

Case Nos. 2021-2299, -2338

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

COLUMBIA SPORTSWEAR NORTH AMERICA, INC.,
Plaintiff-Appellant,

v.

SEIRUS INNOVATIVE ACCESSORIES, INC.,
Defendant-Cross-Appellant.

Appeals from the United States District Court
for the Southern District of California
Case No. 3:17-cv-01781-HZ, Judge Marco A. Hernandez

**RESPONSE AND REPLY BRIEF OF PLAINTIFF-APPELLANT
COLUMBIA SPORTSWEAR NORTH AMERICA, INC.**

Nika Aldrich
Scott D. Eads
Sara Kobak
SCHWABE, WILLIAMSON &
WYATT P.C.
1211 S.W. 5th Avenue, Suite
1900
Portland, Oregon 97204
Telephone: 503-222-9981
Facsimile: 503-796-2900

Christopher V. Carani
MCANDREWS, HELD
& MALLOY, LTD.
500 West Madison Street, 34th Floor
Chicago, Illinois 60661
Telephone: 312-775-8000
Facsimile: 312-775-8100

Attorneys for Columbia Sportswear North America, Inc.

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, counsel for Plaintiff-Appellant Columbia Sportswear North America, Inc. certifies:

1. The full name of every party or *amicus curiae* represented by me is: **Columbia Sportswear North America, Inc.**

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: **Not Applicable.**

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are: **Columbia Sportswear Company**

4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the trial court or agency or *amicus curiae*, or are expected to appear in this Court, are:

SCHWABE, WILLIAMSON & WYATT P.C.: Jason A. Wrubleski, David R. Boyajian, David W. Axelrod, Devon Z. Newman, Brenna K. Legaard, and Angela E. Addae.

STOEL RIVES LLP: Brian Nese.

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 is: *Columbia Sportswear North America, Inc. and Columbia Sportswear Company v. Ventex Co., Ltd.*, U.S.D.C. D. OR. No. 3:17-cv-00623-MO.

6. Organizational victims in criminal cases and debtors and trustees in bankruptcy cases: **Not Applicable.**

Dated this 27th day of May, 2022.

/s/ Nika Aldrich
Nika Aldrich

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STATEMENT OF RELATED CASES

This is the second appeal to this Court in this patent dispute. The decision following the first appeal is reported at *Columbia Sportswear North Am., Inc. v. Seirus Innovative Accessories, Inc.*, 942 F.3d 1119 (Fed. Cir. 2019) (“*Columbia I*”). No other appeal from this case has been before this Court or any other appellate court in the United States.

In April 2017, plaintiff-appellant Columbia Sportswear North America, Inc. (“Columbia”) and its affiliates filed suit against Ventex Co., Ltd. (“Ventex”) in the United States District Court for the District of Oregon, accusing Ventex and its agent of infringing the patent at issue in this appeal. That case, which is captioned *Columbia Sportswear North America, Inc., et al. v. Ventex Co., Ltd, et al.*, Case No. 3:17-cv-00623 (D. Or.), is stayed pending the outcome of this appeal.

Counsel is unaware of any other case that will directly affect, or will be directly affected by, this Court’s decision in this appeal.

OVERVIEW

This responds to Seirus’s combined response and conditional cross-appeal brief. Columbia begins by explaining in reply why the Court should reverse and remand this case for a new trial on infringement. The district court itself acknowledged its possible error with respect to the relevant comparison prior art for the design patent infringement analysis. (Appx1174-1175.) Nevertheless, the district court instructed the jury that it “must” consider all patents pre-dating the D’093 Patent application’s filing date, regardless whether they bear any relationship to the claimed article of manufacture. (Appx1521.) The district court also committed error in refusing to include jury instructions on logos and the inapplicability of “likelihood of source confusion” to design patent infringement. These errors permitted Seirus’s counsel to (improperly) argue in closing that Seirus could not be held liable for design patent infringement because its logo identified Seirus as the source of the accused products. This allowed intermingling of trademark and design patent principles was error.

Following the reply portion of this brief, Columbia addresses Seirus’s conditional cross-appeal. The Court should not remand this case

for a new damages trial, as Seirus asks it to do. The damages award was supported by substantial evidence. The district court properly put the burden on Seirus to prove that disgorgement should be based on something less than the entire product sold to market, and that disgorgement of Seirus's total profits from its infringing sales should be reduced. The award was otherwise based on jury instructions that Seirus *itself* had proposed.

REPLY

I. THE DISTRICT COURT ERRED BY IGNORING THE SCOPE OF THE CLAIM AND INSTRUCTING THE JURY TO CONSIDER IRRELEVANT “PRIOR ART”

A. The Scope of the Claim is Limited to Heat Reflective Material, which Limits the Scope of Relevant Comparison Prior Art.

The scope of a design patent is limited to the article of manufacture identified in its claim. *See In re Surgisil, L.L.P.*, 14 F.4th 1380, 1382 (Fed. Cir. 2021) (“the claim is limited to lip implants and does not cover other articles of manufacture”); *Curver Lux., SARL v. Home Expressions Inc.*, 938 F.3d 1334, 1336 (Fed. Cir. 2019) (design patent claim directed at “chair” could not encompass accused “basket”). The article of manufacture identified in the D’093 patent claim is a Heat Reflective Material. Accordingly, the scope of the D’093 patent, and relevant

comparison prior art for the infringement analysis, should be limited to designs for Heat Reflective Materials.

Despite this clear identification of the article of manufacture in the D'093 design patent, Seirus seeks to broaden the claim scope to sweep in prior art concerning *other unrelated articles of manufacture*. The district court properly limited the scope of the D'093 design patent to Heat Reflective Materials for purposes of the first trial, and that determination was affirmed in the first appeal when Seirus failed to challenge it. Under the waiver doctrine, “an issue or factual argument . . . waived on appeal, cannot be revived on remand. In essence, the party’s waiver becomes the law of the case.” *Magnesystems, Inc. v. Nikken, Inc.*, 933 F. Supp. 944, 949-50 (C.D. Cal. 1996); *U.S. v. Husband*, 312 F.3d 247, 250 (7th Cir. 2002) (among “two major limitations on the scope of a remand” is the rule that “any issue that could have been but was not raised on appeal is waived and thus not remanded.”); *Engel Indus. v. Lockformer Co.*, 166 F.3d 1379, 1383 (Fed. Cir. 1999) (“all issues within the scope of the appealed judgment are deemed incorporated within the mandate and thus are precluded from further adjudication”); *Kesselring v. F/T Arctic Hero*, 95 F.3d 23, 24 (9th Cir. 1996) (“Since appellant failed to raise this

issue in its first appeal, it is waived.”); 18B Fed. Prac. & Proc. Juris. § 4478.6 (collecting cases).¹

Seirus’s failure to challenge the district court’s ruling limiting the scope of the D’093 Patent claim to “Heat Reflective Materials” (Appx 119-120), also should have limited the scope of the relevant comparison prior art for the infringement analysis in the remand trial. But, at least two of Seirus’s references, Boorn and Respass, which the district court had found to be “far afield” from Heat Reflective Materials, were erroneously included as comparison prior art at the remand trial.² The district court wrongly admitted that irrelevant art, and compounded matters by instructing the jury that it “must” consider this art in its infringement

¹ Seirus relies on two inapposite cases concerning law of the case where the waiver doctrine and the mandate rule were not at issue. (Red Br. at 48-49.) *Pepper v. United States*, 562 U.S. 476 (2011) had a narrow holding limited to sentencing criminal defendants, and *Rumsfeld v. Freedom NY, Inc.*, 329 F.3d 1320 (Fed. Cir. 2003), dealt with whether a tribunal could reconsider facts after it vacated its own prior decision.

² That Boorn and Respass were “far afield” from the patented invention, and do not disclose Heat Reflective Materials was also decided by the district court in its summary judgment decision. (Appx119-120.) As Seirus did not challenge that decision in the first appeal, that too should have been treated as law of the case in the remand trial. *Engel Indus.*, 166 F.3d at 1383.

analysis. (Appx1521.) Those determinations resulted in prejudicial legal error.

This appeal calls on this Court to consider a matter of first impression that is closely related to this Court's recent precedential decision in *Surgisil*. (Blue Br. at 49.) Specifically, Columbia's position is that, consistent with *Surgisil*, the relevant comparison prior art for a design patent infringement analysis under *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008) (en banc), should be limited to the article of manufacture recited in the patent claim.

Even if this Court chooses not to limit comparison prior art to the recited article of manufacture, as in *Surgisil*, this Court should at least confine comparison prior art to analogous art used in an obviousness determination, as elucidated by this Court in *Hupp v. Siroflex of Am., Inc.*, 122 F.3d 1456 (Fed. Cir. 1997). Either the *Surgisil* or the *Hupp* approach would be far more correct than the district court's flawed instruction that the jury must consider *all* art concerning any type of "fabric" predating the invention date of the subject patent.

Seirus tellingly devotes only eight lines to arguing why the *Surgisil* standard should not be adopted, (Red Br. pp. 46-47), and fails to even

mention the *Hupp* standard. Seirus's response is instead limited to narrow, technical arguments, which are addressed in turn below.

B. Seirus's Arguments to Avoid Remand are Unavailing.

Seirus first contends that Columbia did not object to the admissibility of either Blauer or Boorn at trial, though Seirus effectively concedes that Columbia did object to Respass. (Red Br. at 43.) Columbia in fact objected to the admissibility of *all three* prior patents in its pre-trial filings. (Appx323-327.) The district court overruled those objections at the pretrial conference because it found that each reference disclosed “fabric,” and the district court had decided that all “fabric” prior art was admissible at trial. (Appx421-430.) With its objections overruled, Columbia said “That’s fine, Your Honor” when Seirus sought to admit the evidence. That is not waiver. Fed. R. Evid. 103(b) (“[o]nce the court rules . . . a party need not renew an objection”); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1312, 1319 (Fed. Cir. 2011) (although the attorney said, “no objection,” finding no waiver because a motion to exclude the evidence had been denied, citing Fed. R. Evid. 103(b)).

