account manager for its Mexico branch in 2015. WebMD has denied the claim, the suit says.

In 2016, Aristu, then a Medcenter vice president, left her job to work for WebMD, according to the complaint.

Medcenter claims Aristu stole vast amounts of proprietary data, including sales information from medical companies and upcoming marketing campaigns.

By 2017, WebMD was touting its pharmaceutical marketing programs in Central and South America, the lawsuit says.

Meanwhile, Medcenter's marketing campaigns were drying up; more than \$10 million in continuing or planned campaigns moved to WebMD in 2017. This resulted in Medcenter's eventual financial collapse, according to the suit.

Medcenter accuses WebMD of violating Section 1839(5)(A) and (B) of the Defend Trade Secrets Act of 2016, 18 U.S.C.A. § 1839(5)(A) and 1839(5)(B), as well as misappropriation of trade secrets, breach of contract and unjust enrichment under New York law.

The company asks for compensatory damages under federal law of more than \$45 million, compensatory damages under New York law of more than \$45 million, exemplary damages up to \$90 million, punitive damages, restitution, prejudgment interest, attorney fees and costs. **WJ**

Attorneys:

Plaintiffs: Barry Werbin, Lawrence M. Kaye and Gabrielle C. Wilson, Herrick Feinstein LLP, New York, NY

Related Filings:

Complaint: 2020 WL 42221

Patent professionals win sliced fee bid for work as debtor's special counsel

By Lisa Uhlman

Law firm Quarles & Brady is entitled to its \$365,000 interim fee request for its work as a bankrupt manufacturer's patents counsel, a Wisconsin bankruptcy judge has ruled, citing the firm's agreement to cut another \$54,000 from its already-snipped request.

In re C2R Global Manufacturing Inc., No. 18-30182, 2019 WL 7342451 (Bankr. E.D. Wis. Dec. 30, 2019).

The firm had initially sought \$439,000 in fees and \$46,000 in expenses, but it later agreed to reduce the requested fees by \$20,000 and, in an amended application addressing concerns raised by the court, further lowered the fee bid.

The amended, reduced application satisfies the "strictures" of Section 330 of the Bankruptcy Code, 11 U.S.C.A. § 330, which requires that fee awards constitute "reasonable compensation for actual, necessary services rendered," U.S. Bankruptcy Judge Beth E. Hanan of the Eastern District of Wisconsin said Dec. 30.

SPECIAL COUNSEL, FEE APPLICATIONS

Debtor-in-possession C2R Global Manufacturing Inc. filed for Chapter 11 protection in October 2018 and received court approval to employ Quarles & Brady as special counsel on patent and other matters, according to Judge Hanan's opinion.

In December 2018 creditor Verde Environmental Technologies Inc. asserted a contested \$8.9 million claim stemming from a patent infringement suit it was pursuing against C2R. The two companies are direct competitors that sell products for safely disposing of and deactivating prescription drugs, according to court filings.

The parties ultimately agreed to resolve the dispute in the Bankruptcy Court, the opinion said.

On Dec. 6, 2019, Quarles & Brady — which had previously won a \$134,000 interim

request for fees and expenses incurred in its first eight months working for C2R — filed a second interim application requesting \$439,000 in fees and \$46,000 in expenses for the five-month period ending Nov. 30.

CREDITOR'S OBJECTION

Creditor POP-Solutions LLC objected, arguing that granting the application would improperly deplete C2R's available funds by more than 75% and taking issue with about \$130,000 Quarles & Brady requested for billings by two paralegals.

The firm countered that the patent litigation was vital to C2R's case and would likely benefit all creditors. It also argued that its extensive use of paralegals, who handled the more than 200,000 documents produced in the patent dispute, actually saved the debtor money.

Quarles & Brady nonetheless agreed to reduce its requested fees by \$20,000, the opinion said. Then, after Judge Hanan identified concerns about the application at a Dec. 23 hearing, the firm filed an amended application cutting another \$54,000 in fees, for a total second interim request of \$407,000.

'LAPSES REMEDIED'

Granting the amended application, Judge Hanan said "it appears that counsel has addressed, or attempted to address, the deficiencies the court identified at the Dec. 23 hearing."

She first noted that while POP did not object to the quality of the services provided and C2R's bankruptcy counsel "wholeheartedly endorsed" Quarles & Brady's work, the original application nonetheless failed to

comply with the court's local rules, including one requiring descriptions of professionals' backgrounds.

The amended application "remedied this lapse" by supplying the required information about the professional backgrounds of all attorneys and paralegals working on the C2R case, Judge Hanan said.

Most of the \$54,000 reduction came from Quarles & Brady's attempt to comply with Local Rule 2016(a)(5), which states that "if the application seeks compensation for more than one timekeeper performing the same task, ... the application must provide a justification for the use of multiple timekeepers," the judge explained.

Citing the firm's agreement to reduce the requested fees and "additional, descriptive justification" provided for some time entries, she said the amended application satisfied the local rule.

Overall, the reductions and revisions included in the amended second interim fee application reflect a request for services that "were actual and necessary, and the amount of compensation sought is reasonable," Judge Hanan said.

"Debtors can feel fortunate when they are represented by highly skilled, knowledgeable counsel with deep experience in a complex field of law," the judge said.

"But bankruptcy counsel and special counsel ought to confer, and consult the local rules, before incurring certain costs and submitting fee applications under the strictures of Section 330," she added, granting the reduced application. [WJ](#)

Related Filings:

Opinion: 2019 WL 7342451

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

'Lucky' trademark

CONTINUED FROM PAGE 1

being fairly defeated in court. "Otherwise litigation would never end," the women's clothing company says.

The 2nd U.S. Circuit Court of Appeals sided with Marcel, saying the circumstances "warrant application of that defense preclusion principle." *Marcel Fashions Grp. Inc. v. Lucky Brand Dungarees Inc.*, 898 F.3d 232 (2d Cir. 2018).



David S. Gold, an attorney at Cole Schotz PC, said this dispute "goes far beyond the bounds of IP."

The high court agreed in June to resolve the dispute.

'BEYOND THE BOUNDS OF IP'

Attorneys not involved in the case offered opinions about the oral argument.

David S. Gold, an attorney at Cole Schotz PC in Hackensack, New Jersey, said that because defense preclusion can apply in almost any litigation, this dispute "goes far beyond the bounds of IP."

He said the consensus among several justices appeared to be "one of concern that the 2nd Circuit's ruling would unfairly handcuff litigants by requiring that they put forth 'every conceivable defense' in a prior action, even when the claims set forth in the later-filed action do not yet even exist."

Attorney David Martinez of Robins Kaplan LLP in Los Angeles said the questions the justices raised suggested the standard for

precluding Lucky Brand's defense was not met.

"The justices seemed to convey a fair degree of skepticism of Marcel's arguments that the 2005 and 2011 actions arose from the same transaction or occurrence, a threshold question for claim preclusion to apply," he said.

Foley & Lardner attorney Laura Ganoza, who is based in Miami, said some of the justices were open to Lucky Brand's policy argument that affirming the 2nd Circuit's ruling would cause defendants to offer more defenses, thereby creating unnecessary litigation.

"This is a legitimate concern that would affect not just dueling apparel companies or trademark cases going forward, but would implicate all litigation, if the 2nd Circuit's decision is affirmed," she said. "For that reason, the justices may avoid making this type of 'defense preclusion' the law of the land."



Robins Kaplan LLP attorney David Martinez said the questions the justices raised suggested the standard for precluding Lucky Brand's defense was not met.

In contrast, Goldberg Kohn attorney Danielle Johnson, based in Chicago, warned that the facts did not paint Lucky Brand as a "particularly sympathetic defendant."

The 2nd Circuit panel noted that "trial courts have broad discretion to determine when defenses should be precluded, bound

by concerns of efficiency and fairness," she said. "The court found that both parties were sophisticated, armed with able counsel and had been litigating the claims for nearly two decades: efficiency and fairness dictated that Lucky Brand had lost its opportunity to bring the defense."

'EFFICIENCY CONCERNS OUTWEIGH ANY UNFAIRNESS'

The controversy began in 2001, when Miami-based Marcel sued Los Angeles-based jeans maker Lucky Brand and several affiliates in the U.S. District Court for the Southern District of Florida for allegedly infringing its "Get Lucky" trademark.



"The justices may avoid making this type of 'defense preclusion' the law of the land," Foley & Lardner attorney Laura Ganoza said.

That suit ended in 2003 in a settlement, but Lucky Brand reignited the dispute in 2005, which ended with Marcel prevailing on its counterclaims, enjoining Lucky Brand from certain trademark uses.

Marcel filed another suit in April 2011, claiming Lucky Brand violated the injunction. The case was later transferred to the U.S. District Court for the Southern District of New York. *Marcel Fashions Grp. Inc. v. Lucky Brand Dungarees Inc.*, No. 11-cv-60927, 2011 WL 13217487 (S.D. Fla. July 19, 2011).

Many of the issues in the 2005 litigation were at stake in 2011, but the 2nd Circuit did not bar Marcel from asserting its claims because

the appeals panel said claim preclusion was not appropriate for infringement that happened after 2005. *Marcel Fashions Grp. Inc. v. Lucky Brand Dungarees Inc.*, 779 F.3d 102 (2d Cir. 2015).

Lucky Brand said its defense, involving a release clause in the settlement, also should not be barred, but the 2nd Circuit disagreed.



Goldberg Kohn attorney Danielle Johnson warned that the facts did not paint Lucky Brand as a "particularly sympathetic defendant."

In its 2018 ruling, the appeals panel said defense preclusion can apply when "efficiency concerns outweigh any unfairness to the party whose defense would be precluded."

'FUNDAMENTALLY NOT FAIR'

During oral argument, Kirkland & Ellis attorney Dale Cendali, arguing for Lucky Brand, said the 2nd Circuit's opinion was "just fundamentally not fair."

"It's not even-handed because it lets a plaintiff bring new claims, but it prohibits a

defendant from raising all the defenses that they may have to those claims," she said.

For any new claim, a defendant should be able to offer a defense, whether or not it was litigated with an old claim, Cendali said.

Justice Elena Kagan asked if defense preclusion could apply when prior conduct that has been addressed is identical in all ways to current conduct.

Cendali said that in such cases courts issue injunctions that bar current conduct. But in Lucky Brand's case, subsequent litigation concerned a new injunction.

McDermott Will & Emery attorney Michael Kimberly, arguing for Marcel, said defense preclusion "preserves judicial resources by discouraging repeat lawsuits, and it fosters reliance on final judgments."

Justice Samuel Alito asked if Marcel's dispute with Lucky Brand could be characterized as a "series of lawsuits," similar to suits over the failure to pay under an installment contract or to pay rent.

"That is precisely right," Kimberly answered.

The Supreme Court is expected to rule on the issue before July. [WJ](#)

Attorneys:

Petitioners: Dale Cendali, Kirkland & Ellis, New York, NY

Respondent: Michael B. Kimberly, McDermott Will & Emery, Washington, DC

Related Filings:

Oral argument transcript: 2020 WL 136777

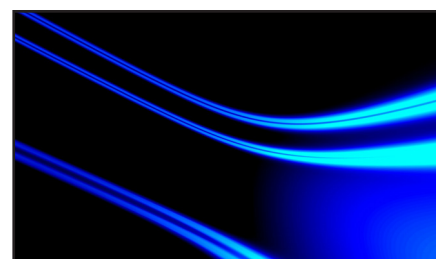
Petition for certiorari: 2019 WL 852263

2nd Circuit opinion (2018): 898 F.3d 232

District Court opinion (2016): 2016 WL 7413510

2nd Circuit opinion (2015): 779 F.3d 102

Complaint (2011): 2011 WL 3565797



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MASIMO

2020 WL 113810 (C.D.Cal.) (Trial Pleading)

United States District Court, C.D. California.

Southern Division

MASIMO CORPORATION, a Delaware corporation; and Cercacor Laboratories, Inc., a Delaware corporation, Plaintiffs,

v.

APPLE INC., a California corporation, Defendant.

No. 8:20-cv-00048.

