



Amini Innovation Corp. v. Anthony California Inc.

CASE NO.: CV 03-8749

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA

2006 U.S. Dist. LEXIS 100800

**September 21, 2006, Decided
September 25, 2006, Docketed**

COUNSEL: [*1] COUNSEL PRESENT FOR PLAINTIFF(S): Not Present.

COUNSEL PRESENT FOR DEFENDANT(S): Not Present.

JUDGES: THE HONORABLE S. JAMES OTERO, UNITED STATES DISTRICT JUDGE.

OPINION BY: S. JAMES OTERO

OPINION

CIVIL MINUTES - GENERAL

PROCEEDINGS (in chambers): Order re Motions in Limine

Plaintiff's Motion in Limine #1

Plaintiff moved to exclude the report and testimony of Defendants' witness Daniel McConaughy under *FRE* 702. Mr. McConaughy was offered as a rebuttal expert witness under *FRCP* 26(a)(2)(B),¹ to explain to the jury flaws with the methodology he perceives in Plaintiff's expert reports. Plaintiff argues that Mr. McConaughy's report is deficient for failing to contain its own damage calculations, and that Mr. McConaughy testified that "he could not find anything incorrect with Plaintiff's damages expert[s] ... opinion." Mot. page 2. Plaintiff further criticizes Mr. McConaughy for not being a specialist in econometrics.

¹ "(B) Except as otherwise stipulated or directed by the court, this disclosure shall, with re-

spect to a witness who is retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony, be accompanied by a written report [*2] prepared and signed by the witness. The report shall contain a complete statement of all opinions to be expressed and the basis and reasons therefor; the data or other information considered by the witness in forming the opinions; any exhibits to be used as a summary of or support for the opinions; the qualifications of the witness, including a list of all publications authored by the witness within the preceding ten years; the compensation to be paid for the study and testimony; and a listing of any other cases in which the witness has testified as an expert at trial or by deposition within the preceding four years."

These criticisms are off the mark. Defendants are entitled to provide a rebuttal expert under the *FRCP*, and as Mr. McConaughy's report and testimony are "intended solely to contradict or rebut" the Plaintiff's report it was not necessary for Mr. McConaughy to conduct its own damage calculations. *FRCP* 26(a)(2)(C).²

² "(C) These disclosures shall be made at the times and in the sequence directed by the court. In the absence of other directions from the court or stipulation by the parties, the disclosures shall be made at least 90 days before the trial date or the date the [*3] case is to be ready for trial or, if the evidence is intended solely to contradict or rebut evidence on the same subject matter identified by another party under paragraph (2)(B)

within 30 days after the disclosure made by the other party. The parties shall supplement these disclosures when required under *subdivision (e)(1)*."

The Court finds upon reviewing the deposition transcripts that Mr. McConaughy did *not* testify that "he could not find anything wrong with Plaintiff's ... opinion." Rather, Mr. McConaughy stated that Plaintiff's opinion was conclusory and therefore that it was impossible to determine the appropriateness of the methods or results contained in Plaintiff's opinion.

While Mr. McConaughy may or may not be an expert in econometrics, he is an expert in damages calculations. He has testified many times on damages, has a Ph.D. in finance, and teaches and publishes on the subject. These amply demonstrate his qualifications under *Daubert*. Plaintiff's argument that an econometrics expert is necessary to critique Plaintiff's expert report assumes that the methodology of Plaintiff's report is appropriate for use in damages calculations. This very assumption is what Defendants [*4] intend for the report and testimony of Mr. McConaughy, an expert in damages calculations, to rebut.

The motion is DENIED.

Plaintiffs Motion in Limine #2

Plaintiff moves to preclude Defendants from relying on a § 112 patent invalidity defense, which was not specifically pleaded in the First Amended Answer. Plaintiff implicitly relies on *FRCP 12(b)* and 15 and *FRE 402*. Compared to Defendants' Motion in Limine #4, the parties' arguments and their justifications for their actions are mirror images of each other. Because § 112 defenses were not pled and discovery was not conducted, Defendants are precluded from introducing evidence or making arguments referring to § 112.

