2019-2286

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

LUBBY HOLDINGS LLC, VAPOROUS TECHNOLOGIES, INC.,

Plaintiffs-Appellees,

 ν .

HENRY CHUNG,

Defendant-Appellant

Appeal from the United States District Court for the Central District of California in No. 2:18-cv-00715, Judge R. Gary Klausner

DEFENDANT-APPELLANT HENRY CHUNG'S RESPONSE TO COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC (CORRECTED CERTIFICATE OF INTEREST)

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December 1, 2021

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, Counsel for Defendant-Appellant certifies the following:

- 1. The full name of every party represented by us is: **Henry Chung**.
- 2. The names of the real party in interest represented by us are: **Henry Chung**.
- 3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by us are: **None**.
- 4. The names of all law firms and the partners or associates that appeared for the parties represented by us in the trial court, or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are: <u>LT Pacific Law Group</u>: Kenneth K. Tanji, Jr.
- 5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal (*see* Fed. Cir. R. 47.4(a)(5) and 47.5(b)) are: **None**.
- 6. In a criminal case, unless the government shows good cause, it must file a statement that identifies any organizational victim of the alleged criminal activity. If the organizational victim is a corporation, the statement must also disclose the information required by Rule 26.1(a) to the extent it can be obtained through due diligence. N/A
- 7. In a bankruptcy case, the debtor, the trustee, or, if neither is a party, the appellant must file a statement that: (1) identifies each debtor not named in the caption; and (2) for each debtor that is a corporation, discloses the information required by Rule 26.1(a). N/A

Dated: December 9, 2021 /s/ William B. Chadwick

William B. Chadwick

Counsel for Defendant-Appellant

Henry Chung

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Pursuant to the Court's invitation (Dkt. 59), Henry Chung ("Chung") submits his response to the Combined Petition for Panel Rehearing and Rehearing En Banc (Dkt. 57, "Petition") filed by Lubby Holdings, LLC and Vaporous Technologies, Inc. (collectively, "Lubby").

REASONS TO DENY THE PETITION

- I. The panel majority correctly interpreted and applied the standard for actual notice under 35 U.S.C. § 287(a).
 - A. The panel correctly applied *Arctic Cat*, *SRI*, and *Amsted* in finding that Lubby did not provide actual notice.

The panel majority correctly stated, "the actual notice requirement of § 287(a) is satisfied when the recipient is informed of the identity of the patent and the activity that is believed to be an infringement, accompanied by a proposal to abate the infringement, whether by license or otherwise." Dkt. 52 ("Op.") at 8 (quoting *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1470 (Fed. Cir. 1997)). The panel majority correctly applied this standard to Lubby's lack of evidence concluding that Lubby had not shown that it provided Chung with "[an] affirmative communication of a *specific* charge of infringement by a *specific* accused product or device." *Id.* at 9 (emphasis added by panel majority) (quoting *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 950 F.3d 860, 864 (Fed. Cir. 2020). This is the proper interpretation and application of this Court's precedent.

B. The panel majority's ruling does not misapprehend, overlook, or conflict with *Minks*.

Lubby argues that, under *Minks v. Polaris Indus., Inc.*, 546 F.3d 1364 (Fed. Cir. 2008), the panel should have permitted a "qualified charge of infringement" without reference to a specific product to qualify as actual notice under § 287 in light of Chung's history with Lubby and the patented technology. Lubby mischaracterizes the holding in *Minks*, and the panel majority's ruling is consistent with *SRI*, *Arctic Cat*, *Amsted*, and *Minks*.

1. <u>Lubby did not argue to the trial court or panel that Minks</u> <u>presents a different standard for actual notice.</u>

Lubby did not argue to the trial court or the appellate panel that it was not required to identify specific infringing activities to constitute actual notice. "[A] party may not raise new and additional matters for the first time in a petition for rehearing." *Pentax Corp. v. Robison*, 135 F.3d 760, 762 (Fed. Cir. 1998) (quoting *U. S. v. Bongiorno*, 110 F.3d 132, 133 (1st Cir. 1997)). The panel could not have overlooked or misunderstood a theory that Lubby did not present. *Id*.