January 9, 2020.

Complaint for; (1) Patent Infringement; (2) Trade Secret Misappropriation and (3) Ownership of Patents and Demand for Jury Trial

Joseph R. Re (Bar No. 134479), Stephen C. Jensen (Bar No. 149894), Perry D. Oldham (Bar No. 216016), Stephen W. Larson (Bar No. 240844), Knobbe, Martens, Olson & Bear, LLP, 2040 Main Street, Fourteenth Floor, Irvine, CA 92614, Telephone: (949)-760-0404, Facsimile: (949)-760-9502, joseph.re@knobbe.com, stephen.jensen@knobbe.com, perry.oldham@knobbe.com, stephen.larson@knobbe.com, for plaintiff, Masimo Corporation.

Plaintiffs MASIMO CORPORATION ("Masimo") and CERCACOR LABORATIES, INC. ("Cercacor") hereby complain of Defendant APPLE INC. ("Apple"), and allege as follows:

I. THE PARTIES

1. Plaintiff Masimo is a Delaware corporation having its principal place of business at 52 Discovery, Irvine, California 92618.
2. Plaintiff Cercacor is a Delaware corporation having its principal place of business at 15750 Alton Pkwy, Irvine, California 92618.
3. Upon information and belief, Defendant Apple is a California corporation having a principal place of business at One Apple Park Way, Cupertino, California, 95014.

II. JURISDICTION AND VENUE

4. This civil action includes claims for patent infringement arising under the patent laws of the United States, 35 U.S.C. §§ 100, *et seq.*, more particularly, 35 U.S.C. §§ 271 and 281. This Complaint further alleges trade secret misappropriation and seeks a declaration of ownership of certain patents and patent applications, and, pursuant to 35 U.S.C. § 256, correction of inventorship of certain patents.
5. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338(a), and 1367(a).
6. Apple has its principal place of business in California. Apple is subject to personal jurisdiction in California and has committed the acts complained of in this Judicial District.

7. Venue is proper in the Southern Division of the Central District of California pursuant to 28 U.S.C. § 1400(b) with respect to patent infringement because Defendant has a regular and established place of business in the County of Orange within the Central District of California and has committed acts of infringement in this Judicial District. Defendant also has committed acts of misappropriation in this Judicial District. Thus, venue is proper pursuant to 28 U.S.C. §§ 1391(b) because a substantial part of the events or omissions giving rise to the claim occurred in this Judicial District.

III. STATEMENT OF THE CASE

8. This action seeks relief for the theft of Plaintiffs' highly confidential information and trade secrets, and infringement of Masimo's patents by Defendant, and ownership of patents assigned to or filed by Apple on subject matter that belongs to Masimo.

IV. STATEMENT OF FACTS

9. Masimo is a medical technology company that revolutionized non-invasive monitoring of physiological parameters, such as pulse rate, arterial oxygen saturation and many others.

10. Most of these parameters are measured using light that is transmitted through the body tissue. The received light, that has been attenuated by the various components of the body tissue, including the blood, is known in the industry as a photoplethysmograph or "PPG." The transmission and receipt of these light signals is typically accomplished through a sensor that is applied to a body part such as a finger, arm, toe, forehead or ear.

11. Before Masimo, these non-invasive measurements from the PPG were plagued by unreliability, often when the measurement was needed most, due to the person moving or having low peripheral blood flow (known as "low perfusion"). The industry had essentially given up on solving these problems, concluding they were largely unsolvable. In the medical context, clinicians had to live with the results – patient monitors gave excessive false alarms, froze their measurements for prolonged periods of time despite potential changes in the physiological parameter (e.g., oxygen saturation or pulse rate), delayed notification of alarms due to long averaging times of sensor data, produced inaccurate measurements, or were unable to obtain data on the most critical patients and babies who cannot be instructed to stay still. Masimo's pioneering technology, known as Masimo Signal Extraction Technology ("Masimo SET"), solved this problem and dramatically improved the reliability of monitoring and reporting physiological signals derived from the PPG.

12. Following its initial success with Masimo SET, Masimo invested heavily in developing additional breakthrough measurement technologies, such as non-invasively measuring total hemoglobin, carboxyhemoglobin, and methemoglobin. Masimo has continued to innovate, succeeding where others have consistently failed. Masimo was the first, and remains the only, company delivering these game-changing technologies to hospitals in the United States. Use of Masimo's technology in the clinical setting has been proven to reduce blindness in premature infants, detect congenital heart disease in infants, save lives on the general care floor and post-surgery, and improve transfusion management, while saving money.

13. From its inception, Masimo has continuously developed cutting-edge noninvasive patient monitoring technologies. Masimo sought and received numerous U.S. patents for many of its inventions. Masimo's revolutionary technology was a key to its gaining significant market praise and penetration. After introduction into the market, many competitors, much larger than Masimo, used Masimo's technology without a license, resulting in patent infringement lawsuits that ultimately confirmed the validity of Masimo's innovations. But, Masimo maintains some technology as trade secrets. Masimo also closely guards its future product and market plans. Only select employees have knowledge of and access to these guarded secrets.

14. Masimo's innovations also include important advances in sensor technologies that work together as part of Masimo's system and algorithms. Masimo's sensors are integral to the success of the revolutionary technologies Masimo has developed.

15. In 1998, Masimo spun certain technologies off into a new company, Masimo Laboratories, Inc. or "Masimo Labs," to further research and develop the technologies. The name of the company was later changed to "Cercacor." Cercacor and Masimo have a cross-license agreement to facilitate confidential collaboration between the companies. Cercacor is not owned by Masimo.

16. Like Masimo, Cercacor is an innovator of non-invasive monitoring technologies. Cercacor is on the frontline of understanding how measuring, tracking, and analyzing physiological parameters can impact pre-diabetic and diabetic patients, sports training and performance and overall health and wellness principally in the consumer market. Cercacor continued the development that started

at Masimo on non-invasive total hemoglobin (SpHb), methemoglobin (SpMet), and carboxyhemoglobin (SpCO®) and other non-invasive physiological parameters.

17. Leading hospitals around the world use Cercacor technology licensed to Masimo and sold under the name Masimo rainbow SET. Like Masimo, Cercacor also maintains some technology as trade secrets, and Cercacor closely guards its future product and market plans. Only select employees have knowledge of and access to these guarded secrets.

18. Masimo and Cercacor carefully guard the secrecy of their confidential information and documents. For example, Masimo and Cercacor have policies regarding labeling confidential information and documents as "CONFIDENTIAL AND PROPRIETARY." They also restrict these documents and information from disclosure to third parties and employees on a need-to-know basis. Masimo and Cercacor also have policies in place regarding the use of computers and related equipment that govern how their computer systems may be used. Those policies also govern the protection of Masimo's and Cercacor's confidential information. Both Masimo and Cercacor have document management systems that restrict access to confidential documents to only those employees with proper security credentials and a need for access. Masimo and Cercacor also require employees to sign agreements precluding the employees from disclosing or making use of any confidential information except as authorized by Masimo and Cercacor and as necessary for the performance of the employees' duties. Masimo and Cercacor also require third parties, including customers, to execute confidential non-disclosure agreements. Masimo and Cercacor implemented such policies and procedures to maintain the confidentiality of sensitive information. These policies remain in place today.

19. In 2013, Apple contacted Masimo and asked to meet regarding a potential collaboration. Apple told Masimo that Apple would like to understand more about Masimo's technology to potentially integrate that technology into Apple's products. Apple and Masimo later entered into a confidentiality agreement, and Masimo's management met with Apple. The meetings included confidential discussions of Masimo's technology. After what seemed to Masimo to have been productive meetings, Apple quickly began trying to hire Masimo employees, including engineers and key management.

20. Masimo employed Michael O'Reilly as its Chief Medical Officer and Executive Vice President for Medical Affairs beginning in January 2008. As part of the Masimo executive team, O'Reilly was privy to extremely sensitive information, including information about mobile medical products and applications, wellness applications, clinical data gathering and analytics, and other technology of Masimo. Upon information and belief, Apple employed O'Reilly in July 2013, shortly after the meetings with Masimo, to assist in wellness and mobile applications that include non-invasive measurement of physiological parameters. Not long after, by December of 2013, O'Reilly was already meeting with the FDA on behalf of Apple to discuss medical applications and discuss medical products that non-invasively measures blood constituents.

21. Apple systematically recruited other key Masimo personnel, such as Marcelo Lamego, who was the former Chief Technical Officer of Cercacor and a former Research Scientist at Masimo. Lamego had unfettered access to Plaintiffs' highly confidential technical information. He was trained and mentored at Masimo by the most skilled engineers and scientists, and was taught about the keys to effective non-invasive monitoring, something he was not involved in prior to Masimo. He was also exposed to guarded secrets regarding mobile medical products, including key technology and advance plans for future products.

22. Given what appeared to be a targeted effort to obtain information and expertise from Masimo and Cercacor, Masimo and Cercacor warned Apple about respecting their rights.

23. Shortly after joining Apple in January 2014, Lamego pursued on behalf of Apple numerous patent applications on technologies he was intimately involved in at Plaintiffs Cercacor and Masimo, and with which he had no prior experience or knowledge.

24. For example, Lamego is named as an inventor on U.S. Provisional Patent Application No. 62/043,294, filed Aug. 28, 2014 and titled "Reflective Surface Treatments for Optical Sensors." Related applications that also name Lamego as an inventor include U.S. Patent Application Nos. 14/740,196 and 16/114,003, which issued as U.S. Patent Nos. 10,078,052 and 10,247,670.

25. As another example, Lamego is named as an inventor on U.S. Provisional Patent Application No. 62/047,818, filed Sep. 9, 2014, entitled "Modulation and Demodulation Techniques for a Health Monitoring System." A related application that names Lamego as the sole inventor includes U.S. Patent Application No. 14/621,268, which issued as U.S. Patent No. 10,219,754.

26. As another example, Lamego is named as an inventor on U.S. Provisional Patent Application No. 62/056,299, filed on Sep. 26, 2014, and entitled "Electronic Device that Computes Health Data." Related applications that also name Lamego as the sole inventor include U.S. Patent Application Nos. 14/617,422, 15/667,832, and 16/700,710. The '422 Application issued as U.S. Patent No. 9,723,997 and the '832 Application issued as U.S. Patent No. 10,524,671.

27. As another example, Lamego is named as an inventor on U.S. Provisional Patent Application No. 62/057,089, filed on Sep. 29, 2014, and entitled "Methods and Systems for Modulation and Demodulation of Optical Signals." Related applications that also name Lamego as an inventor include U.S. Patent Application Nos. 14/618,664 and 15/960,507. The '664 Application issued as U.S. Patent Nos. 9,952,095.

28. Upon information and belief, Apple announced the first version of its watch in September 2014, and began shipping its watch in April 2015. The Apple Watch Series 3 was released on September 22, 2017, and upon information and belief had significant performance issues with the non-invasive physiological measurements. Apple announced The Apple Watch Series 4 on September 12, 2018, and upon information and belief, that watch includes technology that tracks Masimo's technology to solve some of the performance issues, including technology to which Lamego was exposed at Masimo and also technology for which he was an inventor while at Cercacor. The Apple Watch Series 5 was announced on September 10, 2019 and released on September 20, 2019. Upon information and belief, the Apple Watch Series 5 also includes Masimo's technology to solve some of the prior performance issues, including technology as to which Lamego was an inventor while at Cercacor.

V. THE PATENTS-IN-SUIT

29. Masimo is the owner by assignment of U.S. Patent No. 10,258,265 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '265 patent"), which the United States Patent and Trademark Office lawfully and duly issued on April 16, 2019. A true and correct copy of the '265 patent is attached hereto as Exhibit 1.

30. Masimo is the owner by assignment of U.S. Patent No. 10,258,266 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '266 patent"), which the United States Patent and Trademark Office lawfully and duly issued on April 16, 2019. A true and correct copy of the '266 patent is attached hereto as Exhibit 2.

31. Masimo is the owner by assignment of U.S. Patent No. 10,292,628 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '628 patent"), which the United States Patent and Trademark Office lawfully and duly issued on May 21, 2019. A true and correct copy of the '628 patent is attached hereto as Exhibit 3.