In any case, whether art is *admissible at trial* is a wholly distinct inquiry from whether the jury *should be instructed on how or whether to*

consider that art in the infringement analysis. The district court not only admitted that irrelevant art, but it prejudicially instructed the jury that it “must” consider that art in its infringement analysis. (Appx1521.) That was error.

Second, Seirus argues that limiting the scope of the claim to “heat reflective material” would import functionality into the claim. (Red Br. at 43.) This is wrong for multiple reasons. First, as discussed above, Seirus is precluded from making this argument under the waiver doctrine and the mandate rule.

Moreover, “heat reflective material,” like “heating element,” “heater,” “heat lamp,” or “heat pack,” is a well-known name in the field for a *specific article of manufacture*.³ (Appx617-618.) Evidence of that fact is unrebutted, and is part of the prosecution history and the record in this case. (*Id.*) Columbia limited the scope of its patent in the title and the claim to that specific article of manufacture, and Seirus infringed

³ Contrary to Seirus’s argument, this is not like claiming a “tear-proof pattern for a chair,” where “tear-proof” is only descriptive, and is not the name of a specific, known article of manufacture like Heat Reflective Materials. (Red Br. at 45.)

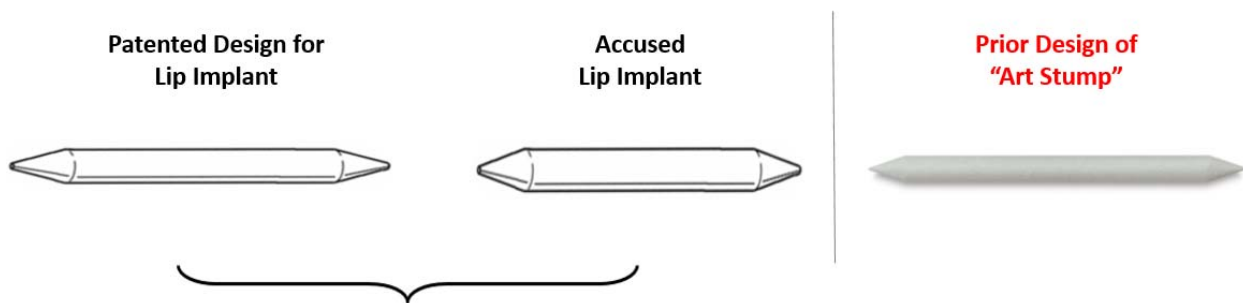
by putting substantially the same design on that same article.⁴

Third, Seirus challenges whether the scope of comparison prior art should be limited to the scope of anticipation prior art—*i.e.*, the claimed article of manufacture. (Red Br. at 46.) But Seirus fails to consider the import of this Court’s holding in *Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239 (Fed. Cir. 2008), that “the same test must be used for both infringement and anticipation” in design patent cases. Thus, the design corpus for infringement purposes *must* be identical to the design corpus for anticipation. Following *Surgisil*, that means comparison prior art for infringement purposes must be the article of manufacture recited in the claim. This does not mean, as Seirus argues, that only *anticipatory prior art* may be used in an infringement analysis—indeed, that would be nonsensical, because anticipatory prior art would render the patent invalid. It simply means that comparison prior art would need to be of the same article of manufacture claimed in

⁴ Seirus relies on *In re Glavas*, 230 F.2d 447 (C.C.P.A. 1956), and progeny. (Red Br. at 45.) However, the passage Seirus relies on in that case was overruled by this Court en banc in *Egyptian Goddess*, 543 F.3d at 678-79. *See Curver*, 938 F.3d at 1342-43 (holding that the passage Seirus relies on was “dictum and thus not binding,” “does not go as far” as suggested, and was overruled).

the patent.

In *Surgisil*, where claim scope was limited to lip implants, this Court ruled that any anticipatory prior art likewise must be limited to lip implants. Building on the holding in *Surgisil*, if an art stump must be ignored for anticipation purposes, it must also be excluded for purposes of the infringement analysis. To do otherwise would violate this Court's ruling in *Int'l. Seaway*, by improperly applying *different* standards for anticipation and infringement. It would also permit art for dissimilar articles of manufacture to erroneously encumber the scope of the asserted design for infringement purposes. For example, a jury's consideration of the "art stump" below could impact the infringement analysis for a claim directed to "lip implants," despite the fact it concerns a wholly unrelated article of manufacture:



Inclusion of a visually similar "art stump" as comparison prior art in an infringement analysis would improperly encumber the proper scope of the design patent directed to a "lip implant"

The Court should adopt the *Surgisil* standard for comparison prior art for this additional reason.

Fourth, Seirus argues that Columbia is judicially estopped from arguing that the claim scope is limited to Heat Reflective Materials, even though that became law of the case when Seirus waived any appeal of that finding years ago. (Red Br. at 47.) To support this flawed argument, Seirus argues that Columbia “prevailed” on an argument at the previous damages trial that the relevant article of manufacture for damages purposes was “clothing.”

This argument is wrong for multiple reasons. Columbia argued that it should be awarded Seirus’s total profits even if the jury found that the relevant article of manufacture for damages purposes was the heat reflective material and not the assembled gloves. (Appx3222-3225, Appx3232-3236.) Columbia argued the same in response to Seirus’s JMOL motion. (Appx6744-6748.) No judicial estoppel applies where, as here, it is unclear from the record which of these two alternative theories was accepted, either by the jury at trial or the district court in resolving the JMOL motion. *USW v. Ret. Income Plan for Hourly-Rated Emples. of ASARCO, Inc.*, 512 F.3d 555, 563-64 (9th Cir. 2008) (party was not

judicially estopped from arguing a position where it was unclear whether the court had relied upon the prior inconsistent argument); *Perry v. Blum*, 629 F.3d 1, 11-12 (1st Cir. 2010) (“[A] proponent of judicial estoppel must affirmatively show, by competent evidence or inescapable inference, that the prior court adopted or relied upon the previous inconsistent assertion.”); *Qualcomm Inc. v. Broadcom Corp.*, 2006 U.S. Dist. LEXIS 104055, at *20-21 (S.D. Cal. Oct. 24, 2006) (no judicial estoppel where it was unclear that the ALJ in related ITC proceedings had adopted the prior inconsistent argument). Because Seirus cannot establish that the district court’s judgment relied on any allegedly conflicting argument, judicial estoppel cannot apply.

Moreover, Columbia has not “prevailed” on that issue, as required for judicial estoppel. The judgment below was vacated in *Columbia Sportswear North Am., Inc. v. Seirus Innovative Accessories, Inc.*, 942 F.3d 1119, 1129-1131 (Fed. Cir. 2019) (“*Columbia I*”), and Seirus is conditionally cross-appealing the damages award in any event. Thus, the equitable rationale for application of judicial estoppel is lacking.

Furthermore, Seirus itself has argued that the relevant “article of manufacture” may be different for damages purposes than for prior art

purposes: “[w]hile the parties dispute whether the article of manufacture is fabric or clothing *for damages purposes*, they agree the patent is limited to an article of manufacture.” (Red Br. at 44 (emphasis added).) Indeed, Seirus sought (and was granted, over Columbia’s objection) a jury instruction stating that the “article of manufacture” for disgorgement purposes is *not* limited to the articles of manufacture stated in the claim. *See infra*, pp. 45-47.

Accordingly, Columbia is not judicially estopped to argue that prior art for the *Egyptian Goddess* infringement analysis should be limited to the article of manufacture identified in the D’093 patent.

Fifth, Seirus argues that Columbia waived construction of the patent claim. (Red Br. at 47.) But Columbia expressly asked for a construction of the D’093 patent claim, in addition to the utility patent claims. (Appx6692-6703.) The district court issued a *Markman* decision directed to the utility patent claims, and stated that it would address the claim construction issues concerning the design patent “in a separate Opinion & Order and incorporate the analysis of the proper scope of the ’D093 patent into jury instructions.” (Appx3987.) That same day, the Court issued the separate opinion and order—its summary judgment

opinion concerning the D'093 Patent—wherein it expressly found that the claim scope of the D'093 Patent was limited to “heat reflective materials.” (Appx119-120 (“Columbia’s D’093 patent protects the ‘ornamental design of a heat reflective material, as shown and described’ in the claim.”); *id.* (finding other materials “not relevant” to an infringement analysis because they were “far afield” from “heat reflective materials”).) Thus, Columbia did not waive construction of the D'093 Patent claim, as Seirus erroneously argues.

Finally, Seirus relies on abstruse principles of theoretical physics, arguing that all materials in the universe qualify as “Heat Reflective Materials.” (Red Br. at 49.) Specifically, Seirus contends that Planck’s law provides that every object in the universe reflects some amount of heat, however immeasurable. But that is not what “Heat Reflective Materials” means in the context of the D'093 Patent. “A party is ... not entitled to a claim construction divorced from the context of the written description and prosecution history. Ordinary meaning is not something that is determined in a vacuum. To the contrary, a word describing patented technology takes its definition from the context in which it was used by the inventor.” *Eon Corp. IP Holdings v. Silver Spring Networks*,

Inc., 815 F.3d 1314, 1320 (Fed. Cir. 2016) (internal cites, quotes omitted). Columbia described and defined “Heat Reflective Materials” in the D’093 patent and during prosecution of the patent application. (Appx617-618.) Seirus’s fanciful argument ignores that context, and would also violate this Court’s precedent by rendering the words “heat reflective” in the patent claim superfluous. *Cf. Becton, Dickinson & Co. v. Tyco Healthcare Grp.*, 616 F.3d 1249, 1257 (Fed. Cir. 2010).