2. <u>Minks does not rule that the communications provided in that case constituted actual notice.</u>

It was not an error for the panel to require Lubby to show that it informed Chung of the "activity that is believed to be an infringement." Op. at 8 (quoting *SRI*, 127 F.3d at 1470). While *Minks* presents a patentee who warned of infringement without identifying a specific infringing product, *Minks* expressly does not

determine whether those written warnings constituted actual notice. After recounting the communications between the patentee and alleged infringer, the Court concluded, "it is not for us to determine whether, as a factual matter, any of these exchanges were sufficient actual notice under § 287(a)..." *Minks*, 546 F.3d at 1377.

Even though a patentee does not need to make an "unqualified charge of infringement," it still must make "a specific charge of infringement." *Minks*, 546 F.3d at 1376 (citing *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1345-46 (Fed. Cir. 2001)). In other words, not all "qualified charges of infringement" qualify as actual notice. Qualified charges must still be "sufficiently specific such that [the alleged infringer] 'knew of the adverse patent and the alleged infringement.' " *Id.* at 1376-77 (citing *Gart*, 254 F.3d at 1345). Indeed, *Minks* only recognizes one type of communication that meets the standard: "letters that specifically identify a product and offer a license for that product do constitute actual notice." *Id.* at 1376.

The panel's ruling is consistent with this authority. The panel did not require Lubby to make an "unqualified charge of infringement." Instead, the panel sought evidence where Lubby had "point[ed] to any evidence that it notified Mr. Chung of '[an] activity that it believed to be an infringement' before the filing of the lawsuit." Op at 9 (quoting *SRI*, 127 F.3d at 1462). Lubby did not provide this evidence at trial, in the trial court briefing, to the panel, or in its Petition. The panel majority did not err in finding that Lubby did not provide actual notice to Chung.

3. <u>Minks holds that general, non-specific warnings do not constitute actual notice.</u>

The panel did not err in finding that Lubby's alleged warning to Chung to "not use [my] patented technology" was not actual notice. Appx804 at 128:9-15. *Minks* reinforces the panel's ruling: "general letters referring to the patent and including an admonishment not to infringe do not constitute actual notice." *Minks*, 546 F.3d at 1376 (Fed. Cir. 2008). "Actual notice thus turns on the point at which this charge—in any of its various forms in the history of the relationship between [patentee] and [alleged infringer]—was sufficiently specific such that [alleged infringer] 'knew of the adverse patent and the alleged infringement.' *Minks*, 546 F.3d at 1376-77 (emphasis added) (citing *Gart*, 254 F.3d at 1345).

Lubby's general warning against using its technology has other issues. Lubby did not file the '284 patent application until August 31, 2016, and the patent issued on September 5, 2017. Appx8. Mr. Rado, named inventor of the '284 patent and owner and CEO of Lubby, agreed that he told Chung not to use the technology subject to a pending patent application but had not yet registered. Appx803-804 at 127:10-128:15-19 ("[D]id you tell Mr. Chung that the anti-leaking technology was protected by a patent application?" . . . "[Y]ou informed Mr. Chung that you had a pending patent application – or a patent application for this technology, correct"?). Chung signed Lubby's nondisclosure and supply agreements in 2015, before Lubby filed the '284 patent application. Appx613-614 at 116:5-117:15. Because Lubby's

alleged "notice" was given before the patent was filed or issued, it is not specific enough to be actual notice of infringing activity under Section 287.

Infringement is only possible "during the term of the patent therefor." 35 U.S.C. § 271(a). Accordingly, Lubby could not have provided actual notice to Chung "activity that is believed to be an infringement" of a patent that had not issued. "For purposes of section 287(a), notice must be of 'the infringement,' not merely notice of the patent's existence or ownership." *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (1994). Even if Chung knew of the patent application, "[i]t is irrelevant [under § 287] . . . whether the defendant knew of the patent or knew of his own infringement. The correct approach to determining notice under section 287 must focus on the action of the patentee, not the knowledge or understanding of the infringer." *Id.*

Lubby cannot demonstrate that it provided notice of infringement after the patent registered or even after the application was publicly available. Lubby also cannot establish that warned Chung against using its technology after their collaboration ended. Lubby cannot prove that Chung was selling products when Lubby made its oral warning or when he signed Lubby's agreements. Finally, Lubby does not provide authority that supply and nondisclosure agreements constitute "actual notice" of infringement, especially not when Chung signed them before the patent issued and before he began selling products.