32. Masimo is the owner by assignment of U.S. Patent No. 10,299,708 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '708 patent"), which the United States Patent and Trademark Office lawfully and duly issued on May 21, 2019. A true and correct copy of the '708 patent is attached hereto as Exhibit 4.

33. Masimo is the owner by assignment of U.S. Patent No. 10,376,190 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '190 patent"), which the United States Patent and Trademark Office lawfully and duly issued on August 13, 2019. A true and correct copy of the '190 patent is attached hereto as Exhibit 5.

34. Masimo is the owner by assignment of U.S. Patent No. 10,376,191 entitled "Multi-stream data collection system for noninvasive measurement of blood constituents" ("the '191 patent"), which the United States Patent and Trademark Office lawfully and duly issued on August 13, 2019. A true and correct copy of the '191 patent is attached hereto as Exhibit 6.

35. Masimo is the owner by assignment of U.S. Patent No. 10,470,695 entitled "Advanced pulse oximetry sensor" ("the '695 patent"), which the United States Patent and Trademark Office lawfully and duly issued on November 12, 2019. A true and correct copy of the '695 patent is attached hereto as Exhibit 7.

36. Masimo is the owner by assignment of U.S. Patent No. 6,771,994 entitled "Pulse oximeter probe-off detection system" ("the '994 patent"), which the United States Patent and Trademark Office lawfully and duly issued on August 3, 2004. A true and correct copy of the '994 patent is attached hereto as Exhibit 8.

37. Masimo is the owner by assignment of U.S. Patent No. 8,457,703 entitled "Low power pulse oximeter" ("the '703 patent"), which the United States Patent and Trademark Office lawfully and duly issued on June 4, 2013. A true and correct copy of the '703 patent is attached hereto as Exhibit 9.

38. Masimo is the owner by assignment of U.S. Patent No. 10,433,776 entitled "Low power pulse oximeter" ("the '776 patent"), which the United States Patent and Trademark Office lawfully and duly issued on October 8, 2019. A true and correct copy of the '776 patent is attached hereto as Exhibit 10.

VI. FIRST CAUSE OF ACTION**(INFRINGEMENT OF U.S. PATENT NO. 10,258,265)**

39. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 38.

40. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claims 1-3, 6-11, 13, 17, and 17-25 of the '265 patent under at least 35 U.S.C. § 271(a), (b), and (c).

41. Upon information and belief, Defendant has directly infringed one or more claims of the '265 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

42. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '265 patent. The Apple Watch Series 4 and 5 devices are adapted to be worn by a wearer and provide an indication of a physiological parameter (for example, heart rate) of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

43. The Apple Watch Series 4 and 5 devices include a plurality of emitters of different wavelengths (for example, green and infrared LEDs) and at least four detectors (for example, photodiode sensors) spaced apart from each other as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

44. The detectors output signals responsive to light from the light emitters attenuated by body tissue. Upon information and belief, the signals are indicative of a physiological parameter (for example, heart rate) of the wearer.

45. Upon information and belief, at least some of the technology in the Apple Watch Series 4 and 5 devices is described in Apple's U.S. Patent Application Publication 2019/0072912 (the '912 publication). A copy of the publication is attached as Exhibit 11. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a housing having a surface and a circular wall protruding from the surface, and a light permeable cover arranged above a portion of the housing and covering the detectors as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

46. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '265 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '265 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '265 patent. Defendant had knowledge of the '265 patent no later than the filing of this Complaint.

47. Upon information and belief, Defendant has actively induced others to infringe the '265 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '265 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '265 patent. Defendant's acts constitute infringement of the '265 patent in violation of 35 U.S.C. § 271(b).

48. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '265 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '265 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices, including use with Apple iPhones. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

49. Upon information and belief, Defendant's acts constitute contributory infringement of the '265 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/

or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices and Apple iPhones that constitute material parts of the invention of the asserted claims of the '265 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use and are known by Defendant to be especially made or especially adapted for use in an infringement of the '265 patent.

50. Defendant's infringement of the '265 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '265 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

51. Because of Defendant's infringement of the '265 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

52. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

VII. SECOND CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,258,266)

53. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 52.

54. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claims 1-19 of the '266 patent under at least 35 U.S.C. § 271(a), (b), and (c).

55. Upon information and belief, Defendant has directly infringed one or more claims of the '266 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

56. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '266 patent. The Apple Watch Series 4 and 5 devices provides an indication of a physiological parameter (for example, heart rate) of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

57. The Apple Watch Series 4 and 5 devices a plurality of emitters that emit light into tissue of a user and a plurality of detectors (for example, photodiode sensors) that detect light that has been attenuated by tissue of the user as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

58. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a housing configured to house the detectors and a lens located between the tissue of the user and the detectors as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

59. Upon information and belief, the lens has a single outwardly protruding convex surface configured to cause tissue of the user to conform to the protruding convex surface during operation of the noninvasive optical physiological sensor.

60. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '266 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '266 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '266 patent. Defendant had knowledge of the '266 patent no later than the filing of this Complaint.

61. Upon information and belief, Defendant has actively induced others to infringe the '266 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '266 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '266 patent. Defendant's acts constitute infringement of the '266 patent in violation of 35 U.S.C. § 271(b).

62. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '266 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '266 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

63. Upon information and belief, Defendant's acts constitute contributory infringement of the '266 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the '266 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use and are known by Defendant to be especially made or especially adapted for use in an infringement of the '266 patent.

64. Defendant's infringement of the '266 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '266 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

65. Because of Defendant's infringement of the '266 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

66. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

VIII. THIRD CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,292,628)

67. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 66.

68. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '628 patent under at least 35 U.S.C. § 271(a), (b), and (c).

69. Upon information and belief, Defendant has directly infringed one or more claims of the '628 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

70. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '628 patent.

71. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a housing configured to house a plurality of detectors as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

72. The Apple Watch Series 4 and 5 devices include a plurality of emitters that emit light into tissue of a user and a plurality of detectors that detect light that has been attenuated by tissue of the user as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

73. Analysis of the Apple Watch Series 4 and 5 devices shows that the devices include a light permeable cover configured to be located between tissue of the user and the plurality of detectors when the noninvasive optical physiological sensor is worn by the

user, wherein the cover comprises an outwardly protruding convex surface configured to cause tissue of the user to conform to at least a portion of the outwardly protruding convex surface when the noninvasive optical physiological sensor is worn by the user and during operation of the noninvasive optical physiological sensor, and wherein the plurality of detectors are configured to receive light passed through the outwardly protruding convex surface after attenuation by tissue of the user, as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

74.

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

75. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '628 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '628 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '628 patent. Defendant had knowledge of the '628 patent no later than the filing of this Complaint.

76. Upon information and belief, Defendant has actively induced others to infringe the '628 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '628 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '628 patent. Defendant's acts constitute infringement of the '628 patent in violation of 35 U.S.C. § 271(b).

77. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '628 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '628 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices, including use with Apple iPhones. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

78. Upon information and belief, Defendant's acts constitute contributory infringement of the '628 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices and Apple iPhones that constitute material parts of the invention of the asserted claims of the '628 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '628 patent.

79. Defendant's infringement of the '628 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '628 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

80. Because of Defendant's infringement of the '628 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

81. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

IX. FOURTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,299,708)

82. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 81.

83. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '708 patent under at least 35 U.S.C. § 271(a), (b), and (c).

84. Upon information and belief, Defendant has directly infringed one or more claims of the '708 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

85. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '708 patent. The Apple Watch Series 4 and 5 devices are adapted to be worn by a wearer and provide an indication of a physiological parameter (for example, heart rate) of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

86. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a platform including a planar surface, a housing including a raised edge portion extending from and enclosing at least a portion of the planar surface, and the housing including a protruding light permeable cover as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

87.

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

88. Upon information and belief, the Apple Watch Series 4 and 5 devices include at least four detectors (for example, photodiode sensors) arranged on the planar surface of the platform and within the housing, wherein the at least four detectors are arranged in a grid pattern such that a first detector and a second detector are arranged across from each other on opposite sides of a central point along a first axis, and a third detector and a fourth detector are arranged across from each other on opposite sides of the central point along a second axis which is perpendicular to the first axis as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

89. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '708 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '708 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '708 patent. Defendant had knowledge of the '708 patent no later than the filing of this Complaint.

90. Upon information and belief, Defendant has actively induced others to infringe the '708 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '708 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '708 patent. Defendant's acts constitute infringement of the '708 patent in violation of 35 U.S.C. § 271(b).

91. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '708 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '708 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices, including use with Apple iPhones. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

92. Upon information and belief, Defendant's acts constitute contributory infringement of the '708 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices and Apple iPhones that constitute material parts of the invention of the asserted claims of the '708 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '708 patent.

93. Defendant's infringement of the '708 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '708 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

94. Because of Defendant's infringement of the '708 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

95. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

X. FIFTH CAUSE OF ACTION**(INFRINGEMENT OF U.S. PATENT NO. 10,376,190)**

96. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 95.

97. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '190 patent under at least 35 U.S.C. § 271(a), (b), and (c).

98. Upon information and belief, Defendant has directly infringed one or more claims of the '190 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

99. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '190 patent. The Apple Watch Series 4 and 5 devices are noninvasive optical physiological measurement devices adapted to be worn by a wearer, the noninvasive optical physiological measurement device providing an indication of a physiological parameter (for example, heart rate) of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

100. Upon information and belief, the Apple Watch Series 4 and 5 devices include light emitters and at least four detectors spaced apart from each other and configured to output one or more signals responsive to light from the one or more light emitters attenuated by body tissue, the one or more signals indicative of a physiological parameter of the wearer as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

101. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a housing having a surface and a circular raised edge extending from the surface, and a light permeable cover arranged above at least a portion of the housing, the light permeable cover comprising a protrusion arranged to cover the at least four detectors as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

102. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '190 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '190 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '190 patent. Defendant had knowledge of the '190 patent no later than the filing of this Complaint.

103. Upon information and belief, Defendant has actively induced others to infringe the '190 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '190 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '190 patent. Defendant's acts constitute infringement of the '190 patent in violation of 35 U.S.C. § 271(b).

104. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '190 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '190 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices, including use with Apple iPhones. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

105. Upon information and belief, Defendant's acts constitute contributory infringement of the '190 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/

or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices and Apple iPhones that constitute material parts of the invention of the asserted claims of the '190 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '190 patent.

106. Defendant's infringement of the '190 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '190 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

107. Because of Defendant's infringement of the '190 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

108. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XI. SIXTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,376,191)

109. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 108.

110. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '191 patent under at least 35 U.S.C. § 271(a), (b), and (c).

111. Upon information and belief, Defendant has directly infringed one or more claims of the '191 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

112. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '191 patent. The Apple Watch Series 4 and 5 devices are a noninvasive optical physiological sensor as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

113. The Apple Watch Series 4 and 5 devices include a plurality of emitters configured to emit light into tissue of a user and a plurality of detectors configured to detect light that has been attenuated by tissue of the user, wherein the plurality of detectors comprise at least four detectors as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

114. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a housing configured to house at least the plurality of detectors in a circular portion of the housing, and a lens configured to be located between tissue of the user and the plurality of detectors when the noninvasive optical physiological sensor is worn by the user, wherein the lens comprises a single outwardly protruding convex surface configured to cause tissue of the user to conform to at least a portion of the single outwardly protruding convex surface when the noninvasive optical physiological sensor is worn by the user and during operation of the noninvasive optical physiological sensor as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

115. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '191 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '191 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '191 patent. Defendant had knowledge of the '191 patent no later than the filing of this Complaint.

116. Upon information and belief, Defendant has actively induced others to infringe the '191 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '191 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '191 patent. Defendant's acts constitute infringement of the '191 patent in violation of 35 U.S.C. § 271(b).

117. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '191 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '191 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

118. Upon information and belief, Defendant's acts constitute contributory infringement of the '191 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the '191 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '191 patent.