In remanding, this Court should make clear that “Heat Reflective Materials” does not mean “all materials in the universe,” but instead takes its meaning from the D’093 patent, and its prosecution history. (Blue Br. at 63-64, *see also* Appx360-361.)

C. To the Extent this Court Adopts the Obviousness Standard for the Comparison Prior Art, the District Court Erred in Rejecting Columbia’s *Hupp* Instruction.

At the time of the remand trial, the decision in *Surgisil* had not issued. Without the clarification of *Surgisil*, Columbia twice urged the Court to confine the scope of comparison prior art to relevant obviousness prior art, consistent with this Court’s holding in *Hupp*. (Appx369, Appx1481.) Seirus now argues that Columbia’s proposed instruction—which quoted directly from this Court’s holding in *Hupp*—was faulty

because it included the phrase “a person of ordinary skill.” (Red Br. at 51, 53-54.) Seirus suggests that the jury would not have known how to apply this phrase. That argument falls flat, as the jury heard extensive testimony about the skill level of designers in the apparel space, including those who work on, and developed ornamental designs for, Heat Reflective Materials. (Appx774-779; Appx957-959.)

Moreover, the prior art offered by Seirus did not satisfy this Court’s *Hupp* standard. Seirus notably failed to adduce *any* evidence that “a person of ordinary skill would look to ... articles” such as early radial tire technology (*see, e.g.,* Respass (Appx1467-1468)), for designing a Heat Reflective Material. Indeed, neither of the designers who testified in the case went so far afield for their inspiration. Seirus’s lead witness, Mike Carey, who claimed to have the original idea for Seirus’s design (Appx429), testified that prior patents Seirus relied on were “old,” “difficult to understand,” and for products that are “not an area that we make product for.” (Appx1064, Appx1072.) Thus, applying either the *Surgisil* standard or the *Hupp* standard, none of the proffered prior art

was relevant as comparison prior art.⁵

II. THE DISTRICT COURT'S ORDER PRECLUDING COLUMBIA FROM DISTINGUISHING PRIOR ART BASED ON WHETHER IT WAS A HEAT REFLECTIVE MATERIAL WAS ERROR

For the same reasons the jury instructions were error, the Court's order prohibiting counsel from distinguishing prior art was error. (Appx421.) That the scope of the claim is Heat Reflective Materials is law of the case. Accordingly, the corpus of relevant comparison prior art must be limited by that scope under either the *Surgisil* standard or the *Hupp* standard. The district court erred in prohibiting Columbia from distinguishing prior art on that basis. Without the ability to properly restrict the comparison prior art, Columbia was not able to stop Seirus from corrupting the jury's infringement analysis with irrelevant comparison prior art, which disclosed designs having nothing to do with

⁵ Seirus argues that Columbia's closing argument was sufficient to instruct the jury as to prior art. (Red Br. at 51-52.) But the Judge thereafter instructed the jury that it "must" consider all of the prior art introduced at trial, and incorrectly instructed the jury that all "prior patents" are "prior art." (Appx1521.) The jury is presumed to have followed that clearly erroneous instruction. Moreover, Columbia was ordered not to distinguish prior art on the basis of whether it was a Heat Reflective Material, and Columbia abided by that Order.

the article of manufacture identified in the D'093 Patent.

III. THE DISTRICT COURT'S FLAWED JURY INSTRUCTIONS ENABLED SEIRUS TO ARGUE FOR NON-INFRINGEMENT BASED ON INAPPLICABLE PRINCIPLES OF TRADEMARK LAW

A central focus of this case has been the role, if any, that Seirus's trademark logo should play in the design patent infringement analysis. The Seirus trademark logo appears repeatedly in the heat reflective material of its accused products.

This Court in *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117 (Fed. Cir. 1993), held that “[d]esign patent infringement ... does not allow of avoidance of infringement by labelling.” *Id.* at 1126. At least two general principles emerge from that holding taken together with this Court's subsequent clarification in *Columbia I*:

- A jury may consider the appearance of an ornamental logo as one of the potential differences between a patented design and the accused one (*Columbia I*, 988 F.2d at 1131);
but
- Design patent infringement cannot be avoided by use of a label to identify the source of the accused product (*L.A. Gear*, 988 F.2d at 1126).

In other words, the *design* elements of a logo may be considered for purposes of comparing the accused product to the patented design. However, the logo's role in identifying the *source* of the product must be excluded from consideration. The underpinnings of the latter prohibition was first clearly articulated by this Court in *Unette Corp. v. Unit Pack Co.*, 785 F.2d 1026, (Fed. Cir. 1986), where this Court held that considering likelihood of confusion in a design patent case “only serves to blur the otherwise clear line between the test for infringement of a design patent and the ‘likelihood of confusion’ test for infringement of a trademark.” *Id.* at 1029; *see also L.A. Gear*, 988 F. 2d at 1126 (holding that the law of design patent infringement does not “allow of avoidance of infringement by labelling,” citing *Unette*).

Given the clarification of *L.A. Gear* provided in *Columbia I*, it was important for the district court to instruct the jury regarding both the acceptable and the prohibited uses of logos in the infringement determination.

A. Columbia Repeatedly Requested, and the District Court Overruled, Jury Instructions Concerning the Role of Logos in Design Patent Infringement.

In its pretrial filings, Columbia requested the following

instructions:

- “Confusion as to the source of provider of the goods accused of infringing is irrelevant to determining whether a patent is infringed.” (Proposed Jury Instruction 9B (excerpt), Appx348.)
- “Labelling a product with source identification or branding does not avoid infringement. Consumer confusion as to the source or provider of the products is not a consideration in infringement analysis. But you may consider an ornamental logo, its placement, and its appearance as one among other potential differences between a patented design and an accused one in deciding whether the overall appearance of the patented and accused designs are substantially similar.” (Proposed Jury Instruction 9D – Logo/Confusion, Appx356.)

Both proposed instructions correctly emphasized that consumer confusion as to the **source** of the accused product is irrelevant to design patent infringement. The second proposed instruction synthesized the holdings of *L.A. Gear* and *Columbia I* as to the proper role of logos. Consistent with the holding in *L.A. Gear*, the second instruction explains that mere labeling with source identification cannot avoid infringement. But, consistent with *Columbia I*, it also explains that the jury may nonetheless consider whether an ornamental logo contributes to a different overall appearance of the accused design.

The district court elected not to include either of these instructions in its draft jury instructions—which failed to include *any* instruction

regarding the relevance of logos to design patent infringement. While the district court agreed to add a caveat concerning “actual confusion,” it denied Columbia’s request for an instruction on “likelihood of confusion.” (Appx1159.)

In response, Columbia requested a clarifying instruction stating that “likelihood of confusion” as to source in the trademark sense is irrelevant to the jury’s infringement determination. Specifically, Columbia proposed adding that “[y]ou do not need ... to find that any purchasers were actually deceived, nor do you need to find any actual confusion *or likelihood of confusion* amongst consumers in the marketplace.” (Appx1481 (emphasis added).) For support, Columbia cited to *Unette*’s holding that injecting source confusion into the analysis “only serves to blur the otherwise clear line that exists between the test of infringement of a design patent and the ‘likelihood of confusion’ test for infringement of a trademark.” (*Id.*) The district court again denied Columbia’s request.

B. In Closing Argument, Seirus’s Counsel Invited the Jury to Find No Infringement Because Seirus’s Logo Eliminated any Likelihood of Confusion as to the *Source* of the Accused Products.

Having been green-lighted by the district court, Seirus blatantly

invited the jury to find no infringement because its logo informed consumers that Seirus, not Columbia, was the **source** of its accused products. Specifically, Seirus's counsel argued, allegedly under the Supreme Court's test from *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 20 L. Ed. 731 (1871), that it is:

Hard to imagine **with all those logos** that an ordinary observer, the consumer, would be deceived into thinking that's Columbia's patent. I don't see it. I don't see how that's possible because **Seirus is telling the world this is ours. This is ours.**

(Appx1225-1226 (emphases added).)

Contrary to the argument by Seirus's attorney, neither the Supreme Court in *Gorham* nor this Court in *Columbia I* support the notion that the test for design patent infringement includes *consumer confusion as to source*. Rather, *Gorham* and *Columbia I* relate solely to a visual comparison of the patented and accused *designs*.

Seirus claims that other things its counsel said in closing show that he was not arguing logo as a source identifier. However, the import of counsel's non-infringement argument was unmistakable:

With all those logos ... Seirus is telling the world

this is ours. This is ours.

(Appx1225-1226 (emphasis added).)

In short, Seirus’s counsel argued that the jury should find no infringement because its logo “told the world” that Seirus is the source of the accused products, thus eliminating any “likelihood of (source) confusion.” Nothing else Seirus’s counsel said in closing detracted from the clear import of that contaminating statement. The damage was done.

C. Seirus’s Efforts to Excuse the District Court’s Errors are Unavailing.

1. *Columbia I* did not reverse this Court’s decision in *L.A. Gear*

Seirus argues that this Court’s decision in *Columbia I* effectively “reversed” its earlier decision in *L.A. Gear*. (Red Br. at 57.) That is not true, nor could it be. In *Columbia I*, the Court acknowledged its holding in *L.A. Gear*, and went on to clarify that *L.A. Gear* did not prohibit consideration of the impact of an ornamental logo on the overall appearance of the accused design, thus purporting to reconcile its *Columbia I* decision with its earlier decision in *L.A. Gear*.

