

INTELLECTUAL PROPERTY LITIGATION NEWSLETTER

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Case Highlights

Separation of Corporate Affiliates Maintained in Award of “Defendant’s” Profits Under the Lanham Act, But Some Avenues for Recovering Affiliate Profits Remain Open

Dewberry Group Inc. v. Dewberry Engineers Inc., No. 23-900 (S. Ct. Feb. 26, 2025) (Justice Kagan, unanimous) (appeal from 4th Cir. and E.D. Va.).

The Supreme Court reversed the Fourth Circuit’s opinion affirming a disgorgement of profits against a willful infringer where the lower court treated the defendant and its affiliates as a “single corporate entity” for the purposes of determining the defendant’s profits without piercing the corporate veil. The Fourth Circuit held that treating the defendant and its affiliates (which were not parties to the suit) as a “single corporate entity” reflected the “economic reality” of the defendant’s corporate structure, under which the real estate developer defendant created infringing advertising and branding materials that it licensed to its affiliates at a below market rate. The affiliate property owners used those infringing materials to generate millions of dollars of leasing revenue. The defendant parent company, meanwhile, operated at a loss. The Supreme Court held that corporate formalities could not be ignored under the facts of the case and confirmed the plain meaning of “defendant’s profits” in Section 1117(a) to refer only to the parties against whom relief is sought. Nevertheless, the Court noted there are alternative ways to reach affiliate profits that may be within the scope of the Lanham Act, including: (1) a court’s discretion to award a different “just sum” if the court finds the profits recovery inadequate; (2) piercing the corporate veil; and (3) identifying a defendant’s “true financial gain” by looking beyond the defendant’s tax or accounting records.

Prior Unpatentability Decision by PTAB Does Not Collaterally Estop Unadjudicated Asserted Claims from the Same Patent in the District Court

Kroy IP Holdings LLC v. Groupon Inc., No. 23-1359 (Fed. Cir. Feb. 10, 2025) (Judge Reyna, joined by Judges Probst and Taranto) (appeal from D. Del.).

The Federal Circuit reversed the district court’s finding that collateral estoppel applied to the asserted patent claims based on a prior inter partes review decision invalidating different claims from the same patent. The Federal Circuit held that “a prior final written decision of the [Patent Trial and Appeal] Board of unpatentability on separate patent claims reached under a preponderance of the evidence standard cannot collaterally estop a patentee from asserting other, unadjudicated patent claims in district court litigation.” The Federal Circuit viewed the present situation differently from cases applying collateral estoppel involving prior *district court* decisions that shared the same burden of proof when the difference between the adjudicated and unadjudicated claims “do not materially alter the question of invalidity.”

Contacts

[Erik Carlson](#) | Partner, Los Angeles | erik.carlson@alston.com

[Olivia Kim](#) | Partner, Los Angeles | olivia.kim@alston.com

[Ed Poplawski](#) | Partner, Los Angeles | edward.poplawski@alston.com

Other Notable Cases

“Built-In” Apportionment Doesn’t Apply When There Is Failure to Consider Value of Non-Asserted Patents in Comparable Portfolio Licenses

Fundamental Innovation Systems International LLC v. Anker Innovations Ltd., No. 1:21-cv-00339 (D. Del. Feb. 11, 2025) (Judge Andrews).

The court found that the plaintiff’s damages expert failed to properly apply “built-in” apportionment. The damages expert deemed it unnecessary to consider apportioning because, among other things, the plaintiff had a policy to license its entire patent portfolio and the four asserted patents created all the value for the patent portfolio in the comparable licenses. The court found that the plaintiff’s “policy to license its entire patent portfolio is virtually irrelevant. . . . If [plaintiff] could use its internal policy only to license its entire patent portfolio, such a policy could ‘permit [it] to hide behind its generic licensing arrangement to avoid the task of apportionment.’” Further, “[e]ven if the negotiations ‘focused’ on the four asserted patents, as stated by the negotiators, that does not excuse a failure to apportion for the over 200 additional patents included in the comparable licensing agreements.”

Defendant May Not Rely on Its Own Patent for Apportionment Analysis

Touchstream Technologies Inc. v. Charter Communications Inc., No. 2:23-cv-00059 (E.D. Tex. Feb. 17, 2025) (Magistrate Judge Payne).

The court excluded the defendant’s damages expert apportionment opinion, which relied on comparisons between the defendant’s own patent and mobile app. The defendant argued that its damages expert “intends to rebut [the plaintiff’s expert’s] royalty rate analysis by showing that [the plaintiff’s expert] did not account for conventional features of the TV Remote App, including those covered by [the defendant’s] patent.” However, the court found that such opinions “that rely on [the defendant’s] patent for purposes of apportionment should be stricken because their minimal probative value is substantially outweighed by their likelihood of confusing the jury into thinking that [the defendant] had a right to practice the accused features based on its own patent. . . . [The defendant] may argue that [the plaintiff’s expert] failed to apportion out conventional features, and may even rely on its app; however, [the defendant’s expert] may not testify as to [the defendant’s] patent for purposes of damages.”

Alston & Bird by the Numbers

Alston & Bird’s ITC Section 337 Practice by the Numbers 2024

- 12** Active ITC investigations handled.
- 2** Our team was instrumental in the ITC’s denial of institution of two ITC complaints.
- 8** Full ITC investigations (trials) conducted.
- 1** Named #1 Best Performing Firm Overall in Patexia’s 2025 ITC Section 337 Intelligence Report