119. Defendant's infringement of the '191 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '191 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

120. Because of Defendant's infringement of the '191 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

121. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XII. SEVENTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,470,695)

122. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 121.

123. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '695 patent under at least 35 U.S.C. § 271(a), (b), and (c).

124. Upon information and belief, Defendant has directly infringed one or more claims of the '695 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

125. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '695 patent. The Apple Watch Series 4 and 5 devices are a wrist-worn physiological monitoring device configured for placement on a user at a tissue measurement site as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

126. The Apple Watch Series 4 and 5 devices include a light emission source comprising a plurality of emitters configured to irradiate the tissue measurement site by emitting light towards the tissue measurement site, the tissue measurement site being located on a wrist of the user, the plurality of emitters configured to emit one or more wavelengths and a plurality of detectors configured to detect the light emitted by the plurality of emitters after attenuation by a circular portion of the tissue measurement site, the plurality of detectors further configured to output at least one signal responsive to the detected light as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

127. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a processor configured to receive the at least one signal responsive to the output and determine a physiological parameter of the user and a light block forming an enclosing wall between the light emission source and the plurality of detectors, the light block defining the circular portion of the tissue measurement site, the light emission source arranged proximate a first side of the enclosing wall and the plurality of detectors arranged proximate a second side of the enclosing wall, the first side being different than the second side, wherein the enclosing wall prevents at least a portion of light emitted from the light emission source from being detected by the plurality of detectors without attenuation by the tissue, and wherein the plurality of detectors are arranged in an array having a spatial configuration corresponding to the portion of the tissue measurement site as described, for example, in Fig. 4C and the corresponding text of the '912 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

128. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '695 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed provisional patent applications that led to the '695 patent in August 2008, while O'Reilly and Lamego were with Masimo and/or Cercacor. Lamego is a named inventor of the '695 patent. Defendant had knowledge of the '695 patent no later than the filing of this Complaint.

129. Upon information and belief, Defendant has actively induced others to infringe the '695 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '695 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '695 patent. Defendant's acts constitute infringement of the '695 patent in violation of 35 U.S.C. § 271(b).

130. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '695 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '695 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

131. Upon information and belief, Defendant's acts constitute contributory infringement of the '695 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the '695 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '695 patent.

132. Defendant's infringement of the '695 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '695 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

133. Because of Defendant's infringement of the '695 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

134. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XIII. EIGHTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 6,771,994)

135. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 134.

136. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 15 of the '994 patent under at least 35 U.S.C. § 271(a), (b), and (c).

137. Upon information and belief, Defendant has directly infringed one or more claims of the '994 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

138. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 15 of the '994 patent. Upon information and belief, the Apple Watch Series 4 and 5 devices detects light transmitted through body tissue carrying pulsing blood to determine heart rate as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

139. The Apple Watch Series 4 and 5 devices include at least one light emission device and a light sensitive detector as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

140. The detectors output signals responsive to light from the light emitters attenuated by body tissue. Upon information and belief, the signals are indicative of a physiological parameter (for example, heart rate) of the wearer.

141. Upon information and belief, at least some of the technology in the Apple Watch Series 4 and 5 devices is described in U.S. Patent Application Publication 2019/0090806 (the '806 publication). A copy of the publication is attached as Exhibit 12. Analysis of the Apple Watch Series 4 and 5 devices show that the devices include a plurality of louvers positioned over the light sensitive detector to accept light from the at least one light emission device originating from a general direction of the at least one light emission device and then transmitting through body tissue carrying pulsing blood, wherein the louvers accept the light when the sensor is properly applied to tissue of a patient. Upon information and belief, this technology is described, for example, in Fig. 7 and the corresponding text of the '806 publication:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

142. Upon information and belief, Defendant has knowledge of Masimo's patents, including the '994 patent, at least based on O'Reilly and Lamego's former positions with Masimo and Cercacor. Masimo filed a patent application that led to the '994 patent on June 16, 2000. The '994 patent issued on August 3, 2004, and Masimo has maintained the patent while O'Reilly and Lamego were with Masimo and/or Cercacor. Defendant had knowledge of the '994 patent no later than the filing of this Complaint.

143. Upon information and belief, Defendant has actively induced others to infringe the '994 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '994 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '994 patent. Defendant's acts constitute infringement of the '994 patent in violation of 35 U.S.C. § 271(b).

144. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '994 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '994 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

145. Upon information and belief, Defendant's acts constitute contributory infringement of the '994 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the '994 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '994 patent.

146. Defendant's infringement of the '994 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '994 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

147. Because of Defendant's infringement of the '994 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

148. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XIV. NINTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 8,457,703)

149. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 148.

150. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '703 patent under at least 35 U.S.C. § 271(a), (b), and (c).

151. Upon information and belief, Defendant has directly infringed one or more claims of the '703 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

152. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '703 patent. The Apple Watch Series 4 and 5 devices provide an indication of a physiological parameter (for example, heart rate) of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

153. The Apple Watch Series 4 and 5 devices drive one or more light sources configured to emit light into tissue and receives one or more signals from one or more detectors configured to detect light after attenuation by tissue as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

154. The detectors output signals responsive to light from the light emitters attenuated by body tissue. Upon information and belief, the signals are indicative of a physiological parameter (for example, heart rate) of the wearer.

155. Upon information and belief, the Apple Watch Series 4 and 5 devices continuously operate at a lower power consumption level to determine measurement values for heart rate, as described at <https://support.apple.com/en-us/HT204666>:

The optical heart sensor in Apple Watch uses what is known as photoplethysmography. This technology, while difficult to pronounce, is based on a very simple fact: Blood is red because it reflects red light and absorbs green light. Apple Watch uses green LED lights paired with light-sensitive photodiodes to detect the amount of blood flowing through your wrist at any given moment. When your heart beats, the blood flow in your wrist — and the green light absorption — is greater. Between beats, it's less. By flashing its LED lights hundreds of times per second, Apple Watch can calculate the number of times the heart beats each minute — your heart rate. The optical heart sensor supports a range of 30–210 beats per minute. In addition, the optical heart sensor is designed to compensate for low signal levels by increasing both LED brightness and sampling rate.

156. Upon information and belief, the Apple Watch Series 4 and 5 devices as described above compare processing characteristics to a predetermined threshold, and when the processing characteristics pass the threshold, the Apple Watch Series 4 and 5 devices transition to continuously operating at a higher power consumption level, wherein the continuously operating at the lower power consumption level comprises reducing activation of an attached sensor, the sensor positioning the light sources and the detectors proximate to the tissue.

157. Masimo filed a provisional patent application that led to the '703 patent on July 2, 2001, The '703 patent issued on June 4, 2013, while while O'Reilly and Lamego were with Masimo and/or Cercacor. Defendant had knowledge of the '703 patent no later than the filing of this Complaint.

158. Upon information and belief, Defendant has actively induced others to infringe the '703 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the '703 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the '703 patent. Defendant's acts constitute infringement of the '703 patent in violation of 35 U.S.C. § 271(b).

159. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the '703 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the '703 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

160. Upon information and belief, Defendant's acts constitute contributory infringement of the '703 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the '703 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the '703 patent.

161. Defendant's infringement of the '703 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the '703 patent and its infringement thereof, thus acting in reckless disregard of Masimo's patent rights.

162. Because of Defendant's infringement of the '703 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

163. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XV. TENTH CAUSE OF ACTION

(INFRINGEMENT OF U.S. PATENT NO. 10,433,776)

164. Plaintiff Masimo hereby realleges and incorporates by reference the allegations set forth in paragraphs 1 through 163.

165. Upon information and belief, Defendant's products, including at least the Apple Watch Series 4 and 5 devices, infringe at least Claim 1 of the '776 patent under at least 35 U.S.C. § 271(a), (b), and (c).

166. Upon information and belief, Defendant has directly infringed one or more claims of the '776 patent through manufacture, use, sale, offer for sale, and/or importation into the United States of physiological monitors, including the Apple Watch Series 4 and 5 devices.

167. For example, upon information and belief, in operation, the Apple Watch Series 4 and 5 devices include all of the limitations of Claim 1 of the '776 patent. The Apple Watch Series 4 and 5 devices are configured to monitor at least a pulse rate of a patient by processing signals responsive to light

168. attenuated by body tissue of the wearer as shown in the image below found on the Apple website at <https://www.apple.com/apple-watch-series-4/health/>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

169. The Apple Watch Series 4 and 5 devices drive one or more light sources configured to emit light into tissue and receives one or more signals from one or more detectors configured to detect light after attenuation by tissue as shown in the image below found on the Apple website at <https://support.apple.com/en-us/HT204666>:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

170. Upon information and belief, the Apple Watch Series 4 and 5 devices operate according to a first control protocol, wherein said operating includes activating a first control protocol light source in accordance with the first control protocol, the first control protocol light source including one or more of a plurality of light sources, and when operating according to the first control protocol, calculating, by the patient monitor, measurement values of the pulse rate, the measurement values responsive to light from the first control protocol light source, detected by a detector of an optical sensor after attenuation by body tissue of the patient using the patient monitor as explained, for example, on the Apple website at <https://support.apple.com/en-us/HT204666>. That webpage explains the optical heart sensor uses photoplethysmography. “Apple Watch uses green LED lights paired with light-sensitive photodiodes to detect the amount of blood flowing through your wrist at any given moment. When your heart beats, the blood flow in your wrist — and the green light absorption — is greater. Between beats, it’s less. By flashing its LED lights hundreds of times per second, Apple Watch can calculate the number of times the heart beats each minute — your heart rate. The optical heart sensor supports a range of 30–210 beats per minute. In addition, the optical heart sensor is designed to compensate for low signal levels by increasing both LED brightness and sampling rate.” That webpage further explains that the “optical heart sensor can also use infrared light. This mode is what Apple Watch uses when it measures your heart rate in the background, and for heart rate notifications. Apple Watch uses green LED lights to measure your heart rate during workouts and Breathe sessions, and to calculate walking average and Heart Rate Variability (HRV).”

171. Upon information and belief, the Apple Watch Series 4 and 5 devices operate generate a trigger signal, wherein generating said trigger signal is responsive to at least one of: a comparison of processing characteristics to a predetermined threshold, a physiological event, or signal quality characteristics of signals received from the detector, and in response to receiving the trigger signal, operating the patient monitor according to a second control protocol different from the first control protocol, wherein said operating includes activating a second control protocol light source in accordance with the second control protocol, the second control protocol light source including one or more of the plurality of light sources, and when operating the patient monitor according to the second control protocol, calculating the measurement values of the pulse rate, the measurement values responsive to light from the second control protocol light source, detected by the detector after attenuation by the body tissue of the patient using the patient monitor, wherein said operating of the patient monitor according to the first control protocol operates the first control protocol light source according to a first duty cycle and said operating of the patient monitor according to the second control protocol operates the second control protocol light source according to a second duty cycle, wherein power consumption of the first control protocol light source according to the first duty cycle is different than power consumption of the second control protocol light source according to the second duty cycle.

172. Upon information and belief, Defendant has knowledge of Masimo’s patents, including the ‘776 patent, at least based on O’Reilly and Lamego’s former positions with Masimo and Cercacor. Masimo filed a provisional patent application that led to the ‘776 patent on July 2, 2001, The ‘776 patent issued on June 4, 2013, while while O’Reilly and Lamego were with Masimo and/or Cercacor. Defendant had knowledge of the ‘776 patent no later than the filing of this Complaint.

173. Upon information and belief, Defendant has actively induced others to infringe the ‘776 patent by marketing and selling the above Apple Watch Series 4 and 5 devices, knowing and intending that such systems would be used by customers and end users in a manner that infringes the ‘776 patent. To that end, Defendant provides instructions and teachings to its customers and end users that such Apple Watch Series 4 and 5 devices be used to infringe the ‘776 patent. Defendant’s acts constitute infringement of the ‘776 patent in violation of 35 U.S.C. § 271(b).