Moreover, if as Seirus argues, *Columbia I* and *L.A. Gear* are in

direct conflict with one another, then the decision of the first panel could be overruled only by a contrary *en banc* decision. Otherwise, the decision of the first panel, in this case *L.A. Gear*, would control. *Deckers Corp. v. United States*, 752 F.3d 949, 964 (Fed. Cir. 2014); *see also Newell Cos., v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988) (“prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned *in banc* ... [w]here there is direct conflict, the precedential decision is the first”).

2. Seirus’s closing argument for ‘no likelihood of confusion’ was made possible by the district court’s error.

Seirus exploited the unfortunate void in the district court’s jury instructions by arguing in closing that “*all the logos*” on its accused products eliminated any likelihood of confusion by “*telling the world this is ours.*” (Appx1225-1226 (emphases added).) Had the jury been properly instructed that likelihood of confusion as to source is completely irrelevant to design patent infringement, that improper argument would not have been permitted. *See Unette*, 785 F.2d at 1029 (likelihood of confusion inappropriate for determining design patent infringement). Moreover, there is every possibility that the jury relied on this improper

and prejudicial argument to reach its verdict of no infringement.

IV. BECAUSE THE DISTRICT COURT'S ERRONEOUS JURY INSTRUCTIONS AND PRECLUSION OF ARGUMENT WERE PREJUDICIAL, THIS COURT SHOULD REMAND FOR A NEW TRIAL

Seirus argues that the district court's errors were harmless, suggesting that the district court could have found infringement regardless of the faulty jury instructions. (Red Br. at 63-66.) But Seirus itself notes as a heading in its brief that "Infringement Is an Intensely Factual Issue." (Red Br. at 41.) In the prior appeal, this Court expressly instructed that "[s]uch fact findings [as evaluation of the prior art] should be resolved by a jury on remand." *Columbia I*, 942 F.3d at 1129-31. Indeed, the district court's usurpation of the jury's role was the precise reason for this Court's reversal of the infringement finding in the first trial. In the remand trial, the district court repeated its mistake by once again taking a triable fact issue away from the jury.

Seirus cannot prove, as it must, that "it is more probable than not that the jury would have reached the same verdict had it been properly instructed." *Wilkerson v. Wheeler*, 772 F.3d 834, 838 (9th Cir. 2014). Thus, the district court's errors were not harmless, and require remand for a new trial.

V. THE DISTRICT COURT EXPRESSLY CONFIRMED THAT COLUMBIA'S OBJECTIONS TO THE DISTRICT COURT'S DRAFT JURY INSTRUCTIONS WERE PRESERVED

Seirus also argues with respect to each of the above issues that Columbia failed to preserve its objections to the district court's adverse rulings on jury instructions. (Blue Br. at 53, 61-62.) The following colloquy between Columbia's counsel and the district court on the morning of closing arguments proves the falsity of that assertion:

Mr. Aldrich: Thank you, your Honor. I think our other objections [to the Court's draft jury instructions] are preserved for the record?

The Court: Yes, everything you said before is preserved. Anything else?

(Appx1192.)

The district court also expressly acknowledged Columbia's objections to the jury instructions as just that: "objections." (Appx1169 ("tell me about your other objections to any other instructions").) The district court further confirmed that all of the parties' proposed instructions that were not adopted by the Court had been "overruled."

(Appx1193.)

Seirus's reliance on *U.S. v. Parsons Corp.*, 1 F.3d 944 (9th Cir. 1993) is misplaced. (Blue Br. at 53, 61-62.) In *Parsons*, the Ninth Circuit found

a failure to preserve where the plaintiff did not object to, or even argue against, the adoption of a three-question verdict form. *Id.* at 945. In contrast, Columbia expressly objected to the flawed jury instructions proposed by the district court and repeatedly requested, in written briefing and oral argument, that the same be modified in accordance with applicable case law. (Appx1481, Appx1159-1161, Appx1168-1169, Appx1172-1176, Appx1192-1193.)

Moreover, in the Ninth Circuit, an objection is preserved when: “(1) throughout the trial the party argued the disputed matter with the court, (2) it is clear from the record that the court knew the party’s grounds for disagreement with the instruction, and (3) the party offered an alternative instruction.” *Chess v. Dovey*, 790 F.3d 961, 971 (9th Cir. 2015).

Beyond the Court’s express confirmation that Columbia had preserved its objections, Columbia had argued both the “prior art” and “logo/likeness of confusion” issues with the Court extensively: (i) in its objections to evidence (Appx323-327); (ii) in lengthy briefing in support of its draft jury instructions (Appx348-354, Appx356-381); (iii) in response to Seirus’s motions *in limine* (Appx231-232, Appx237-238); (iv)

during the trial (Appx1159-1161, Appx1168-1169, Appx1172-1176, Appx1192-1193); and (v) in late-night filings proposing amendments to the Court’s proposed instructions. (Appx1481.) “[I]t is clear from the record that the court knew [Columbia’s] grounds for disagreement with the instruction.” *Chess*, 790 F.3d at 971. Columbia’s objections to the Court’s instructions on these issues are preserved and Seirus’s argument to the contrary has no merit.

The Court should vacate the judgment, reverse, and remand for a new trial on the issue of infringement.

VI. THIS COURT SHOULD PROVIDE GUIDANCE ABOUT THE PROPER CONSIDERATION OF LOGOS IN AN INFRINGEMENT ANALYSIS

Seirus suggests that *L.A. Gear* is “directly contrary” to this Court’s holding in *Columbia I*, arguing that the district court “properly rejected” Columbia’s proposed instructions quoting *L.A. Gear* for that reason. (Red Br. at 56-57.)

To the extent this Court agrees that the holdings of *L.A. Gear* and *Columbia I* are incompatible, this Court should resolve the conflict. Alternately, if the *Columbia I* and *L.A. Gear* decisions were meant to be complementary, this Court should provide clarity for the design

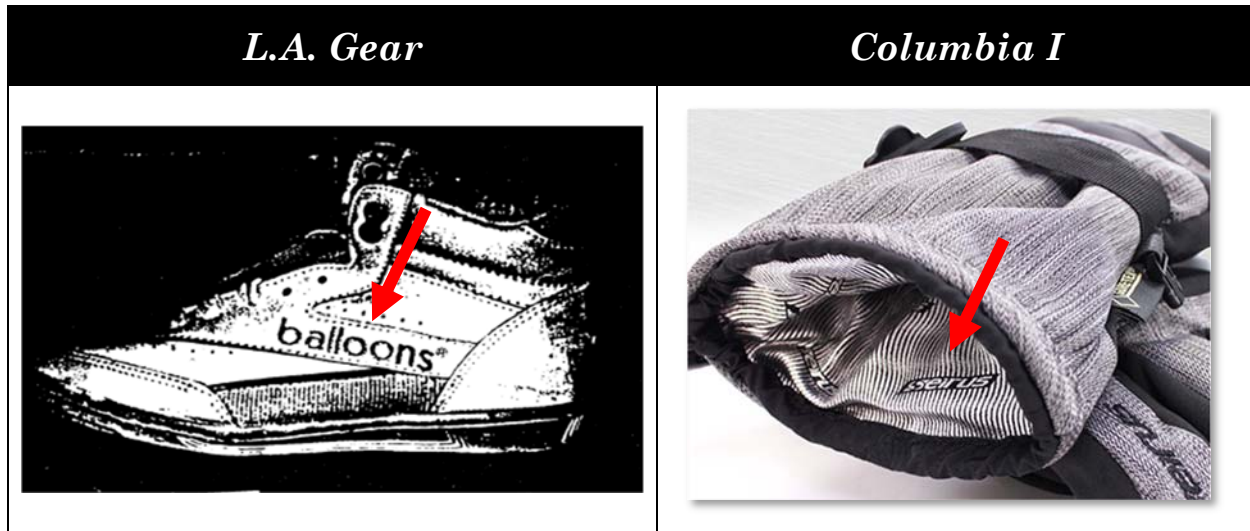
community as to how those holdings should be reconciled. For example, when should “ornamental” aspects of logos be considered for infringement purposes under *Columbia I*, and when should they be characterized as “labels” that must be disregarded under *L.A. Gear*? All logos, even simple ones, include design choices that could be characterized as “ornamental”:

<i>L.A. Gear</i> a “label”?	<i>Columbia I</i> an “ornamental logo”?
 The image shows the word "balloons" in a bold, lowercase, sans-serif font. The letters are filled with a pattern of small, dark dots, giving it a textured, stippled appearance. A registered trademark symbol (®) is located at the top right of the word.	 The image shows the word "COLUMBIA" in a bold, uppercase, sans-serif font. The letters are filled with a pattern of small, dark dots, giving it a textured, stippled appearance. The word is set against a dark, textured background.

Is one of the above an “ornamental logo,” whereas the other is not, as implied by this Court’s decision in *Columbia I*? Can one, but not the other, avoid infringement if placed prominently on an accused product?

Moreover, logos usually are placed on articles of manufacture in

ways that are meant to appear cosmetically appealing:



Is one of these placements “ornamental” and the other merely a “label,” as suggested in *Columbia I*? Notably, the deliberately placed “balloons” mark in *L.A. Gear*, angularly stretching across the middle of the shoe, was far more prominent than the small trademark logo at issue here, which is positioned randomly based on how the material was cut. How are judges and juries to separate “labels,” which under *L.A. Gear* must be excluded from the infringement analysis, from “ornamental logos,” which may be considered under *Columbia I*?