At most, Lubby's warned Chung against manufacturing <u>Lubby's</u> products without Lubby's involvement because Chung's companies were not yet selling related devices. *K-TEC, Inc. v. Vita-Mix Corp.*, 696. F.3d 1364 (Fed. Cir. 2012) does not support Lubby's argument that Chung's future products were in the scope of its warnings against manufacturing Lubby's products. Beyond the fact that Lubby did not make this argument to the panel, *K-TEC* requires a "sufficiently specific" initial notice of infringement against one product and "ensuing discovery" of other related products. *Id.* at 1379. Lubby cannot make this showing. It is improper to extrapolate its generic warning about its products to qualify as specific notice of infringement against Chung's future products.

C. <u>This Court has rejected Lubby's theory that anticipatory warnings</u> constitute actual notice.

Lubby did not argue to the panel that a warning "in anticipation of potential future infringement" satisfies Section 287(a). Petition at 9. This novel theory should not be considered. *See Pentax*, 135 F.3d at 762. More importantly, Lubby's new theory would destroy the purpose of Section 287.

When a patentee sells a patented product, limiting infringement damages until the patentee provides notice balances the strict-liability nature of direct infringement. If a patentee does not give "constructive notice" by marking its products, its alternative is to give <u>actual notice</u> of alleged infringement—not just a general, pre-emptive warning. "The requirement of actual notice is designed to

assure that the accused infringer knew of the adverse patent and the alleged infringement during the period in which its liability accrues." *Gart*, 254 F.3d at 1345 (Fed. Cir. 2001).

"The policy of § 287 is to encourage marking, not merely to discourage the sale of unmarked products." *Arctic Cat*, 950 F.3d at 865. The notification requirement of § 287 "serves three related purposes: (1) helping to avoid innocent infringement; (2) encouraging patentees to give public notice that the article is patented; and (3) aiding the public to identify whether an article is patented." *Arctic Cat*, *Inc.*, v. *Bombardier Recreational Prods. Inc.*, 876 F.3d 1350, 1366 (Fed. Cir. 2017) (citation omitted). Allowing patentees to satisfy their notice requirement by providing non-specific, preemptive warnings destroys these stated purposes of the notice requirement of Section 287.

Lubby is not the first patentee to try to lower its notice standard. When Arctic Cat presented a similar theory, this Court stated, "[i]n Arctic Cat's view, § 287 should be read to allow a patentee to mislead others that they are free to make and sell an article that is actually patented, but nonetheless allow the patentee to recover damages without undertaking any corrective action. We reject this view." *Arctic Cat*, 950 F.3d at 865 (Fed. Cir. 2020). Lubby does not offer any binding authority that supports departing from this Court's established precedent.

D. The panel's ruling does not conflate the standard for actual notice under § 287(a) with the standard for declaratory judgment jurisdiction over a patentee.

Lubby argues that "[t]he majority ruling effectively conflates actual notice under Section 287 with an unqualified charge of infringement that would confer declaratory judgment jurisdiction over the patentee." Petition at 11 (citing *SRI*, 127 F.3d at 1470); *see* Petition at 1.

Lubby's position is unclear, at best. Lubby only dedicates a passing mention to this argument in its introductory paragraph (*id.* at 7) and the final two sentences of this first argument (*id.* at 11-12). Lubby does not explain the standard for declaratory judgment jurisdiction over a patentee. It does not explain how the panel majority purportedly conflated that standard with the actual notice standard under § 287(a). The panel did not require an "unqualified charge of infringement." Instead, the panel correctly analyzed the record for the specificity required by *Minks*, *Arctic Cat*, *SRI*, and *Amsted*.

E. The panel correctly reversed a portion of the jury verdict where the record did not contain sufficient supporting evidence.