174. Upon information and belief, Defendant actively induces users to directly infringe the asserted claims of the ‘776 patent. By way of example only, upon information and belief, Defendant actively induces direct infringement of the ‘776 patent by providing directions, demonstrations, guides, manuals, training for use, and/or other materials necessary for the use of the Apple Watch Series 4 and 5 devices. Upon information and belief, Defendant knew or should have known that these activities would cause direct infringement.

175. Upon information and belief, Defendant’s acts constitute contributory infringement of the ‘776 patent in violation of 35 U.S.C. § 271(c). Upon information and belief, Defendant contributorily infringes because, among other things, Defendant offers to sell and/or sells within the United States, and/or imports into the United States, components of the Apple Watch Series 4 and 5 devices that constitute material parts of the invention of the asserted claims of the ‘776 patent, are not staple articles or commodities of commerce suitable for substantial non-infringing use, and are known by Defendant to be especially made or especially adapted for use in an infringement of the ‘776 patent.

176. Defendant’s infringement of the ‘776 patent is willful, deliberate, and intentional by continuing its acts of infringement after becoming aware of the ‘776 patent and its infringement thereof, thus acting in reckless disregard of Masimo’s patent rights.

177. Because of Defendant’s infringement of the ‘776 patent, Masimo has suffered and will continue to suffer irreparable harm and injury, including monetary damages in an amount to be determined at trial.

178. Upon information and belief, unless enjoined, Defendant, and/or others acting on behalf of Defendant, will continue their infringing acts, thereby causing additional irreparable injury to Masimo for which there is no adequate remedy at law.

XVI. ELEVENTH CAUSE OF ACTION

(TRADE SECRET MISAPPROPRIATION UNDER CALIFORNIA'S UNIFORM TRADE SECRET ACT)

179. Plaintiffs Masimo and Cercacor hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 177.

180. This is a cause of action for Misappropriation of Trade Secrets under California's Uniform Trade Secrets Act, Cal. Civ. Code §§ 3426 *et seq.*, based upon Defendant's wrongful and improper use and disclosure of confidential and proprietary trade secret information of Plaintiffs.

181. Plaintiffs own trade secrets including, but not limited to, Plaintiffs' business plans, know-how, technical information, technical data, designs, manufacturing techniques and other business information ("Confidential Information").

182. Plaintiffs' Confidential Information is currently or was, at least at the time of Defendant's misappropriation, not generally known. All individuals with access to Plaintiffs' Confidential Information were instructed to keep it confidential, and they were subject to obligations to keep Plaintiffs' Confidential Information secret. Additionally, Plaintiffs' Confidential Information is, or at least was at the time of Defendant's misappropriation, not generally known to the public or to other persons who can obtain economic value from its disclosure or use.

183. Plaintiffs' Confidential Information has actual and potential independent economic value because it is, or was, not generally known. The actual and potential independent economic value of Plaintiffs' Confidential Information is derived from not being generally known because it gives or gave Plaintiffs an actual and potential business advantage over others who do not know the information and who could obtain economic value from its disclosure or use.

184. Plaintiffs made reasonable efforts under the circumstances to keep Plaintiffs' Confidential Information from becoming generally known. For example, Plaintiffs' efforts included marking documents confidential, instructing those individuals with access to the information to treat it as confidential, restricting access to the information, and requiring individuals and companies to enter into confidentiality agreements with Masimo in order to receive Masimo Confidential Information.

185. Plaintiffs are informed and believe, and thereon allege, that Defendant misappropriated Plaintiffs' Confidential Information by acquisition, disclosure and/or use. Upon information and belief, Defendant acquired, used and disclosed Plaintiffs' Confidential Information at least by filing patent applications containing Masimo's Confidential Information, without Plaintiffs' express or implied consent.

186. Upon information and belief, Lamego disclosed Plaintiffs' Confidential Information at least by September 2014, without Plaintiffs' consent, to Defendant. Additionally, at the time of disclosure, Lamego knew or had reason to know that his knowledge of Plaintiffs' Confidential Information was acquired by an employer-employee relationship, fiduciary relationship, and Lamego's employment agreements, which created a duty for Lamego to keep Plaintiffs' Confidential Information secret.

187. Upon information and belief, Defendant disclosed Plaintiffs' Confidential Information, without Plaintiffs' consent, in published patent filings. Defendant knew or had reason to know that the knowledge of Plaintiffs' Confidential Information came from Plaintiffs, and that Lamego had previously acquired Plaintiffs' Confidential Information by virtue of an employer-employee and fiduciary relationship and the Lamego employment agreements, all of which created a duty for Lamego to keep Plaintiffs' Confidential Information secret.

188. Plaintiffs were harmed by Defendant's acquisition, use, and disclosure of Plaintiffs' Confidential Information, and Defendant's actions were substantial factors in causing Plaintiffs' harm. As a direct and proximate result of Defendant's willful, improper, and unlawful acquisition, use, and disclosure of Plaintiffs' trade secrets, Plaintiffs have suffered, and will continue to suffer, great harm and damage. Plaintiffs will continue to be irreparably damaged unless Defendant is enjoined from further use and disclosure of Plaintiffs' Confidential Information.

189. Defendant was unjustly enriched by Defendant's acquisition, use, and disclosure of Plaintiffs' Confidential Information, and Defendant's actions were substantial factors in causing Defendant to be unjustly enriched. Defendant was unjustly enriched because its misappropriation of Plaintiffs' Confidential Information caused Defendant to receive a benefit that it otherwise would not have achieved.

190. If neither damages nor unjust enrichment caused by Defendant's misappropriation of Plaintiffs' Confidential Information is provable at trial, Plaintiffs are entitled to a reasonable royalty for the period of time that Defendant's use of Plaintiffs' Confidential Information could have been prohibited.

191. The aforementioned acts of Defendant in wrongfully misappropriating Plaintiffs' trade secrets were, and continue to be, willful and malicious, warranting an award of reasonable attorneys' fees, as provided by Cal. Civ. Code § 3426.4, and exemplary damages, as provided by Cal. Civ. Code §§ 3294 and 3426.3(c).

XVII. TWELTH CAUSE OF ACTION

(CORRECTION OF INVENTORSHIP OF U.S. PATENT NO. 10,078,052)

192. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 190.

193. Lamego is a named inventor of U.S. Patent 10,078,052 presently recorded as owned by Apple. A true and correct copy of the '052 patent is attached hereto as Exhibit 13.

194. The '052 Patent claims subject matter that Lamego obtained from discussions with Masimo or Cercacor employees Ammar Al-Ali, Mohamed Diab, and Walter Weber. Al-Ali, Diab, and Weber are joint inventors of the claimed subject matter, regardless of patentability. Accordingly, Al-Ali, Diab, and Weber should have been named inventors on the '052 Patent.

195. Pursuant to 28 U.S.C. § 2201 and 35 U.S.C. § 256, Plaintiffs seek an order directing the U.S. Patent and Trademark Office to correct the inventorship of the '052 Patent by adding inventors Al-Ali, Diab, and Weber as named inventors.

XVIII. THIRTEENTH CAUSE OF ACTION

(CORRECTION OF INVENTORSHIP OF U.S. PATENT NO. 10,247,670)

196. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 194.

197. Lamego is a named inventor of U.S. Patent 10,247,670 presently recorded as owned by Apple. A true and correct copy of the '670 patent is attached hereto as Exhibit 14.

198. The '670 Patent claims subject matter that Lamego obtained from discussions with Masimo or Cercacor employees Al-Ali, Diab, and Weber. Al-Ali, Diab, and Weber are joint inventors of the claimed subject matter, regardless of patentability. Accordingly, Al-Ali, Diab, and Weber should have been named inventors on the '670 Patent.

199. Pursuant to 28 U.S.C. § 2201 and 35 U.S.C. § 256, Plaintiffs seek an order directing the U.S. Patent and Trademark Office to correct the inventorship of the '670 Patent by adding inventors Al-Ali, Diab, and Weber as named inventors.

XIX. FOURTEENTH CAUSE OF ACTION

(CORRECTION OF INVENTORSHIP OF U.S. PATENT NO. 9,952,095)

200. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 198.

201. Lamego is a named inventor of U.S. Patent 9,952,095 presently recorded as owned by Apple. A true and correct copy of the '095 patent is attached hereto as Exhibit 15.

202. The '095 Patent claims subject matter that Lamego obtained from discussions with Masimo or Cercacor employees Al-Ali, Diab, and Weber. Al-Ali, Diab, and Weber are joint inventors of the claimed subject matter, regardless of patentability. Accordingly, Al-Ali, Diab, and Weber should have been named inventors on the '095 Patent.

203. Pursuant to 28 U.S.C. § 2201 and 35 U.S.C. § 256, Plaintiffs seek an order directing the U.S. Patent and Trademark Office to correct the inventorship of the '095 Patent by adding inventors Al-Ali, Diab, and Weber as named inventors.

XX. FIFTEENTH CAUSE OF ACTION

(CORRECTION OF INVENTORSHIP OF U.S. PATENT NO. 10,219,754)

204. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 202.

205. Lamego is a named inventor of U.S. Patent 10,219,754 presently recorded as owned by Apple. A true and correct copy of the '754 patent is attached hereto as Exhibit 16.

206. The '754 Patent claims subject matter that Lamego obtained from discussions with Masimo or Cercacor employees Al-Ali, Diab, and Weber. Al-Ali, Diab, and Weber are joint inventors of the claimed subject matter, regardless of patentability. Accordingly, Al-Ali, Diab, and Weber should have been named inventors on the '754 Patent.

207. Pursuant to 28 U.S.C. § 2201 and 35 U.S.C. § 256, Plaintiffs seek an order directing the U.S. Patent and Trademark Office to correct the inventorship of the '754 Patent by adding inventors Al-Ali, Diab, and Weber as named inventors.

XXI. SIXTEENTH CAUSE OF ACTION

(CORRECTION OF INVENTORSHIP OF U.S. PATENT NO. 10,524,671)

208. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 206.

209. Lamego is a named inventor of U.S. Patent 10,524,671 presently recorded as owned by Apple. A true and correct copy of the '671 patent is attached hereto as Exhibit 17.

210. The '671 Patent claims subject matter that Lamego obtained from discussions with Masimo or Cercacor employees Al-Ali, Diab, and Weber. Al-Ali, Diab, and Weber are joint inventors of the claimed subject matter, regardless of patentability. Accordingly, Al-Ali, Diab, and Weber should have been named inventors on the '671 Patent.

211. Pursuant to 28 U.S.C. § 2201 and 35 U.S.C. § 256, Plaintiffs seek an order directing the U.S. Patent and Trademark Office to correct the inventorship of the '671 Patent by adding inventors Al-Ali, Diab, and Weber as named inventors.

XXII. SEVENTEENTH CAUSE OF ACTION

(DECLARATORY JUDGMENT OF OWNERSHIP OF PATENTS AND PATENT APPLICATIONS)

212. Plaintiffs hereby reallege and incorporate by reference the allegations set forth in paragraphs 1 through 210.

213. U.S. Patents 10,078,052, 10,219,754, 10,247,670, 9,952,095, and 10,524,671 are recorded as owned by Apple (the "Lamego Patents"). U.S. Patent Applications 15/667,832 and 15/960,507 are also recorded as owned by Apple (the "Lamego Applications").

214. Lamego developed the claimed subject matter in both the Lamego Patents and the Lamego Applications with employees of Masimo and Cercacor while he was employed at those companies. Lamego, as well as all of the other employees/inventors, had an obligation to assign said subject matter, patents, and patent applications to their employer, Masimo and Cercacor.

215. As evidenced by the allegations set forth above, Plaintiffs Masimo and Cercacor are exclusive owners, or at least joint owners, of all patents and patent applications that are based on Apple's claiming subject matter developed at Masimo and Cercacor while Lamego and the joint inventors (e.g., Al-Ali, Diab, and/or Weber) were employed at Masimo or Cercacor. Those patents and patent applications include, at a minimum, the Lamego Patents and Lamego Applications and all original applications, continuations, divisionals, and applications or patents that claim priority to any of these patents and patent applications, including foreign counterparts.