After more than 2000 words of briefing on this single issue in the parties’ proposed jury instructions alone (Appx348-354, Appx356-381, Appx1481), the district court decided not to instruct the jury at all, thus opening the door for Seirus’s closing argument that infringement is

avoided if the logo eliminates any confusion *as to source*—a classic trademark argument that has no place in any design patent infringement analysis. Whatever the law is, that is not it. *Unette*, 785 F.2d at 1029.

As noted in the Blue Brief, source labelling in logo form is on virtually every good sold to the public. If a defendant’s “ornamental logo” can be considered in an infringement analysis, then, lacking any further guidance from this Court, a new “logo defense” to infringement such as was recently raised in *Peloton Interactive, Inc. v. Lululemon Athletica Canada Inc.*, Complaint, Case No. 1:21-cv-10071-ALC, ECF 1 ¶ 5 (S.D.N.Y. Nov. 24, 2021), is bound to become the norm for design patent cases. (*See* Blue Br. at 80-82.) Such an eventuality would create uncertainty that could severely undermine the value of design patents as a class of intellectual property.

Whatever this Court believes the law on logos is, or should be, the courts and design community would benefit from greater clarity on the legal standard and jury instructions applicable to the ubiquitous logos used on commercial products. This Court should remand to the district court with instructions that should be given to the jury with respect to

how, if at all, a trademark logo should be considered in a design patent infringement analysis, if at all.

**COUNTERSTATEMENT OF THE ISSUES
FOR SEIRUS'S CROSS-APPEAL**

- (1) Whether this Court should remand this case for a new trial on damages without reaching the damages issues, where Seirus waived any request to retry damages following the previous remand.
- (2) Whether judgment on the jury's verdict of the total profits Seirus earned from the sale of its HeatWave products should be affirmed where:
 - (a) The Court adopted Seirus's jury instruction concerning determination of the "article of manufacture," making it a question of fact that the jury resolved;
 - (b) The jury's verdict is supported by substantial evidence, whether the article of manufacture for disgorgement purposes is the HeatWave products sold to market or, alternatively, the HeatWave heat reflective material bearing the patented design.

(3) Whether the district court properly instructed the jury on the steps to determine disgorgement of Seirus’s total profits pursuant to 35 U.S.C. § 289.

(4) Whether, even if the district court erred in instructing the jury that the burden shifted to Seirus to prove a lesser profit after Columbia established its *prima facie* case on the total profit for infringing sales, any error was harmless because Seirus failed to present evidence from which the jury could allocate profits to an article of manufacture other than the end product sold to the consumer.

(5) Whether, as a contingent matter in the event of a remand for any issue, the judge or the jury should determine remedies pursuant to 35 U.S.C. § 289.

**COUNTERSTATEMENT OF THE CASE
CONCERNING SEIRUS’S CROSS-APPEAL**

Seirus’s HeatWave products can be divided into two categories. First, Seirus sells a number of products—including glove liners, socks, and hats—that are made entirely from HeatWave material,⁶ as the sole

⁶ As noted above, Seirus’s HeatWave material is the kind of material conventionally known as a “heat reflective material.”

component. (Appx5511-5512; Appx5526; Appx6553-6555; Appx6609; Appx6611-6613.) Some examples include:



These products account for 21 percent of Seirus's total HeatWave sales, earning gross margins roughly 13 percent higher than the remainder of Seirus's HeatWave products. (Appx6557.)

The second category are gloves, primarily ski gloves, that are designed with the HeatWave material used as the prominent inside liner of the glove to reflect heat back to the user. The infringing ornamental design is incorporated in the product so the reflective elements are visibly

apparent in order to draw the user's attention to this technological benefit. (Appx6556.)

I. THE MANUFACTURE OF THE HEATWAVE PRODUCTS

Seirus does not make any of its products. (Appx2597-2601; Appx2864-2867.) Seirus only designs the products. It then has Chinese manufacturers assemble the products according to Seirus's specifications. (*See, e.g.* Appx3968-3970; Appx6611.) Seirus's Chinese manufacturers supply many parts of the gloves—shell fabric, thread, waterproofing, zippers, and buckles (Appx6614-6615) along with virtually all manufacturing and assembly, complete with point-of-purchase labels, hang tags, and more. (Appx6614-6642.) The manufacturers invoice Seirus a “black box” price, which includes all contributions from the manufacturer, including the raw materials, labor, taxes, freight, and its own profit. (Appx2864-2867; Appx2597-2601; Appx6614-6642.) Seirus imports those finished products to the U.S., and sells them through retail channels and on its website.

For some of its products, Seirus buys specialty parts from separate suppliers and has those sent to the manufacturer. Seirus pays separately for the specialty parts and the invoiced “black box” price for all of the

manufacturer's other contributions. (Appx6614-6642; Appx2864-2867; Appx2597-2601.) The HeatWave material is such a specialty part. Seirus buys that material from Ventex, which sends it to Seirus's Chinese manufacturers, who use it to make ready-for-sale products. (Appx2664-2668; Appx5464.) The manufacturer still invoices Seirus a "black box" price for all of its contributions, including any other parts it supplies, combined with labor, freight, profit, and other intangibles. (Appx6614-6642.) Some products have more than one such specialty part. But all Seirus products have a "black box" manufacturing cost, which includes labor, commodity parts, freight, taxes, and the manufacturer's profit. *Id.*

For the first category of products—those made entirely from HeatWave material—the manufacturer cuts and stitches the product together, and adds point-of-sale marketing and labels to create the final product. (Appx3721; e.g., Appx6651, Appx6652; Appx6611.)

For the HeatWave glove products, the manufacturers first cut, form, and stitch the HeatWave material into a liner in the shape of the hand or mitt, then combine the liner with an outer shell and other pieces (buckles, cinches, insulation, and the like) into a finished product.

(Appx5517-5518; Appx2608-2609; Appx2611-2612.)

II. SEIRUS'S MARKETING AND PROMOTION OF ITS HEATWAVE PRODUCTS

Although many of Seirus's HeatWave products have multiple features, the products are prominently marked and promoted as "HeatWave" products if they include the HeatWave material, regardless of any other features. Seirus uses the HeatWave material as a top-line differentiator distinguishing the HeatWave line of products from all other products. (Appx1997.)

The marketing message for the HeatWave products is based upon the performance of HeatWave material:



HEATWAVE LINEKS

ALL DEIKUS LINEKS MADE WITH FLAT SEAM CONSTRUCTION FOR COMFORTABLE FIT

HEATWAVE
KINETIC HEAT RETURN SYSTEM

THE FIRST DUAL STAGE HEATING SYSTEM FOR HEAD, HANDS AND FEET

THE REVOLUTIONARY HEATWAVE PROCESS

KINETIC
converts emitted energy into increased heat

REFLECTIVE
reflects radiated heat back for more warmth

HW

HEATWAVE™ SOCK
2148

MSRP 34.99

- Our exclusive Heatwave lining as a comfortable, 4-way stretch sock lets you increase the heat of any footwear
- Cut and sewn, form fitting construction



MIN 12
SIZES: S, M, L, XL
COLORS: BLACK - SILVER

PLAINTIFF'S EXHIBIT
129
USDC 13740-0191-02

HEATWAVE™ GLOVE
2116

MSRP 19.99

TOP SELLER

- Our exclusive Heatwave lining as a stand alone glove liner lets you increase the heat of any glove
- 4-way stretch
- Cut and sewn, form fitting construction



MIN 12
COLORS: BLACK - SILVER

HEATWAVE™ SKULL
2209

MSRP 24.99

- Our exclusive Heatwave lining as a skull liner
- 4-way stretch
- Reversible
- Cut and sewn, form fitting construction



MIN 12
SIZES: ONE SIZE
COLORS: BLACK



CEIDI 1000002109

HEATWAVE
KINETIC HEAT RETURN SYSTEM

REFLECTED HEAT, AMPLIFIED

DUAL HEATING TECHNOLOGY™

1. THERMAL REFLECTIVE - UP TO 20% WARMER
2. KINETIC - AMPLIFIES TEMPERATURE 4-5°

HEATWAVE OF THE FUTURE

HEATWAVE™ DUAL HEATING SYSTEM

THERMO-DYNAMIC BARRIER

REFLECTIVE HEATWAVE™ LINING

HW

8135 HEATWAVE™ ALL WEATHER™ GLOVE

NEW

SHELL: WeatherShield™
PALM: UltraGrip™

FEATURES:

- Exclusive Heatwave thermodynamic lining
- Snug form fitting design
- Proven durability
- WeatherShield fabric blocks wet and cold
- Fleece lined
- Knit cuff

MENS: S, M, L, XL
LADIES: S, M, L

- ORIGINAL P16
- SOUNDTOUCH P19

HEATWAVE

BACK

8116 HEATWAVE™ ZENITH GLOVE

NEW

INSULATION: 300g HeatLock

INSERT: DryHand waterproof/breathable

SHELL: Softshell

PALM: Amara

FEATURES:

- Exclusive Heatwave thermodynamic lining
- Gasket cuff

MENS: S, M, L, XL
LADIES: S, M, L

HEATWAVE

BACK

CEIDI 1000002108

(Appx6556, Appx6565, Appx3834; *see also, e.g.,* Appx3721, Appx3835; Appx3836-3967; Appx6550; Appx6561-608.)

The hangtags that accompany the imported finished products are



illustrative. (Appx3721.)

As shown at left, the word “HeatWave” appears about four times the size of Seirus’s own brand name and highlights the wavy line design. Many hangtags say “Look Inside” or “Check It Out” with an arrow directing the consumer to view the HeatWave material on the inside. The remainder of the hangtag

focuses on the function of the HeatWave material itself. Nowhere do the hangtags reference other attributes or pieces of the gloves. Such point of

sale materials reflect the products' core marketing message. (Appx1997.)