The motion is GRANTED.

Plaintiffs Motion in Limine #3

Plaintiff moves to preclude Defendants from relying on an "advice of counsel" defense. Plaintiff implicitly relies on *FRCP 12(b)* and *FRE 402* in addition to *FRCP 33* and 34. In response to an interrogatory asking whether Defendants had sought advice of counsel, Defendants answered in the negative. Plaintiff asserts, and Defendants do not deny, that Defendants have not subsequently produced an opinion of counsel. In the First Amended Answer, Defendants denied infringing willfully [*5] but did not set forth reliance on an opinion of counsel as an affirmative defense. *Vector Research, Inc. v. Howard & Howard Attorneys P.C.*, 76 F.3d 692 (6th Cir. 1996).

Contrary to what Plaintiff urges through its misplaced reliance on a Sixth Circuit state law tort case, reliance on the advice of counsel is not an affirmative defense in patent law. Rather, it is one factor in determining whether infringement, if found, is willful. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1347 (Fed.Cir. 2004). Therefore, Defendants need not have listed advice of counsel as an affirmative defense in the First Amended Answer in order to raise the issue at trial.

Questions of privilege and discoverability that arise from willfulness based on advice of counsel necessarily involve issues of substantive patent law, and are therefore controlled by Federal Circuit precedent. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803-804 (Fed.Cir. 2000). Defendants who announce that they will rely on advice of counsel to preclude a finding of willful infringement waive attorney-client privilege with respect to all communications on that subject matter. *In re Echostar*, 448 F.3d 1294, 1299 (Fed.Cir. 2006). [*6] Those communications must therefore, be produced if requested.

For this reason, Defendants cannot rely on the defense of advice of counsel at trial. Although requested by Plaintiff, no such advice of counsel was produced by Defendants during discovery. Under *FRCP 37(c)(1)* and the rule of *Echostar* the advice must have been produced in order to rely on it at trial. *Zhang v. American Gem Seafoods, Inc.*, 339 F.3d 1020, 1028 (9th Cir. 2003). The Court observes that it appears from Defendants' interrogatory response that no such advice of counsel exists. Therefore, any legal prohibition against the Defendants introducing advice of counsel would appear to be an empty one.

In the present case, it appears that Plaintiff will argue, under the *Knorr-Bremse* standard, that Defendants should be found to have infringed willfully, based in part on the Defendants' failure to obtain an opinion of counsel. Defendants must be permitted to rebut this argument, for example by arguing to the jury that little weight should be put on the absence of an opinion of counsel, or by allowing Defendants to testify why an opinion of counsel was not sought. The Plaintiff's motion that Defendants be "barred from referring [*7] to, presenting any testimony on, or making any argument concerning advice of counsel at trial" is over-broad, because it would preclude Defendants from rebutting an argument concerning the absence of, as well as the presence of advice of counsel.

The motion is therefore GRANTED IN PART, WITH RESPECT TO PROVING THE PRESENCE OF ADVICE OF COUNSEL, AND DENIED IN PART, WITH RESPECT TO REBUTTING PLAINTIFF'S

WILLFULNESS ARGUMENTS WITH RESPECT TO THE ABSENCE OF ADVICE OF COUNSEL.

Plaintiff's Motion in Limine #4

Plaintiff moves to exclude as hearsay under *FRE 802* Defendants' Exhibits 229 and 328, which according to Defendants are photographs taken from "published furniture catalogs and the like." Opp'n page 4.

The words appearing with the photographs are hearsay for the proposition that they represent "examples of furniture available in the marketplace." Mot. page 1. Similarly the exhibits are hearsay for proving the truth of any other assertion in the exhibits, such as the price or description of the goods in the catalogs.

Defendants rely on *FRE 803(17)* as an exception to the hearsay rule: "Market quotations, tabulations, lists, directories, or other published compilations, generally used and relied [*8] upon by the public or by persons in particular occupations." The commentary to *FRE 803(17)* explains that this exception is intended to allow the admission of information from lists of information which are generally reliable and contain information which is hard to prove another way, such as commodity prices printed in newspapers, or telephone numbers printed in telephone directories. Defendants cite no case for the proposition that this rule should be expanded to encompass catalogs of goods for sale.