The panel majority correctly held there was not sufficient evidence before the jury that Lubby "notified Chung of '[an] activity that is believed to be an infringement' before the filing of the lawsuit." Op. at 9 (quoting *SRI*, 127 F.3d at 1462). In the 9th Circuit, a court must reject a jury verdict that is not "supported by substantial evidence, which is evidence adequate to support the Jury's conclusion,

even if it is also possible to draw a contrary conclusion." *TVIIM, LLC v. McAfee, Inc.*, 851 F.3d 1356, 1362 (Fed. Cir. 2017). Consequently, the majority did not err in reversing the district court's denial of Chung's Rule 50(b) motion for the units sold before Lubby filed its complaint.

There is not sufficient evidence to support a conclusion that Lubby gave actual notice to Chung under § 287(a). As such, the verdict that includes damages for sales made before Lubby filed its complaint is improper. The majority's order tailored its reversal to this faulty component of the jury verdict. Notably, Lubby still has not identified any instance in which it identified any infringing activity, product, or device sufficient to support the jury's incorrect conclusion.

II. The majority correctly applied precedent in holding that Chung met his initial burden to identify unmarked, patented products.

"The burden of proving compliance with marking is and at all times remains on the patentee." *Arctic Cat*, 876 F.3d at 1367. Lubby did not meet its burden and attempted to shift its blame to Chung. However, Chung cleared its initial burden "by "articulat[ing] the products it believes are unmarked 'patented articles' subject to § 287." *Id.* at 1368. "The alleged infringer need only put the patentee on notice that he or his authorized licensees sold specific unmarked products which the alleged infringer believes practice the patent." *Id.* After that, "the patentee bears the burden to prove the products identified do not practice the patented invention." *Id.*

Lubby relies heavily on arguments that it did not raise to the trial court or panel. Again, this is not permitted. *See Pentax*, 135 F.3d at 762; Fed. R. App. P. 40(a)(2). Lubby also relies on trial court cases from various jurisdictions, none of which present grounds to rehear this appeal. *See* Fed. R. App. 35(b)(1)(A) (rehearing *en banc* requiring a decision that "conflicts with a decision of the United States Supreme Court or of the court to which the petition is addressed.")

A. The panel correctly held that Chung identified an unmarked, patented article.

Chung met his initial burden of production by identifying Lubby's J-Pen Starter Kit product and providing supporting documents that this was an unmarked, patented product sold in the U.S. Appx1258. Chung specified that this exhibit was evidence "that Plaintiffs did not comply" with "the section 287 'notice/marking' requirement." Appx313. The panel correctly held that this cleared *Arctic Cat*'s "low bar" to put Lubby "on notice that [it] . . . sold specific unmarked products which [Chung] believes practice the patent." Op. at 7 (quoting *Arctic Cat*, 876 F.3d at 1368).

- B. <u>Lubby has not established that the panel's ruling regarding Chung's burden of production is inconsistent with governing precedent.</u>
 - 1. The panel's decision that Chung's met his initial burden is consistent with governing precedent.

Lubby has not offered authority that Chung was required to provide detailed analysis regarding how the identified product practiced the patent claims. Chung

"need not produce claim charts to meet its initial burden of identifying products." *Arctic Cat*, 876 F.3d at 1369. "It is the patentee who bears the burden of proving that it satisfied the marking requirements and thus the patentee who would have to prove that the unmarked products identified by the infringer do not fall within the patent claims." *Id*.

Likewise, Lubby does not provide authority that Chung needed to show that the products are sold in the United States. Chung's burden was "a burden of production, not one of persuasion or proof." *Id.* at 1365. After Chung met his burden, Lubby "b[ore] the burden to prove the products identified do not practice the patented invention." *Id.* Lubby did not and has not presented evidence that the product does not practice the patent or is not sold in the U.S.

2. <u>Lubby has not established that governing precedent requires Chung to meet his initial burden with admissible evidence.</u>

Lubby's Petition raises—for the first time—an argument that Chung's identification of Lubby's unmarked, patented products needed to be admissible evidence. Lubby did not argue this to the trial court or the appellate panel. As a result, this is not an argument that the panel overlooked or misapprehended. *See Pentax*, 135 F.3d at 762; Fed. R. App. P. 40(a)(2).