Seirus's catalogs and website repeat the same marketing messages to distinguish the HeatWave product line from Seirus's other product lines. (Appx6548; Appx6549; Appx6556.)



(Appx6556; *see also* Appx6550.) Seirus's marketing materials associate the wavy line design and the HeatWave name with the function and performance of the products made in whole or material part with the HeatWave material. (Appx1995-1999 (citing Appx3721; Appx3844; Appx3847; Appx6550.)) While Seirus's overall non-HeatWave sales declined over the damages period, sales of the accused HeatWave products soared. (Appx5166-5193.)

III. THE TRIAL AND JURY VERDICT

Trial on remedies for Seirus's infringement of the D'093 Patent originally was scheduled for April 2017. (Appx6393.) In December 2016, the Supreme Court issued its decision in *Samsung Elecs. Co. v. Apple*

Inc., 137 S. Ct. 429 (2016) (“*Samsung*”). *Samsung* distinguished “single component” products such as dinner plates from “multi-component products,” such as kitchen ovens, holding that, at least in the case of complex consumer products like kitchen ovens and smartphones, the relevant “article of manufacture” to which disgorgement applies under 35 U.S.C. § 289 could be a component of the product, rather than the final end product as sold to the consumer. *Id.* at 432. Invoking *Samsung*, Seirus asserted that all of its HeatWave products—including those made 100 percent from HeatWave material—were “multi-component” products and that the relevant “article of manufacture” was only the HeatWave material in the products. Trial was postponed to address *Samsung* issues, and Seirus and Columbia stipulated to a supplemental discovery schedule, including expert reports. (Appx6452.)

Columbia then reiterated pending discovery requests for documents related to Seirus’s manufacture of its accused products, including contracts with its foreign manufacturers and true cost data of all alleged product components. Seirus refused to produce any of these records, asserting the requests were “irrelevant” and “confidential.” (*See generally*; Appx3835.)

Supplemental expert reports on the *Samsung* issues were due August 1, 2017. (Appx3835.) Columbia timely served its reports and all supplemental discovery. Seirus produced no expert reports and, throughout this period, produced no discovery on the article-of-manufacture issue. (Appx3835.) Instead, Seirus ignored the district court's order and waited until four working days before trial to submit a report from its damages expert, Carrie Distler, on the *Samsung* issues. (Appx6462-6528.)

In her expert report, Ms. Distler assumed, based solely on instructions from Seirus, that the raw HeatWave material was the “relevant article of manufacture” for purposes of Section 289. (Appx2987; Appx3009-3011.) Ms. Distler then purported to allocate Seirus's profits from the sales of finished HeatWave products measured only by the ratio of the raw material cost—“when it leaves Korea but before it gets to China” (Appx3011), to all other costs that go into the gloves, including labor, taxes, freight, manufacturer profit, and the like. (Appx3011.) For example, if 10 percent of the cost of the glove is the cost of the raw, HeatWave material from Ventex, Ms. Distler apportioned 10 percent of the profit to this alleged article of manufacture. She used that raw

material cost because: “[t]hat’s the lowest cost I can get to.” (Appx3016.) She undertook no qualitative analysis, and specifically excluded consideration of, the functional importance of the HeatWave material in relation to the finished product. (Appx5786; Appx3011-3017.)

The entire financial support for Ms. Distler’s opinion was a Seirus spreadsheet (Appx6614-6642), which was produced four days before trial to show cost categories created by Seirus from internal records that Seirus failed to produce in the litigation and about which no discovery was ever taken.

The data used by Ms. Distler, however, was incomplete and largely irrelevant. That is because Seirus does not track the costs of individual parts or “components” within gloves. Instead, Seirus pays a “black box” number for all of the manufacturer’s contributions, which includes many intangibles, like labor, that are not “components” of the product.⁷ In almost all cases, these grouped intangibles make up the lion’s share of the cost of the finished products. (Appx6614-6642.)

By comparing only the raw material cost of the HeatWave material

⁷ As explained below, intangibles are not “components” and, thus, are not considered under a *Samsung* analysis.

with this “black box” manufacturing cost, Seirus and Ms. Distler were able to attribute only 37-42 percent of Seirus’s profits earned from products made entirely from HeatWave material (such as glove liners, socks, and hats) to that material. (Appx5867-5873.) The remainder of the profit from the sales of these products was allocated to intangibles, primarily the manufacturer’s fee that Ms. Distler characterizes as “labor.” (*Id.*) Based on this analysis, Ms. Distler opined that Seirus’s total profits from the sales of all HeatWave products were just \$500,817. (*Id.*)

In contrast to Seirus’s expert, Columbia’s expert, Serena Morones, assumed that the relevant “article of manufacture” for disgorgement purposes was the hat, sock, liner, or glove as sold to the public. In calculating profits, Ms. Morones excluded certain multi-component gloves made by Seirus that had a separable internal lining, an external glove, and a battery pack. (Appx6099-6100.) Omitting those products, Ms. Morones focused her analysis on glove liners, socks, and hats made entirely from HeatWave material and unitary gloves (gloves that could not be disassembled to any constituent components). She calculated the profits from those sales subject to disgorgement were \$3,018,174.

In calculating profits, Ms. Morones disagreed that apportioning the costs of individual raw materials is a rational way to determine the profits attributable to entire products and components made from those materials. That is because a cost-only analysis permits no qualitative analysis of the actual contribution of the HeatWave material to the profits from finished HeatWave products.

Even assuming a cost-based approach could be helpful as one input of the analysis, Ms. Morones attempted to do what Ms. Distler should have done—determine the total costs of each alleged, material component of the finished product, including the HeatWave material. But the data produced by Seirus at trial, she testified, was inadequate to conduct this analysis. (Appx5274-5275.) In response to Seirus’s questioning at trial, Ms. Morones testified that, with the limited data Seirus chose to make available and ignoring the qualitative contribution of individual alleged raw materials to profits, a corrected analysis using Distler’s cost approach would yield “total profit” allocable to the HeatWave material of not less than \$1.97 million. (Appx6151-6152.)

IV. JURY INSTRUCTIONS

Following *Samsung*, the district court asked both parties to brief

how the appropriate “article of manufacture” should be determined for purposes of disgorgement under Section 289. The parties presented competing proposals through extensive briefing. (Appx6397, Appx3386, Appx6409, Appx6435.) Seirus’s proposal hewed to a suggestion offered to the Supreme Court by the Department of Justice as *amicus curiae* in *Samsung*. (Appx3392 (citing Brief for the United States as Amicus Curiae Supporting Neither Party, *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429 (2016), 2016 U.S. S. Ct. Briefs LEXIS 2322 * (S. Ct. June 8, 2016) (“DOJ Br.”).) The DOJ test advocated by Seirus used four factors to determine the relevant “article of manufacture” for disgorgement purposes. Under Seirus’s proposal, “the factfinder should not treat the patent’s designation of the article as conclusive.” (DOJ Br. at 28.) Notably, “[t]he scope of the design in the Design Patent, including the drawings and written description” was only one of the four factors that should be considered. (DOJ Br. at 27-29.) Based on Seirus’s proposed adoption of the DOJ standard, the jury would be asked to “weigh” this factor with three other factors “to identify the article that most fairly may be said to embody the defendant’s appropriation of the plaintiff’s innovation.” (Appx3341-3342; DOJ Br. at 9, 26.)

The Court adopted Seirus's proposal over Columbia's objection (Appx6459), and used it as a basis of its jury instructions.⁸ (Appx3341-3342.)

The jury heard all of this evidence, rejected Seirus's theory and allocation, and found that Seirus's profits attributable to its infringement were \$3,018,174. (Appx6547.) Seirus subsequently moved for judgment as a matter of law on the damages issue, and the district court denied the motion.

SUMMARY OF ARGUMENT CONCERNING SEIRUS'S CROSS-APPEAL

Seirus is not entitled to a new trial on damages if the Court remands for a new trial on infringement. Seirus agreed that the remand trial was limited to liability after Columbia argued that the issues of liability and damages were not "interwoven." Accordingly, unless this Court considers the issues raised in the cross-appeal, it should not

⁸ Seirus represents that the parties agreed to submit the article of manufacture issue using the DOJ suggested factors. (Red Br. at 66.) That is not true. Columbia objected to Seirus's requested version of the DOJ instruction and requested a different instruction. (Appx1769.) The district court gave substantially Seirus's requested instruction on this issue.

remand for a new trial on damages.

To the extent the Court reaches the damages issues, it should not reverse the damages verdict. The jury properly awarded Columbia more than \$3 million in Seirus's profits for the infringement—Seirus's total profits from the sales of its HeatWave products. Many of those products are made entirely from the HeatWave material, and are thus “single component” products under *Samsung* as a matter of law. The jury properly disgorged 100 percent of Seirus's profits for the sales of those products. Columbia also produced substantial evidence that Seirus's HeatWave glove products are “single component” products under *Samsung*.

Even under the four-factor DOJ test requested by Seirus for determining the “article of manufacture to which such design ... has been applied,” Columbia produced more than substantial evidence that the relevant articles of manufacture were the HeatWave products sold to market, and not the HeatWave material within them.

Additionally, Columbia produced substantial evidence that, even if the jury found that the relevant “article of manufacture” in Seirus's HeatWave gloves was the HeatWave material, the profits attributable to

that material were in fact the \$3 million in profits that Seirus earned from selling the products as a whole. That material is virtually the exclusive marketing focus for the gloves and thus substantially creates the value of the gloves as a whole.