However, the photographs may be admissible for other purposes, such as prior art for the design patents or to show that certain purportedly copyrighted elements were in the public domain. These uses of the exhibits do not seek to prove the truth of what is asserted. Thus, so long as foundation is laid and the exhibits are not used for an improper purpose and the words appearing with the photographs are redacted, the exhibits are admissible.

The key issue in using the photographs as prior art for the design patents or to show that certain purportedly copyrighted elements were in the public domain is proving when the catalogs were published. Defendant Chang presumably can testify about when [*9] he acquired the catalogs. If he can testify that he acquired the catalogs before the "critical date," and testify how he made the copies from the catalogs, then the photographs are admissible. (If the exhibits are offered for these limited purposes, it is not important whether the photographs in the catalogs accurately depict anything, because a "printed publication" discloses to the public the ideas which are contained within it.)

Regarding the *FRE 901* authentication objection, the issue again depends on what the exhibits are offered to prove. While the Defendants may be able to authenticate that the photographs came from the catalogs, they have

not offered to authenticate that the photographs in the catalog accurately represent what they purport to depict. Thus, the exhibits are not admissible to prove that the photographs accurately represent particular pieces of furniture.

However, if the exhibits are offered to prove that certain designs were published and made known to the public before the filing of the design patent, the Defendants' offer of authentication is sufficient.

The motion is GRANTED IN PART, THE WORDS APPEARING ON THE PHOTOGRAPHS ARE TO BE REDACTED. ASSUMING DEFENDANTS [*10] CAN ESTABLISH THAT THE CATALOGS WERE ACQUIRED BEFORE THE CRITICAL DATE, THEY ARE ADMISSIBLE TO SHOW THAT PURPORTEDLY COPYRIGHTED ELEMENTS WERE IN THE PUBLIC DOMAIN. PLAINTIFF MAY OFFER AN INSTRUCTION TO ESTABLISH THAT THE EXHIBITS ARE RECEIVED FOR A LIMITED PURPOSE. The motion is OTHERWISE DENIED.

Plaintiff's Motion in Limine #5

Plaintiff moves to exclude as hearsay under *FRE 802* exhibits 239 and 284-286, which "consist of downloaded internet web pages describing the physical characteristics of cat's/lion's paws." Opp'n page 2. These web pages are hearsay to prove the statements asserted within, e.g., the physical characteristics of paws.

Insofar as the web pages could be admissible as prior art, Plaintiff asserts, and Defendants do not deny, that the web pages are newer than the design patent's filing date and therefore the web pages are not prior art. Similarly, the web pages are too new to show that certain elements are found in the public domain.

The motion is therefore GRANTED.

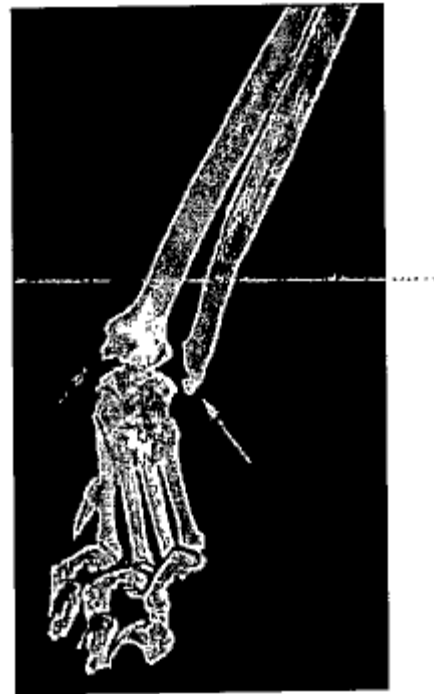
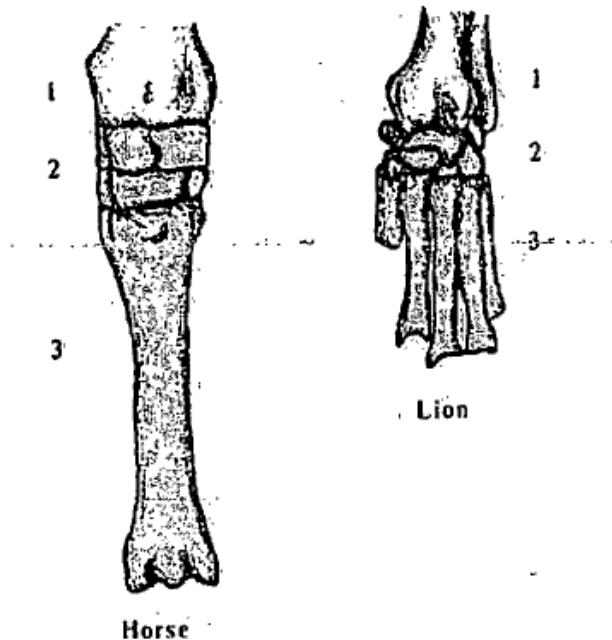
Sua Sponte Judicial Notice