Beyond this, this Court has held that an alleged infringer only "bears an initial burden of production to articulate the products it believes are unmarked 'patented

articles' subject to § 287." *Arctic Cat*, 876 F.3d at 1368. Ultimately, an alleged infringer must "only put the patentee on notice that he or his authorized licensees sold specific unmarked products which the alleged infringer believes practice the patent." *Id*.

The Supreme Court cases on which Lubby relies do not require an alleged infringer to provide admissible evidence to meet its burden of production. *Microsoft Corp. v. 141 Ltd. P'ship* defines "burden of production" as a specification of "which party must come forward with evidence at various stages of the litigation." 564 U.S. 91, 100 n.4 (2011). Chung does not dispute that it had an initial burden, but *Microsoft* does not establish that Chung needed to provide admissible evidence to meet that burden. *Dep't of Lab. v. Greenwich Collieries*, similarly defines "burden of production" as "a party's obligation to come forward with evidence to support its claim." 512 U.S. 267, 272 (1994). Again, however, this ruling does not require that an alleged infringer's initial burden of production for purposes of § 287(a) be admissible evidence.

None of the other cases Lubby relies on are binding precedent requiring the accused infringer to present admissible evidence to meet its initial burden. *See Ultra-Mek v. United Furniture*, 1:18CV281, 2021 WL 1195977, at *10 (M.D.N.C. Mar. 30, 2021) (trial court denied defendants' motion for summary judgment because "[a]t no point do Defendants allege that Plaintiff failed to mark its products," and

those defendants "fail to actually allege that any products were unmarked."); *Pavo Solutions v. Kingston Technology*, No. 814CV01352JLSKES, 2019 WL 4390573, at *3 (C.D. Cal. June 26, 2019) (trial court denied defendant's motion for summary judgment regarding actual notice); *Sealant Sys. Int'l v. TEK Glob*, No. 5:11-CV-00774-PSG, 2014 WL 1008183, at *30-31 (N.D. Cal. Mar. 7, 2014) (trial court finding that alleged infringer must provide "guidance" and "some notice" of patentee's unmarked products); *Fortinet, Inc. v. Sophos, Inc.*, No. 13-CV-05831-EMC, 2015 WL 5971585, at *5-6 (N.D. Cal. Oct. 14, 2015) (trial court requiring alleged infringer "to identify [patentee's] products it believes practice the inventions claimed.").

Chung provided documentary evidence of what he believed to be an unmarked patented article. Appx313; Appx1228; Appx1258. That document originated with Lubby. Appx313 (Lubby produced screenshot and identified it as P-026); Appx1258 (designation in bottom right corner shows "LUbby [sic] -P. 026."). As such, Lubby was responsible for questions regarding the document's authenticity. Regardless, Lubby did not challenge the admissibility or veracity of Chung's evidence and cannot do so now.

3. <u>Lubby has not established that governing precedent requires</u> <u>Chung to meet his initial burden at trial.</u>

Lubby has not established that Chung needed to present its initial notice of unmarked, patented products at trial. Lubby quotes *Arctic Cat* in which the court laid

out that BRP's identification of specific products and its introduction of a license agreement at trial showed that BRP had met its initial burden of production. Petition at 14 (quoting *Arctic Cat*, 876 F.3d at 1368). While that was sufficient to meet the initial burden in that case, the Court expressly notes, "[w]e do not here determine the minimum showing needed to meet the initial burden of production." *Arctic Cat*, 876 F.3d at 1368. The panel's decision is consistent with this precedent.

Requiring an alleged infringer to provide admissible evidence at trial to meet its initial burden goes well beyond the "low bar" requirement to simply "put the patentee on notice" of potential unmarked products. *Arctic Cat*, 876 F.3d at 1368. Once the patentee was on notice (at trial or otherwise), "the patentee bears the burden to prove the products identified do not practice the patented invention." *Id.* Chung's burden was only "a burden of production, not one of persuasion or proof." *Arctic Cat*, 876 F.3d at 1365. "The burden of proving compliance with marking is and at all times remains on the patentee." *Id.* at 1367.