At trial, consistent with 35 U.S.C. § 289, the district court properly placed the burden on Seirus to prove that its profits earned as a result of its infringement were less than the profits it earned selling its infringing products to market. Moreover, Seirus cannot allege error in this respect, because Seirus failed to satisfy even the lesser burden of production that it claims should apply. Seirus failed to produce competent evidence from which the profits for any component could be ascertained. The Court should affirm the jury's verdict on either ground.

Should this Court remand the disgorgement analysis for any reason, it should remand with instructions that the analysis be decided by the judge, not a jury. Columbia requested a bench trial, and Seirus does not have a right to a jury trial on issues relating to the equitable remedy of disgorgement of profits.

ARGUMENT

I. SEIRUS IS NOT ENTITLED TO A NEW TRIAL ON DAMAGES IF THIS COURT REMANDS FOR A NEW TRIAL ON INFRINGEMENT

Seirus argues that “[a] new trial on infringement would . . . justify a new trial on damages.” (Red Br. at 78.) In support, Seirus cites *Gasoline Prods. Co., Inc. v. Champlin Refining Co.*, 283 U.S. 494 (1931).

Seirus waived that argument. In the first appeal, this Court reversed for a new trial on infringement. Upon remand, Columbia wrote to the district court, advising it of Columbia’s view that the remand trial should be “A Limited Trial on Liability Only”—*i.e.*, not a retrial on the damages issues that this Court declined to reach. (Appx6646.) In support, Columbia cited *Dzenko v. James Hunter Mach. Co.*, 393 F.2d 287, 291, n. 7 (7th Cir. 1968), for the proposition that there should be “no retrial on damages because ‘[t]he issue of liability is so distinct and separable from the issue of damages that a separate trial of the former may be had without injustice.’” *Dzenko* cites *Gasoline Products* for that proposition.

Seirus agreed. The parties jointly represented to the district court that “the parties agree that retrial will be limited to the question of

liability.” (Appx6649.) Thus, Seirus waived any argument that the infringement and damages issues are “interwoven” such that a retrial on one would warrant a trial of the other.

Columbia’s statements at the remand trial, explaining that the claim is directed to “heat reflective material,” do not entitle Seirus to a new damages trial. Columbia has consistently argued that the scope of the D’093 patent claim is limited to heat reflective materials (Appx594 (“[t]he present design patent is limited by its preamble to heat reflective materials”; Appx617 ¶ 6; Appx629), but that disgorgement should be based on all of Seirus’s sales, for the reasons explained below. To the extent Seirus believed those positions were inconsistent, it waived that argument when it jointly agreed to limit the remand trial to the issue of liability.

Accordingly, the Court should remand for a new trial on infringement only.

II. THE JURY’S VERDICT WAS NOT EXCESSIVE AND WAS SUPPORTED BY SUBSTANTIAL EVIDENCE ON MULTIPLE GROUNDS

Seirus argues the jury’s disgorgement award was excessive, entitling Seirus to a new trial.

The determination of the relevant article of manufacture for purposes of disgorgement—“the thing that most fairly may be said to embody the defendant’s appropriation of the plaintiff’s innovation” (DOJ Br. at 9, Appx3341-3342)—and the measure of profits that should be attributed to that article are issues of fact. The district court gave substantially Seirus’s requested jury instruction on this issue, save for the burden of rebuttal of Columbia’s *prima facie* case, addressed below. As seen below, the jury had multiple grounds on which to disgorge Seirus of all profits made from selling its HeatWave products. Columbia produced substantial evidence that:

- All of Seirus’s separately-sold liner products (liners, hats, and socks) are made entirely from HeatWave material and are therefore ***single-component products*** under *Samsung* such that the relevant article of manufacture was the product sold to market without further analysis.
- Seirus’s glove products are also ***single-component products*** such that no further analysis is required.
- Alternatively, if any of the glove products were found to be multi-component products under *Samsung*, then, applying the DOJ four-factor test, there is substantial evidence that the glove products as sold to the consumer were the relevant articles of manufacture to which the infringing design had been applied.
- Even if the relevant article of manufacture for the gloves was found to be the HeatWave material lining, consumer demand for the gloves sold to the user was driven by that lining, and thus

disgorgement profits were in fact the total profits that Seirus earned on the sales of the gloves as a whole.

Because the jury had substantial evidence to find in favor of Columbia on each alternate basis, this Court should affirm the jury's verdict and consequent judgment.

A. All the Accused Products are Single-Component Products.

In construing Section 289, the Supreme Court distinguished “single-component” products from “multicomponent” products. *Samsung*, 137 S. Ct. at 432. Where a patented design is applied to the former, disgorgement applies to the profits from the entire product. *Id.* Only where the product is a “multi-component” product is more analysis required. The Supreme Court provided limited guidance in this threshold step in the analysis: a “dinner plate” is a single-component product, and modern kitchen ovens and smartphones are both multi-component products. *Id.* at 432.⁹

Three conclusions can be drawn. One, because dinner plates—particularly those carrying ornamental designs—are made from multiple

⁹ Seirus requested no jury instruction on single component vs. multi-component and thus cannot be heard to complain that it was left to the jurors' judgments.

raw materials that are assembled by hand or machine into a decorated article, *Apple Inc. v. Samsung Elecs. Co.*, 2017 WL 4776443, *10 (N.D. Cal. Oct. 22, 2017), the mere fact that an infringing product is an assembly of multiple raw materials does not make it multi-component, without more. Two, intangibles and consumables like labor, stitching, thread, profit, freight, taxes, overhead and the like are not “components,” and should not be allocated any profits in the analysis. *Samsung*, 137 S. Ct. at 435. Even dinner plates have intangible input costs, yet the Court made clear that 100 percent of the profits are disgorged for infringement. Three, the recognized multi-component products incorporate a multitude of discrete functional elements, such as microprocessors, sensors, housing materials, electronic controls and the like associated with sophisticated consumer products.

With this guidance, Seirus’s glove liners, hats, and socks that are made 100 percent from HeatWave material are necessarily single-component products. As Seirus admits, “the sole material in these products is the HeatWave fabric.” (Appx6645.)

As to the HeatWave glove products, substantial evidence was presented that those products are also single-component products. The

HeatWave material lining is integrated by gluing (tacking) with other parts as a single unit that cannot be separated without a seam ripper and destroying the glove. (Appx5461-5467; Appx2679-2680.) The integrated HeatWave lining is not sold separately or used as replacement or repair parts. It is simply a glove, sold to consumers as such. Jurors could reasonably find it a single component product like a dinner plate in a *Samsung* analysis.

The jury had substantial evidence directly from Seirus to find that the HeatWave gloves are “single-component” products for purposes of Section 289 and to disgorge all of Seirus’s profits from its sales of those products.

B. Even if Considered Multi-Component Products, Substantial Evidence Permitted the Jury to Find the HeatWave Gloves are the Relevant Article of Manufacture for Purposes of Section 289 Disgorgement.

The district court instructed the jury that if it concluded that Seirus gloves were multi-component products, it should consider the DOJ four-factor test requested by Seirus in identifying the relevant article of manufacture. Consistent with that four-factor test, the district court instructed, “[i]n weighing these factors, your objective should be to

identify the article of manufacture that most fairly can be said to embody Seirus’s appropriation of Columbia’s innovation.” (Appx3342.) Substantial evidence was presented under each factor that the Seirus gloves as sold to the consumer are the relevant article of manufacture.¹⁰

1. The scope of the design

As the district court explained to the jury, the first DOJ factor “provides insight into which portions of the underlying product the design is intended to cover, and how the design relates to the product as a whole.” (Appx3341.) This factor “should not be deemed conclusive.” (DOJ Br., p. 28.)

The D’093 design patent is titled “Heat Reflective Material,” and it claims “the ornamental design of a heat-reflective material, as shown and described.” (Appx4.) The figures in the D’093 Patent show the heat-reflective material covering the inside surfaces of boots, a pair of pants, a sock, a glove, a sleeping bag, and a jacket. (Appx6-7.) These figures

¹⁰ We do not analyze separately the DOJ factors for the liner products that are made “entirely” from HeatWave material. Columbia submits there is no plausible argument under which those products are not the relevant article of manufacture.

portray, as “environmental subject matter,” the anticipated article(s) of manufacture to which the design will be applied.

The jury had substantial evidence to find that an article incorporating heat reflecting material bearing the design is contemplated by the patent, and that this factor favored finding that the HeatWave products as sold to market were the relevant articles of manufacture.

2. The relative prominence of the design within the product as a whole

The aesthetics of the patented design alone establish its prominence as the single most important design feature of the end product. The jury heard testimony that the shiny, silver lining makes an outsized visual impression: “if you go into like an R.E.I. or something, there is a wall of gloves, the wall of black gloves. Most gloves come in black. ... And part of the reason why Columbia uses a silver lining is that it—you can see it in that wall of black gloves. And so I still think that this [HeatWave lining of the Seirus glove] is rather prominent.” (Appx6541.) Referencing the marketing impact of the patented design, Columbia’s inventor, Zach Snyder, testified, “[M]ost gloves are black... . Most gloves are either going to have five fingers or be mittens. There is not a lot of variety you can do as a designer, so when you find something

that helps make a glove stand out a little bit, it's a really big deal,” (Appx4402), and can be the most important design element in the product



as a whole. (Appx4402-4403.)

Even in Seirus’s gloves where the lining is on the inside, Seirus amplifies the visibility of the HeatWave material on all of its products by prominently incorporating the infringing design on attached hangtags, frequently with a bubble saying “look inside” to draw the consumer’s attention to the HeatWave material. (Appx3721.)