To dispense with the continuing dispute over whether cats have five toes on their forepaws: ADDITIONALLY, UNDER *FEDERAL RULE OF EVIDENCE 201* THE COURT TAKES JUDICIAL NOTICE THAT MANY [*11] CATS, INCLUDING LIONS, HAVE FIVE TOES ON THE FOREPAWS AND FOUR ON THE BACK. One of the five toes on the forepaw is a "dew claw" not in the same plane as the other four toes.

IF PARTIES CAN STIPULATE TO ONE OR TWO IMAGES OF LION OR CAT PAW ANATOMY TO SHOW THE JURY, THEY ARE PERMITTED TO DO SO.

See footnote two of summary judgment order. For lion toes specifically, see

<http://natureinstitute.org/txt/ch/horselion.htm> (excerpt from *Goethe's Way of Science: A Phenomenology of Nature*, edited by David Seamon and Arthur Zajonc) ("The lion's front feet have five toes, the back feet four.").



Cat toes visible in photograph at:

<http://biology.kenyon.edu/heithausp/cat-tutorial/forelimb/radius-ulna.htm>

Plaintiff's Motion in Limine #6

Plaintiff moves to exclude certain other photographs, exhibits 228 and 261-271 as lacking relevance under *FRE 402* and authentication under *FRE 901*. Plaintiff also objects to these exhibits based on prejudice under *FRE 403* and hearsay under *FRE 802*. The photographs show details of elements in Plaintiff's and Defendants' designs. Plaintiff argues that an element-by-element comparison is prejudicial and irrelevant to a design patent infringement claim, and therefore photographs [*12] of design elements are irrelevant.

While an element by element comparison of the claimed design and the product which is alleged to be infringing would be improper, *see Amini Innovation Corp. v. Anthony California, Inc.*, 439 F.3d 1365, 1372 (*Fed.Cir.* 2006), detailed photographs of the elements are not per se improper. Detailed photographs can aid the jury in understanding the similarities and differences between the designs, even as the jury determines infringement under the proper "design as a whole" test set out in *Gorham Co. v. White*, 81 U.S. 511, 528, 20 L. Ed. 731 (1871). *See Black & Decker, Inc. v. North American Philips Corp.*, 632 F. Supp. 185, 228 U.S.P.Q. 659, 661 (*D. Conn.* 1986). For example, juries are permitted (and in fact required) to view hidden features of the designs, if the features are visible at some point in the article's life. *Contessa Food Prods. Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1379-80 (*Fed.Cir.* 2000). This is because the ordinary observer test is based upon normal use, and normal

use is not limited to one glance at the time of sale. Rather, normal use extends from the time when the article is manufactured to the time when the article is destroyed or lost. *Id.* Thus, by illuminating features [*13] to the jury which may not be visible at the time of sale, the photographs can be useful.