4. <u>Lubby has not established that the timing or scope of Chung's initial identification of unmarked patent articles is inconsistent with Arctic Cat.</u>

Lubby did not file its Rule 26 damages computations until the day before trial.

Op. at 7; Appx308. Once Lubby disclosed that it was seeking damages over prefiling sales, Chung immediately objected that same day. Chung's objection included an identification and documentary support for one patented, unmarked product sold

by Lubby in the U.S. Appx313; Appx1228; Appx1258. This was not the "large scale fishing expedition and gamesmanship" that Lubby fears. Petition at 19 (quoting *Arctic Cat*, 876 F.3d at 1368).

Lubby claims that the timing of Chung's disclosure "denied Lubby the opportunity to develop evidence and expert testimony regarding its compliance." Petition at 18. This position is baseless. First, the timing of Chung's disclosure is a direct result of Lubby's untimely damages disclosures. Once Chung had those, he provided his notice on the same day. Second, Chung provided a consistent position that Lubby had not properly marked its products. Appx134 (first amended complaint); Appx1222 (discovery requests); Appx157-158 (pre-trial Memorandum of Contention of Fact and Law). Third, Lubby does not articulate what evidence and expert testimony it would need to develop. Chung identified Lubby's product listed for sale on Lubby's website disclosed in a document that Lubby produced. Fourth, Lubby's only support is a non-binding case from the Eastern District of Texas. Finally, Lubby did not challenge the sufficiency of Chung's disclosure based on its timing until now. See Pentax, 135 F.3d at 762.

Lubby expresses concern that an unspecific challenge under Section 287 could cause a patentee to waste trial time proving marking of each product. Petition at 19. But that is not what happened here. Chung identified one product immediately after it received Lubby's damages disclosures. Appx308; Appx312; Appx1227;

Appx1258. That is consistent with the position that Chung has repeatedly taken that Lubby failed to mark its products properly. Chung's conduct is not "gamesmanship," and the majority's ruling does not open the door for the unseemly litigation conduct that Lubby predicts in its Petition. Moreover, despite being on notice for the entire case that Chung sought a reduction of damages for failure to comply with § 287, Lubby did not spend any time at trial on the marking of its products, and it only produced 35 pages total in the entire case. Appx1228.

C. <u>Lubby still has no evidence that it marked appropriately</u>

"The patentee bears the burden of pleading and proving he complied with § 287(a)'s marking requirement." *Arctic Cat*, 876 F.3d at 1368. "The burden of proving compliance with marking is and at all times remains on the patentee." *Id.* At trial and on appeal, Lubby did not present evidence that the identified product did not practice the patent or that it marked the products it sold and thus failed to establish that it marked the products as required by § 287. Even now, Lubby cannot identify any evidence that it marked any product, let alone the J-Pen Starter Kit product that Chung specified.

CONCLUSION

For the foregoing reasons, Chung respectfully requests that the Court deny Lubby's combined petition for rehearing.

Dated: December 1, 2021 Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing **DEFENDANT-APPELLANT HENRY CHUNG'S RESPONSE TO COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC** with the Clerk of the United States
Court of Appeals for the Federal Circuit via the CM/ECF system and served a copy
on counsel of record this 1st day of December, 2021 by the CM/ECF system and by
electronic mail to the parties on service list below:

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Dated: December 1, 2021 /s/ William B. Chadwick

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Henry Chung

CERTIFICATE OF COMPLIANCE

Counsel for Defendant-Appellant hereby certifies that:

1. The brief complies with the type-volume limitations of Federal Rule of

Appellate Procedure 32(a)(7)(B)(i) because exclusive of the exempted portions it

contains 3,865 words as counted by the word processing program used to prepare

the brief; and

2. the brief complies with the type face requirements of Federal Rule of

Appellate Procedure 32(a)(5) and the type-style requirements of Federal Rule of

Appellate Procedure 32(a)(6) because it has been prepared using Microsoft Office

Word 2016 in a proportionally spaced type face: Times New Roman, font size 14.

Dated: December 1, 2021

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