216. Based on the forgoing, Plaintiffs seek declaratory relief that they are the exclusive owners, or at least joint owners, of those patents and patent applications. Thus, Plaintiffs seeks an order from the Court ordering Apple to change the title to the patents and patent applications in favor of Masimo and Cercacor.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment in their favor against Defendant for the following relief:

A. Pursuant to 35 U.S.C. § 271, a determination that Defendant and its officers, agents, servants, employees, attorneys and all others in active concert and/or participation with them have infringed each of the '265, '266, '628, '708, '190, '191, '994, '695, '703, and '776 patents through the manufacture, use, importation, offer for sale, and/or sale of infringing products and/or any of the other acts prohibited by 35 U.S.C. § 271;

B. Pursuant to 35 U.S.C. § 283, an injunction enjoining Defendant and its officers, agents, servants, employees, attorneys and all others in active concert and/or participation with them from infringing the '265, '266, '628, '708, '190, '191, '994, '695, '703, and '776 patents through the manufacture, use, importation, offer for sale, and/or sale of infringing products and/or any of the other acts prohibited by 35 U.S.C. § 271, including preliminary and permanent injunctive relief;

C. Pursuant to 35 U.S.C. § 284, an award compensating Masimo for Defendant's infringement of the '265, '266, '628, '708, '190, '191, '994, '695, '703, and '776 patents through payment of not less than a reasonable royalty on Defendant's sales of infringing products;

D. Pursuant to 35 U.S.C. § 284, an award increasing damages up to three times the amount found or assessed by the jury for Defendant's infringement of each of the '265, '266, '628, '708, '190, '191, '994, '695, '703, and '776 patents in view of the willful and deliberate nature of the infringement;

E. Pursuant to 35 U.S.C. § 285, a finding that this is an exceptional case, and an award of reasonable attorneys' fees and non-taxable costs;

F. An assessment of prejudgment and post-judgment interest and costs against Defendant, together with an award of such interest and costs, pursuant to 35 U.S.C. § 284;

G. That Defendant be adjudged to have misappropriated Plaintiffs' trade secrets in violation of the California Uniform Trade Secrets Act, Cal. Civ. Code § 3426 *et seq.*, and that Defendant's acts in doing so be adjudged willful, malicious, oppressive, and done knowingly;

H. That Defendant be adjudged to have been unjustly enriched;

I. That Plaintiffs be awarded damages for actual losses, unjust enrichment, and/or a reasonable royalty pursuant to 18 U.S.C. § 1836(b)(3)(B) and Cal. Civ. Code § 3426.3.

J. That Defendant, its agents, servants, employees, and attorneys, and all those persons in active concert or participation with each of them, be forthwith temporarily, preliminarily, and thereafter permanently required to return all of Plaintiffs' trade secrets and confidential information and enjoined from further using and disclosing to any third parties any of Plaintiffs' trade secrets and confidential information;

K. That Defendant, its agents, servants, employees, and attorneys, and all those persons in active concert or participation with Defendant, be forthwith temporarily, preliminarily, and thereafter permanently required to return all of Plaintiffs' trade secrets and enjoined from further using and disclosing to any third parties any of Plaintiffs' trade secrets;

L. That Defendant be enjoined from selling or offering to sell any product, including Defendant's Apple Watch Series 4 and 5 devices, that includes or uses any of Plaintiffs' trade secrets;

M. That Defendant be directed to file with this Court and to serve on Plaintiffs within thirty (30) days after the service of the injunction, a report in writing, under oath, setting forth in detail the manner and form in which Defendant has complied with the injunction;

N. That Defendant be required to account to Plaintiffs for any and all gains, profits, and advantages derived by it, and all damages sustained by Plaintiffs, by reason of Defendant's acts complained herein;

O. That Plaintiffs be awarded exemplary damages and reasonable attorneys' fees pursuant to 18 U.S.C. § 1836(b)(3)(C) and (D), and Cal. Civ. Code § 3426.3(c) and 3426.4;

P. That the U.S. Patent and Trademark Office be directed to correct the inventorship of the Lamego Patents to add the correct inventors;

Q. An order imposing a constructive trust for the benefit of Plaintiffs over: (1) any trade secrets Defendants obtained from Plaintiffs; (2) any profits, revenues, or other benefits obtained by Defendants as a result of any disclosure or use of trade secrets obtained from Plaintiffs; and (3) the Lamego Patents and the Lamego Patent Applications;

R. That Plaintiffs be declared exclusive owners, or at least joint owners, of the patents and patent applications that are based on Plaintiffs' developments, including the Lamego Patents and Lamego Patent Applications;

S. An award of taxable costs; and

T. That this Court award such other and further relief as this Court may deem just.

Respectfully submitted,

KNOBBE, MARTENS, OLSON & BEAR, LLP

By: /s/ Perry D. Oldham

Joseph R. Re

Stephen C. Jensen

Perry D. Oldham

Stephen W. Larson

Attorneys for Plaintiff,

Masimo Corporation

Dated: January 9, 2020

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff Masimo Corporation hereby demands a trial by jury on all issues so triable.

Respectfully submitted,

KNOBBE, MARTENS, OLSON & BEAR, LLP

By: /s/ Perry D. Oldham

Joseph R. Re

Stephen C. Jensen

Perry D. Oldham

Stephen W. Larson

Attorneys for Plaintiff,

Masimo Corporation

Dated: January 9, 2020

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SKYSCANNER

2019 WL 7482292 (UDRP-ARB Dec.)

SKYSCANNER LIMITED v. WHOISGUARD INC./RAFAT EL SHAWAF

WIPO Arbitration and Mediation Center

ADMINISTRATIVE PANEL DECISION

SKYSCANNER LIMITED v. WHOISGUARD INC./RAFAT EL SHAWAF

Case No. D2019-2789

*1 Doman Name: skyscanner.best

Case Type: Domain Name

Award Amount: Equitable

***5 Award Date: December 26, 2019**

Arbitrator: Kaya Köklü

1. The Parties

The Complainant is Skyscanner Limited, United Kingdom, represented by Keltie LLP, United Kingdom.

The Respondent is WholsGuard Inc., Panama/Rafat El Shawaf, Palestine.

2. The Domain Name and Registrar

The disputed domain name <skyscanner.best> is registered with NameCheap, Inc. (the 'Registrar').

3. Procedural History

The Complaint was filed with the WIPO Arbitration and Mediation Center (the 'Center') on November 14, 2019. On November 14, 2019, the Center transmitted by email to the Registrar a request for registrar verification in connection with the disputed domain name. On November 14, 2019, the Registrar transmitted by email to the Center its verification response disclosing registrant and contact information for the disputed domain name which differed from the named Respondent and contact information in the Complaint. The Center sent an email communication to the Complainant on November 18, 2019, providing the registrant and contact information disclosed by the Registrar, and inviting the Complainant to submit an amendment to the Complaint. The Complainant filed an amendment to the Complaint on November 18, 2019.

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

In accordance with the Rules, paragraphs 2 and 4, the Center formally notified the Respondent of the Complaint, and the proceedings commenced on November 19, 2019. In accordance with the Rules, paragraph 5, the due date for Response was December 9, 2019. The Respondent did not submit any response. However, an informal email from the Respondent was received by the Center on

November 19, 2019: 'hello dear i'm not work against that companey, the domain name is avaiable at the internet if they need the domain name i can sale it for them that's my offer 10,000 \$ thanks' Accordingly, the Center the Commencement of Panel Appointment email on December 10, 2019.

The Center appointed Kaya Kx'20'oklx'20'u as the sole panelist in this matter on December 12, 2019. The Panel finds that it was properly constituted. The Panel has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with the Rules, paragraph 7.

4. Factual Background

According to Annex 3 to the Complaint, the Complainant is an online travel search site, active globally and specializing in offering a search engine particularly for customers seeking for flight connections. Based on the provided information, the Complainant's website attracts 100 million visits per month and its app has been downloaded more than 70 million times.

*2 The Complainant owns a large number of trademark registrations for its SKYSCANNER mark, such as United States of America Trademark Registration No. 1133058, registered with the United States Patent and Trademark Office on October 22, 2013, covering protection for *inter alia* goods and services in classes 35, 39 and 42, including but not limited to the provision of an Internet search engine relating to travel.

The Complainant also owns and operates various domain names, such as < skyscanner.com>.

The disputed domain name was registered on October 6, 2019.

The Respondent is an individual from Palestine.

Until recently, as evidenced in Annex 4 to the Complaint, the disputed domain name was linked to an online flight search engine in Arabic language. At the time of the decision, however, the disputed domain name resolves to a website indicating that the disputed domain name is for sale.

5. Parties' Contentions

A. Complainant

The Complainant requests the transfer of the disputed domain name.

The Complainant is of the opinion that the disputed domain name is identical to its SKYSCANNER trademark.

Furthermore, the Complainant argues that the Respondent has no rights or legitimate interests in respect of the disputed domain name. It is rather argued that the disputed domain name falsely suggests that there is an official or authorized link between the Complainant and the Respondent.

Finally, it is argued that the Respondent has registered and is using the disputed domain name in bad faith. The Complainant particularly argues that the Respondent must have been well aware of the Complainant's SKYSCANNER trademark, when registering and taking control over the disputed domain name.

B. Respondent

Except from his informal email communication as indicated above, the Respondent did not reply to the Complainant's contentions.

6. Discussion and Findings

According to paragraph 15(a) of the Rules, the Panel shall decide the Complaint in accordance with the Policy, the Rules and any rules and principles of law that it deems applicable.

In accordance with paragraph 4(a) of the Policy, the Complainant must prove that each of the three following elements is satisfied:

(i) the disputed domain name is identical or confusingly similar to a trademark in which the Complainant has rights; and

- (ii) the Respondent has no rights or legitimate interests in respect of the disputed domain name; and
- (iii) the disputed domain name has been registered and is being used in bad faith.

Paragraph 4(a) of the Policy states that the Complainant bears the burden of proving that all these requirements are fulfilled, even if the Respondent has not replied to the Complainant's contentions. *Stanworth Development Limited v. E Net Marketing Ltd.*, WIPO Case No. D2007-1228.

However, concerning the uncontested information provided by the Complainant, the Panel may, where relevant, accept the provided reasonable factual allegations in the Complaint as true. See section 4.3 of the WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Third Edition ('WIPO Overview 3.0').

***3** Yet, it is noted that an independent search by visiting the Internet site linked to the disputed domain name has been performed by the Panel. The competence of the Panel to perform such independent search is undisputed and in line with previous UDRP decisions, e.g., *Hesco Bastion Limited v. The Trading Force Limited*, WIPO Case No. D2002-1038.

It is further noted that the Panel has taken note of the WIPO Overview 3.0 and, where appropriate, will decide consistent with the views stated therein.

A. Identical or Confusingly Similar

The Panel finds that the Complainant has registered trademark rights in the mark SKYSCANNER by virtue of various trademark registrations worldwide.

The disputed domain name is in view of the Panel identical to the Complainant's SKYSCANNER trademark as it incorporates the Complainant's trademark in its entirety without any additions or amendments.

In the Panel's view, the mere addition of the generic Top-Level Domain ('gTLD') '.best' may, as a general principle, be disregarded when assessing identity or confusing similarity between a domain name and a trademark (in line with prior UDRP panels concerning the use of a gTLD within a domain name, cf. *V&S Vin & Sprit AB v. Ooar Supplies*, WIPO Case No. D2004-0962; *Google Inc. v. Nijat Hassanov*, WIPO Case No. D2011-1054).

In view of the above, the Panel is satisfied that the Complainant has met the requirements under paragraph 4(a)(i) of the Policy.

B. Rights or Legitimate Interests

The Panel further finds that the Respondent has failed to demonstrate any rights or legitimate interests in the disputed domain name.

While the burden of proof on this element remains with the complainant, previous UDRP panels have recognized that this would result in the often impossible task of proving a negative, in particular as the evidence in this regard is often primarily within the knowledge of the respondent. Therefore, the Panel agrees with prior UDRP panels that the Complainant is required to make out a *prima facie* case before the burden of production shifts to the Respondent to show that it has rights or legitimate interests in the disputed domain name in order to meet the requirements of paragraph 4(a)(ii) of the Policy. See, *Croatia Airlines d.d. v. Modern Empire Internet Ltd.*, WIPO Case No. D2003-0455.