Moreover, the comparison photographs can be useful in the design patent case because "even though the court compares [the patented item with the alleged infringing item] through the eyes of the ordinary observer, it must nevertheless, to find infringement, attribute their similarity to the novelty which distinguishes the patented [item] from the prior art." *Lawman Armor v. Winner Int'l*, 437 F.3d 1383, 1386 (Fed.Cir. 2006) (quoting *Litton Systems v. Whirlpool*, 728 F.2d 1423 (Fed.Cir. 1984)). The Federal Circuit indicated in this litigation that this is the correct standard for design patent infringement, when it cited *Bernhardt, LLC v. Collezione Europa USA, Inc.*, 386 F.3d 1371, 1377 (Fed.Cir. 2004) (citing *Litton Systems*). Thus, it is necessary to determine the "points of similarity" between the two designs in order to find design patent infringement, and the photographs can assist in this respect.

Defendants have offered to authenticate the exhibits, which overcomes Plaintiff's objection of lacking authentication.

Plaintiff concedes that the element by element exhibits may be useful for the copyright [*14] infringement claim especially if many of the elements in Amini's works came from the public domain. *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1442-43 (9th Cir. 1994). The jury will be instructed on the proper standards to apply for finding design patent and copyright infringement, and therefore the use of the photographs will not prejudice the design patent part of the case.

Assuming proper foundation is laid at trial, the motion is DENIED. PLAINTIFF MAY SEEK A LIMITING INSTRUCTION.

Plaintiff's Motion in Limine #7

Plaintiff moves to foreclose Defendants from challenging Amini's ownership of the copyrights-in-suit, as well as the validity of the copyrights-in-suit, under the "law of the case" doctrine. Plaintiff points to the sentence in the appellate opinion of this case, "the parties do not disagree that Amini owns the disputed copyrights and that they are valid." *Amini Innovation Corp. v. Anthony California Inc.*, 439 F.3d 1365, 1368 (Fed.Cir. 2006). Plaintiff argues that this statement of the Federal Circuit means that Amini owns the copyrights and that they are valid, and that the law of the case doctrine precludes further litigation on the matter. Plaintiff further asserts, [*15] without offering any support, that Defendants

conceded on appeal that Amini owns valid copyrights on the designs.

The statement by the Federal Circuit is not a finding that Amini owns the disputed copyrights and that they are valid. Nor could it be, as the issue was not reached by this Court in the summary judgment order, which was the basis for the appeal. The statement by the Federal Circuit is simply that the issue was not before the appeals court for review.

The Court has reviewed Defendants' appellate brief and does not find support for Plaintiff's unsupported assertion that Defendant conceded the validity of Amini's copyrights on appeal.

Regarding Plaintiff's new argument in the reply that Defendants have failed to exhaust their administrative remedies before cancelling a copyright, Defendants have not sought to invalidate Plaintiff's copyrights. Rather, Defendants are seeking to avoid liability by contesting ownership and validity.

The motion is DENIED.

Plaintiffs Motion in Limine #8

Plaintiff moves to exclude Defendants' Exhibits 297 and 305-325. The exhibits are photocopies of books, mostly in the personal library of Jack Schmitt, the designer of the '218 patent.

Plaintiff argues [*16] that the photocopies have not been authenticated under *FRE 901*. However the Defendant has offered to authenticate them. The parties should also stipulate to the authenticity unless Plaintiff has specific reasons to believe they are not authentic. (Initial Standing Order at 15.)

Plaintiff argues, implicitly under *FRE 402* and *FRCP 12(b)*, that Defendants did not make, in either the Answer or the First Amended Answer, the affirmative defense of inequitable conduct before the patent office.³ Thus, Plaintiff argues, the exhibits are not admissible to show inequitable conduct. This is true. However, the exhibits are admissible for another purpose.

³ Inequitable conduct is the intentional concealment from the patent office of information material to patentability. A finding of inequitable conduct results in the patent being unenforceable, and often results in the institution of disciplinary proceedings against the original patent attorney by the patent office.

Plaintiff argues that the exhibits are not probative. However, they are probative to novelty. Defendants were able to establish in deposition that the books predated the filing of the application of the patent at issue. Although

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