The Panel finds that the Complainant has satisfied this requirement, while the Respondent has failed to file any evidence or make any convincing argument to demonstrate rights or legitimate interests in the disputed domain name according to the Policy, paragraphs 4(a)(ii) and 4(c).

In its Complaint, the Complainant has provided uncontested *prima facie* evidence that the Respondent has no rights or legitimate interests to use the Complainant's trademark SKYSCANNER, especially as the disputed domain name is identical to the Complainant's trademark and, hence, carries a high risk of implied affiliation (see section 2.5.1 of the WIPO Overview 3.0).

***4** There is also no indication in the current record that the Respondent is commonly known by the disputed domain name. In the absence of a substantive Response to the Complainant's contentions, the Respondent has particularly failed to demonstrate any of

the other non-exclusive circumstances evidencing rights or legitimate interests under the Policy, paragraph 4(c) or other evidence of rights or legitimate interests in the disputed domain name.

As a conclusion, the Panel finds that the Complainant has also satisfied the requirements of paragraph 4(a)(ii) of the Policy.

C. Registered and Used in Bad Faith

The Panel is further convinced that the Respondent has registered and is using the disputed domain name in bad faith.

The Panel notes the reputation and internationally wide recognition of the Complainant's SKYSCANNER trademark. The Panel is accordingly convinced that the Respondent must have had the Complainant's trademark in mind when registering the disputed domain name.

In the Panel's view, it even appears that the Respondent has registered and used the disputed domain name for the purpose of creating an association with the Complainant. By registering and using the disputed domain name, which is identical to the SKYSCANNER trademark of the Complainant, the Respondent apparently targets the diversion of Internet traffic from the Complainant's site to the Respondent's site. Noting that the Respondent lacks any rights or legitimate interests in the disputed domain name, the use of the disputed domain name incorporating the identical trademark and redirecting Internet users to another travel search engine for commercial gain, is sufficient evidence of bad faith under paragraph 4(b)(iv) of the Policy. See in this regard WIPO Overview 3.0, section 3.1.4. The Panel finds this a valid indication for bad faith registration and use under paragraph 4(b)(iii) of the Policy.

Additionally, offering the disputed domain name for sale is in view of the Panel a further indication for the Respondent's bad faith intentions to gain illegitimate benefit by freeriding on the notoriety and goodwill of the Complainant's trademarks.

Finally, the Panel finds that the Respondent's failure to respond substantively to the Complaint also supports the conclusion that it has registered and is using the disputed domain name in bad faith. The Panel believes that, if the Respondent did in fact have legitimate purposes in registering and using the disputed domain name, it would have probably responded.

All in all, the Panel concludes that the disputed domain name was registered and is used in bad faith and that the Complainant has also satisfied the third element of the Policy, namely, paragraph 4(a)(iii) of the Policy.

7. Decision

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

Date: December 26, 2019

Arbitrator: Kaya Köklü

Sole Panelist

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2019 WL 7482292 (UDRP-ARB Dec.)

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C2R GLOBAL

2019 WL 7342451

Only the Westlaw citation is currently available.

United States Bankruptcy Court, E.D. Wisconsin.

IN RE: C2R GLOBAL MANUFACTURING, INC., Debtor-in-possession.

Case No. 18-30182-beh

|

Signed December 30, 2019

Attorneys and Law Firms

Brent Alan Lorentz, Brooks F. Poley, Ian Michael Rubenstrunk, Winthorp & Weinstine, P.A., Minneapolis, MN, Evan Schmit, Gregory M. Schrieber, Jerome R. Kerkman, Kerkman & Dunn, Johanna Wilbert, Quarles & Brady LLP, Michael Piery, Quarles & Brady LLP, Milwaukee, WI, for Debtor-in-possession

DECISION AND ORDER ON AMENDED SECOND APPLICATION OF SPECIAL COUNSEL FOR INTERIM COMPENSATION

Beth E. Hanan, United States Bankruptcy Judge

***1** The matter before the Court is the amended second application of debtor's special counsel for patent and related matters, Quarles & Brady, for interim compensation under 11 U.S.C. § 331. For the reasons set out below, the Court will approve the request, and allow interim fees in the amount of \$365,091.75 and expenses in the amount of \$42,243.74, for a total of \$407,335.49.

JURISDICTION

The Court has jurisdiction over the issue before it pursuant to 28 U.S.C. § 1334. Court consideration of applications for compensation and reimbursement of expenses under 11 U.S.C. § 330 are core proceedings insofar as they concern the administration of the estate and are proceedings for the allowance of claims against the estate. 28 U.S.C. §§ 157(b)(2)(A), (B) and (O).

FACTS AND PROCEDURAL HISTORY

Debtor C2R Global Manufacturing, Inc. filed a voluntary Chapter 11 petition on October 29, 2018. On January 10, 2019, the Court approved the employment of Quarles & Brady LLP, effective as of October 29, 2018, to act as special counsel on patent and related matters, general business matters and possible sale of the company. The request to employ and the related order identified by name and hourly billing rate six professionals who would provide such services to the debtor and its estate in connection with the Chapter 11 proceeding. Quarles & Brady's responsibilities are separate from those of the debtor's bankruptcy counsel.

On December 28, 2018, Verde Environmental Technologies, Inc. filed a proof of claim in the amount of \$6,821,918.00. Its claim was based upon damages arising from a lawsuit it commenced against the debtor approximately seven months before the debtor initiated this bankruptcy case, in the United States District Court for the Eastern District of Wisconsin, Case No. 18-cv-423-pp. Verde's suit asserts claims of patent infringement and false advertising, and seeks monetary damages and injunctive relief. The debtor answered the complaint in district court, and objected to Verde's proof of claim in this Court, asserting a number of defenses including patent invalidity.

Verde moved for relief from stay, and the debtor and another creditor, POP-Solutions LLC, objected. The Court reviewed the briefing and heard oral arguments. Ultimately, the Court declined to grant relief from stay, and the parties together devised a schedule to permit resolution of the claim dispute. Patent infringement and validity issues are not typical fare for bankruptcy courts. The schedule devised by the Court and parties includes claim construction briefing and hearing, discovery and ultimately a trial on the infringement and validity issues themselves. To their credit, the parties already have made one attempt at mediation.

Quarles & Brady submitted its first interim application for fees and expenses on August 27, 2019, for the eight-month period from October 28, 2018 through June 30, 2019, for the amount of \$133,901.30 (\$130,464.50 in fees and \$3,436.80 in expenses). No party objected to that application. The Court reviewed and approved it.¹

*2 Quarles & Brady submitted a second interim fee application on December 6, 2019, for the five-month period of July 1, 2019 through November 30, 2019, in the amount of \$485,551.29 (\$439,298.50 in fees and \$46,252.79 in expenses). Clearly more activity related to the patent litigation occurred in this timeframe. The debtor asked that the Court enter an order approving the application on December 31, 2019 so that the debtor could pay its special counsel by year end. The debtor asserted that, due to tax considerations, it would save approximately \$100,000 by paying the Quarles firm before January 1, 2020, and so sought a shortened period of approval under Section 331 of the Code.

On December 13, 2019, creditor POP-Solutions filed an objection, asserting that the amount of fees and expenses sought in the second interim fee application would deplete over 75% of the debtor's current cash on hand. POP-Solutions objected to the "specter" that nearly all estate assets could go to a law firm, instead of being disbursed to creditors, of which POP is the second-largest. POP cited *In re Sapolin Paints, Inc.*, 38 B.R. 807 (E.D. N.Y. 1984), which considered the size of the debtor's estate as a factor in whether to allow fees under 11 U.S.C. § 330. POP expressed concern about the substantial expenditure of legal resources likely yet to occur in the patent claim litigation herein,² and also pointed to over \$129,000 in billings by paralegals in the recent five-month period, at hourly rates of \$255 and \$270. POP asked the Court to make a downward adjustment, but offered no comparative rates in support of its argument.

On December 19, 2019, Quarles & Brady responded to POP's objection, describing the patent litigation as vital to the outcome of the debtor's bankruptcy, an outcome which should benefit creditors like POP. The firm's response noted that the extensive use of paralegals to handle the over 200,000 documents produced in the patent litigation actually reduced costs to the client. In addition, while maintaining that all fees were reasonable, and denying that the debtor was administratively insolvent, the firm agreed to reduce its requested fees by \$20,000 as an accommodation to the debtor and to resolve an informal objection received from the United States Trustee's office related to a "limited number of lumped time entries." See Local Rule 2016(a)(2)(A) (requiring fee applications to state "the time spent on each service or task in tenths of an hour").

The Court held a hearing on December 23, 2019. During that hearing, the Court pointed to several requirements of its Local Rules, including the rule requiring a description of the background and experience of timekeepers, and the rule against billing for more than one timekeeper's time for any project, meeting, etc. without further justification. The Court discussed additional concerns with entries which appeared to reflect billing for clerical tasks, or not aimed at presentation to a bankruptcy court.

At the conclusion of the hearing, Quarles & Brady agreed to submit an amended fee application. It filed the amended application on December 27, 2019, with a substantial reduction in fees. No creditor has objected to that submission.

DISCUSSION

The Bankruptcy Code authorizes reasonable compensation for actual, necessary services rendered by an attorney or paraprofessional. 11 U.S.C. § 330 (a)(1)(A). As the debtor and its counsel firms acknowledge, the Bankruptcy Code requires that the Court satisfy itself, regardless of whether any party has lodged an objection, that compensation sought from the estate is reasonable. *In re Harry Viner, Inc.*, 520 B.R. 268, 274 (Bankr. W.D. Wis. 2014); 11 U.S.C. § 330. Thus, the Court would have conducted a careful review of the Quarles firm's second interim fee application whether or not POP-Solutions objected. It is the confluence of POP's objection, the fact that the courthouse has been and will be closed for several days due to serial holidays, and the debtor's request for expedited resolution due to tax year-end considerations, that submission and review of the fee application has been somewhat compressed.

***3** Based on the Court's review of the Quarles firm's amended second interim fee application, it appears that counsel has addressed, or attempted to address, the deficiencies the Court identified at the December 23 hearing. The Court will address each of those deficiencies, and counsel's remedial actions, below.

1. Description of professionals' experience and background

POP-Solutions raised no objection to the quality of the legal services provided here. The debtor's bankruptcy counsel wholeheartedly endorsed them. Notably, however, our Local Rule 2016(a)(1) requires that all applications for compensation provide: "A list of all attorneys, professional, paraprofessional or other timekeepers performing services on the case along with a description of the experience, length of professional practice, and billing rate for each." This specification assures the Court that all services billed have been provided by one with sufficient skill and ability for the task. From time to time there are new professionals who appear in fee applications submitted to the bankruptcy court, particularly in the case of special counsel. These persons may not be familiar to creditors or the bankruptcy court, making compliance with Local Rule 2016(a)(1) all the more apt.

In this case, Quarles & Brady's initial second interim application did not identify the titles held by its professionals, or provide a narrative description of each professional's experience and background. The Quarles firm remedied this lapse in its amended second interim fee application and supplied professional background information for all of its timekeepers.

2. Duplication of services

Local Rule 2016(a)(5) provides: "If the application seeks compensation for more than one timekeeper performing the same task, including when more than one professional attends a hearing or meeting or produces work product, the application must provide a justification for the use of multiple timekeepers." This Rule is consistent with caselaw, as noted in the applicant's amended submission. *See, e.g., In re Bennett Funding Group, Inc.*, 213 B.R. 234, 245-46 (Bankr. N.D.N.Y. 1997) (professionals are required to exercise billing judgment, and where possible, make efforts to reduce staffing on matters, while multiple lawyers may bill for their areas of specialty).

Compliance with this Local Rule was a focus of Quarles & Brady's amended second interim fee application, which resulted in a majority of the \$54,206.75-fee-reduction, as well as some additional, descriptive justification for some time entries. A careful review of the amended submission satisfies the Court that where multiple timekeepers billed for the same deposition or document review, there was a meaningful division of labor.

3. Paralegal rates and clerical tasks

Section 330(a)(1)(A) of the Code includes compensation of paraprofessionals because their work can reduce the cost of administering bankruptcy cases. *See in re Gvzdinskas*, No. 08-73105, 2010 WL 1433308, at *3 (Bankr. C.D. Ill. April 8, 2010), citing H.R. Rep. No. 595, 95th Congr., 1st. Sess. 329-30 (1977). A legal paraprofessional has obtained education or training by which he or she can perform certain substantive work delegated by the lawyer, and for which the lawyer remains ultimately responsible. *Id.* If such work is reasonable and necessary, it is compensable. Conversely, clerical tasks, whether performed by a lawyer or staff person, are charged to overhead and are not separately compensable. *Id.* *See In re Nelson*, No. 16-22089-beh, 2017 WL 449581, at *2 (Bankr. E.D. Wis. Feb. 1, 2017).

***4** As noted earlier, POP-Solutions objected generally to the rates of paraprofessionals, but offered no comparative rate information in its written objection. At the December 23 hearing, counsel for POP acknowledged that some anecdotal information he obtained from other firms suggested that the Quarles firm rates could be reasonable for experienced paralegals. Indeed, the education and work experience provided in the amended second interim fee application supports that Ms. Hocker is an IP paraprofessional of more than two decades' experience, and is well-suited to assist in this document-intensive patent litigation. Ms. Vidal Schumm has more than a decade of similar experience. As a result, the Court finds no reason to reduce the rates charged by the two paralegals identified in POP's objection, Ms. Hocker and Ms. Vidal Schumm, for performing substantive legal work.

Reduction was appropriate, however, for itemized clerical tasks—*e.g.*, uploading, downloading, filing and effecting service of documents. In its amended fee application, the Quarles firm appears to have eliminated charges for much of the clerical work performed by either Ms. Hocker or Ms. Vidal Schumm, which is included in the \$54,206.75 fee reduction.

4. Excessive/unreasonable time spent on certain tasks

Part of the reduction of the paraprofessional charges in the amended second fee application were charges incurred for an extensive PowerPoint presentation to accompany counsel's argument at the claim construction hearing before the Court. Many of the slides in the PowerPoint presentation were illustrative of caselaw or embodiments from the arguments in the briefs or the patents themselves. Other slides were additional illustrative examples. In any event, while the presentation could be quite helpful for a lay jury, it is less so for a single judge undertaking a legal analysis.

In the amended second fee application, the time charged for Ms. Hocker's work on the PowerPoint presentation was reduced from 40 hours to 14 hours, and the 20 hours of attorney time spent on the presentation was virtually eliminated, resulting in a reduction of almost \$14,000 in fees. The Court accepts this reduction as reflecting a reasonable amount of time spent on the task at hand.

5. Expenses for travel and meals

The amended second fee application reflects other adjustments, common for bankruptcy work in this district. A lawyer's travel time might be compensated at his or her full hourly rate in general civil litigation, on an opportunity-cost theory, but in bankruptcy, where costs paid to the debtor's counsel reduce the estate assets ultimately available to creditors, the better approach is to allow travel costs at half the hourly rate, unless the lawyer is able to perform client work during the travel time. *In re Pettibone Corp.*, 74 B.R. 293, 299 (Bankr. N.D. Ill. 1987) (noting that "every dollar expended on legal fees results in a dollar less that is available for distribution to creditors"). The amended application reflects such an adjustment, relying primarily on more recent caselaw citations³ and the United States Trustee's Guidelines. *See Dixon v. Gluth (In re Gluth Bros. Constr.)*, Nos. 07-B-71375, 09-A-96131, 2011 WL 4344599, at *4 (Bankr. N.D. Ill., Sept. 14, 2011); *In re Bennett Funding Grp., Inc.*, 213 B.R. 234, 251 (Bankr. N.D.N.Y. 1997); *In re Unger & Assocs.*, 277 B.R. 694, 698 (Bankr. E.D. Tex. 2001); *In re Klarchek*, No. 10-bk-44866, 2015 WL 9306458, at *1 (Bankr. N.D. Ill. Dec. 18, 2015).

***5** In addition, the cost of counsel's working meals, sometimes billed to the client in large civil matters, are not an expense item often to be borne by a debtor's creditors in the bankruptcy setting. *See, e.g., In re Rhoads*, No. 14BK17886, 2018 WL 6841357, at *1 (Bankr. N.D. Ill. Dec. 6, 2018) (noting that expenses for in-town travel and in-town meals are not reimbursable in the United States Bankruptcy Court for the Northern District of Illinois, absent an explanation of necessity that would benefit the bankruptcy estate); *see also In re Unger & Assocs., Inc.*, 277 B.R. 694, 698 n.4 (Bankr. E.D. Tex. 2001) (noting that *reasonable* costs for travel meals are allowable under the Local Rules of the United States Bankruptcy Court for the Eastern District of Texas, and disallowing unreasonable and excessive expenditures for prime rib, steak, and alcoholic beverages).

In the amended second fee application, the Quarles firm has eliminated charges for all meals. It appears that some of those meals may have been required due to travel to Minneapolis for depositions. In line with the practices of the courts cited above, the Court would have been willing to allow reasonable expenses for such travel meals; however, the descriptions provided—"Meal," followed by a date and sometimes a restaurant, without any further indication of what was purchased and for whom—lack the specificity for the Court to conclude that such expenses were incurred reasonably during travel, and therefore elimination of those expenses in the amended second fee application is proper. The Court is willing to consider properly supported, out-of-town meal expenses in future fee applications, if any.

CONCLUSION

Debtors can feel fortunate when they are represented by highly skilled, knowledgeable counsel with deep experience in a complex field of law. Civil litigation clients may authorize some litigation expenses for broader strategies. But bankruptcy counsel and special counsel ought to confer, and consult the Local Rules, before incurring certain costs and submitting fee applications under the strictures of section 330. Reasonable time spent does not necessarily include all time actually expended. *See In re Chas. A. Stevens & Co.*, 105 B.R. 866, 870-71 (Bankr. N.D. Ill. 1989).

Based on the revisions made in the amended second interim fee application, the Court is willing to approve the Quarles firm's request. The services provided were actual and necessary, and the amount of compensation sought is reasonable.

ORDER

For the foregoing reasons, IT IS HEREBY ORDERED that:

1. The request for interim allowance for the Quarles Firm of fees in the amount of \$365,091.75 and expenses in the amount of \$42,243.74, for a total of \$ 407,335.49, is approved.
2. The debtor is authorized and directed to pay the amounts owed to the Quarles Firm from its operating account on or before December 31, 2019.
3. The fees and expenses allowed are subject to a final review and recoupment if the Court finds it appropriate.

All Citations

Slip Copy, 2019 WL 7342451

Footnotes

- ¹ Due to a typographical error in the original application, the actual amount approved by the Court was \$.25 less than that requested, or \$133,901.05.
- ² POP's objection did not bring in the fees of the debtor's bankruptcy counsel, Kerkman & Dunn, who incur fees monthly, participated in mediation, and anticipate filing a plan upon conclusion of the claim litigation.
- ³ Among the authority cited by the applicant is *In re Pine*, 705 F.2d 936 (7th Cir. 1983) (awarding fees for successful claim in bankruptcy court, district court and Court of Appeals under Truth in Lending Act). The *Pine* court's holding in allowing reasonable attorney's fees for prosecuting an appeal from the bankruptcy court's denial of an attorney-fee request is in question, at least as to allowance of fees for fee-defense litigation under 11 U.S.C. section 330. See *Baker Botts LLP v. Asarco LLC*, 135 S. Ct. 2158, 2168 (2015). It appears fees for travel time were awarded in *Pine*, under TILA.

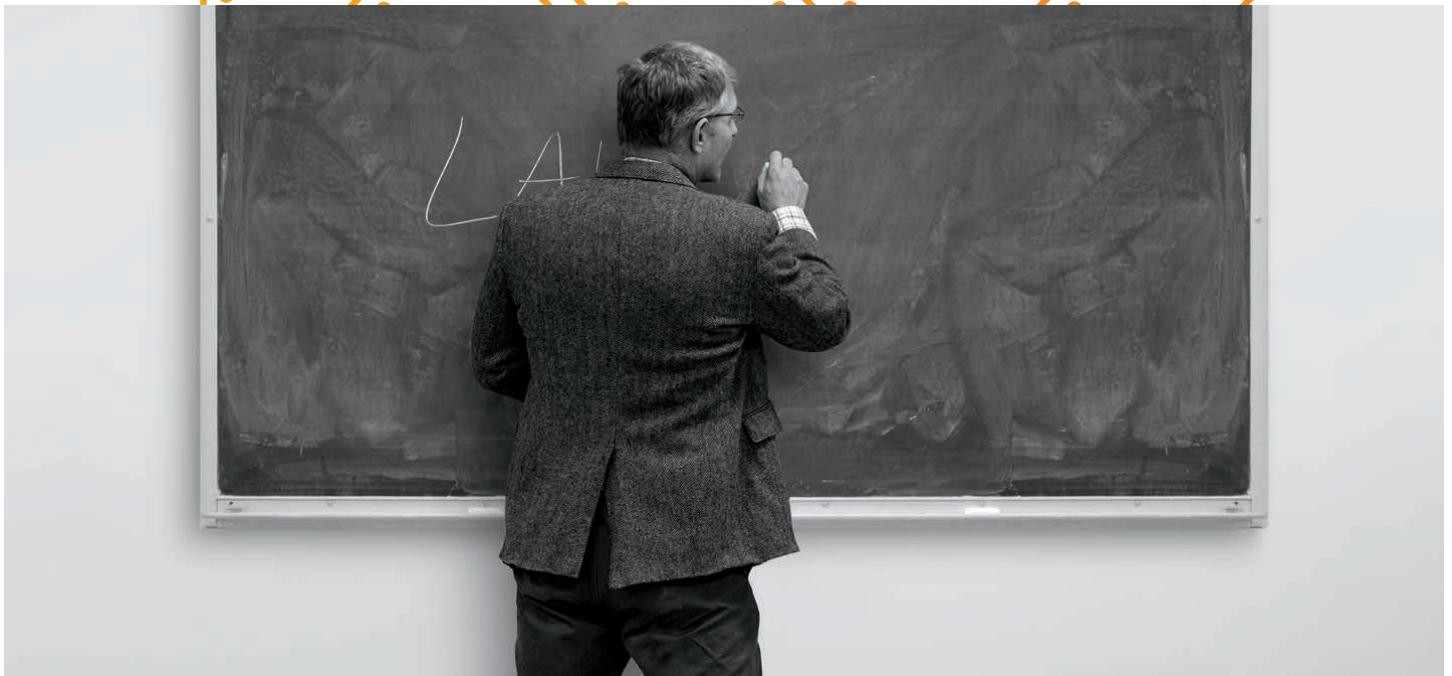
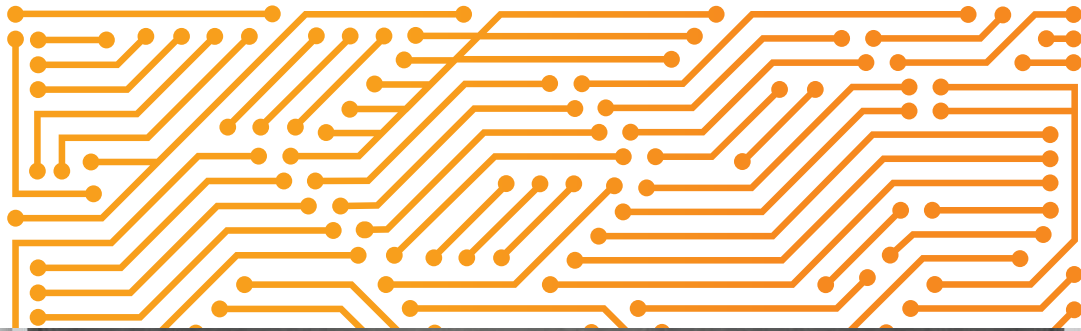
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