Seirus argues that the design is “not visible” in some of its products unless the user looks inside. (Red Br. at 69-70.) But Seirus *directs* the user to look inside, with a hangtag prominently bearing the same infringing pattern. When physical products are examined, as the jury was able to do, the shiny, silver lining stands out.

Because Seirus prominently incorporated the infringing design into its products, and then amplified the presentation of the design through marketing that emphasized the design, the jury had sufficient evidence to find that the second DOJ factor supported Columbia.

3. The HeatWave material is not conceptually separate from the gloves

Seirus's own advertising confirms that the design element and the function of the HeatWave material are "integrated" with the glove as a whole (Appx6566), and the jury heard testimony that the gloves cannot be disassembled, nor can the HeatWave material be replaced. (Appx5928-5929.) While insulation, a waterproof shell or other materials support the function of the HeatWave material, that does not make them conceptually distinct from the end products. The HeatWave material is conceptually *identical* to the purposes and function of the glove as a whole.

The jury thus had ample evidence to conclude that the HeatWave gloves and their HeatWave material linings are not conceptually distinct.

4. The physical relationship between the design and the product as a whole

While HeatWave material as a raw material is produced exclusively

for Seirus, Seirus directs that the HeatWave material be re-manufactured as a glove insert and then “integrated” (Seirus’s term) into ski gloves as the dominant design and functional attribute of the end products. (*See, e.g.*, Appx6566.)

The jury was able to handle the gloves themselves, and had ample basis to conclude that the physical relationship between the design and the product as a whole indicated that the relevant article of manufacture was the product as a whole.

For reasons above, the jury had substantial evidence from which to conclude that, even if it did not find that all of the infringing products were single-component products, the HeatWave products were the relevant “articles of manufacture to which [the HeatWave] design ... has been applied” under the instructions provided to the jury. *Cf.* 35 U.S.C. § 289.

C. The Jury Had Substantial Evidence to Find that Seirus’s Profits on the Products Incorporating HeatWave Material were \$3,018,174.

The jury also had substantial evidence from which to award Seirus’s total profits on its HeatWave gloves, even were the HeatWave material lining considered the article of manufacture to which the

infringing design was applied. That is because Columbia presented substantial evidence that the profits attributable to the HeatWave material were the profits that Seirus earned on the HeatWave products as a whole.

In the context of a multi-component product, a patent holder is entitled to disgorgement of “profits ... calculated on the whole machine [where] the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.” *Garretson v. Clark*, 111 U.S. 120, 121 (1884). Thus, “where the entire commercial value of the mechanism arises from the patented improvement[,] the owner of the patent will be entitled to recover from the infringer the total profits derived from the ... sale of such mechanism.” *Carborundum Co. v. Electric Smelting & Aluminum Co.*, 203 F. 976, 982 (3rd Cir. 1913). “[T]his rule applies although the mechanism without such patented improvement may not be wholly worthless.” *Id.*

Sales of entire products can be attributable to a single, patented component where the patented component “drove demand for the entire product.” *VirnetX, Inc. v. Cisco Sys.*, 767 F.3d 1308, 1329 (Fed. Cir. 2014); *see also Callaghan v. Myers*, 128 U.S. 617, 666 (1888) (“value” of the item

sold to the public derives from the infringement); *Elizabeth v. Pavement Co.*, 97 U.S. 126, 139 (1877) (“when the entire profit of [an] ... undertaking results from the use of the invention, the patentee will be entitled to recover the entire profits.”). A patent holder can establish that a patented feature drove demand for product sales by relying on the defendant’s own marketing materials “showing that the patented feature was important to the defendant’s ability to compete in the market.” *Interwoven, Inc. v. Vertical Computer Sys.*, No. CV-10-04645 RS, 2013 WL 3786633, at *10 (N.D. Cal. July 18, 2013); *Fonar Corp. v. GE*, 107 F.3d 1543, 1552-53 (Fed. Cir. 1997). Thus, where, as here, the infringer’s own marketing materials show that it “market[ed] the benefits of ... using the invention,” *Bose Corp. v. JBL, Inc.*, 274 F.3d 1354, 1361 (Fed. Cir. 2001), or that its marketing literature emphasized the importance of the patented feature, *Fonar*, 107 F.3d at 1552-53, there is substantial evidence that the patented invention drove market demand for the patented products as a whole.

Here, Seirus concedes the importance and dominance of the HeatWave material within its HeatWave products.¹¹ Columbia's proffered evidence established that Seirus's marketing and promotional materials tout the value of the HeatWave material, and the profits attributable to the sale of HeatWave material are thus the total sales from HeatWave products.

The hangtag directly affixed to HeatWave products is most telling. (Appx3721.) At trial, witness testimony explained that the ubiquity of the wavy pattern on the hangtag serves as a visual cue to draw consumers toward the HeatWave material. (Appx1995-1996.) The remainder of the hangtag describes the beneficial features of the HeatWave material, and at the top portion of the hangtag, within a reflective-embossed application of the wavy line design, the tag says "Capture Your Body's Heat – Look Inside" with an arrow pointing the consumer to where the HeatWave material can be found.

¹¹ Seirus concedes that the HeatWave material is the key technological feature of the HeatWave products and that this patented component is heavily emphasized in Seirus's promotion of this line of products, which has been Seirus's fastest growing line every year since its introduction. (Appx6644; *see also* Appx6610.)

LOOK INSIDE

CAPTURE
— YOUR —
BODY'S
HEAT™

SEIRUS UNISEX ACCEL™
XS S M L XL

HEATWAVE™
KINETIC HEAT RETURN SYSTEM™

THE FIRST DUAL STAGE HEATING SYSTEM

MOISTURE

HEAT

AMPLIFIED HEAT

WARMTH

KINETIC ENERGY

KINETIC STAGE
AMPLIFIES
TEMPERATURE
4-5°

REFLECTIVE STAGE
RETURNS 20%
MORE WARMTH

MADE IN CHINA
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THE ONLY THING
WARMER IS ELECTRIC

(Appx3721.)

Seirus makes the same claims in its product catalogs. (App3834; Appx6561; Appx3844; Appx3847.) There was substantial testimony confirming the prominence and Seirus’s reliance upon the message of performance attributable to the HeatWave material. (Appx1997 (“Clearly Heatwave is the primary message.”); Appx2001-2002 (“Seirus uses the wavy lines ... to associate that design with Heatwave.” (referencing Appx6561)); Appx1998 (referencing Appx3836).)

HEATWAVE™ 2013.2014

1022 HEATWAVE™ REFLECTOR™ SHORT

NEW

INSULATION: 280g HeatLock
INSERT: DryHand waterproof/breathable
SHELL: Leather
PALM: Leather
FEATURES:
- Heatwave lining
- Premium full-grain leather
- Side zip gauntlet

MENS: S, M, L, XL

HEATWAVE™ KINETIC HEAT RETURN SYSTEM™

REFLECTED HEAT, AMPLIFIED™

INCREASE YOUR HEAT™

OUR REVOLUTIONARY DUAL HEATING SYSTEM:

- **THERMAL REFLECTIVE** - UP TO 20% WARMER
- **KINETIC** - AMPLIFIES TEMPERATURE 4-5°

THE HEATWAVE OF THE FUTURE!

HEATWAVE™ DUAL HEATING SYSTEM

THERMO-DYNAMIC BARRIER

REFLECTIVE HEATWAVE™ LINING

MOISTURE

HEAT

HEAT

WARMTH

KINETIC ENERGY

11

SEIRUS00002923



(Appx3835, Appx6556; Appx4193; Appx4586.) Notably, the only promoted “component” is the HeatWave material.

Given the substantial evidence that the HeatWave material drove the sales of the HeatWave product line and “substantially creates the value of the component parts” of those gloves, *see e.g., VirnetX*, 767 F.3d at 1326, the jury had sufficient evidence to attribute the total profits from the HeatWave products to the HeatWave material.

III. THE COURT CORRECTLY ALLOCATED THE BURDENS OF PROOF FOR THE RECOVERY OF “TOTAL PROFIT” UNDER 35 U.S.C. § 289

Section 289 is a disgorgement statute. It grants a design patentee the right to recover the infringer’s “total profit” received from the infringer’s “application” of a patented design to an “article of manufacture” that the infringer “sells or exposes for sale” to the public. Congress specifically enacted Section 289 to relieve the design patentee of any burden to apportion the design patent damages remedy to “the

design” benefits or to show that use of the design “caused” any injury to the patentee. *Samsung*, 137 S. Ct. at 433.

Disgorgement remedies contrast with “damages” remedies. Damages, such as those available under 35 U.S.C. § 284 for both design and utility patent infringements, is a compensatory remedy that seeks to make the patentee whole from injuries caused by the infringement. That compensatory purpose gives rise to specific requirements of proof of injury and causation.

Disgorgement statutes and common law disgorgement remedies—typically styled as an accounting for the wrongdoer’s profits—are, in contrast, *restitutionary*, and therefore share different principles of purpose and proof. Their overriding goal is to deprive the wrongdoer of all benefit from its wrongful conduct, regardless of causal injury. *Nike Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1448 (Fed. Cir. 1998) (Section 289 requires disgorgement “such that [] infringers retain no profit from their wrong.”); *Bergstrom v. Sears, Roebuck and Co.*, 496 F. Supp. 476, 495, 498 (D. Minn. 1980); *Schnadig v. Gaines Mfg. Co.*, 620 F.2d 1166 at 1171–75 (6th Cir. 1980). That goal is implemented by a well-recognized allocation of the burdens of proving disgorgement profits,

whether the disgorgement principle is applied by statute as in trademark,¹² copyright,¹³ and design patent cases,¹⁴ by common law restitution remedies for the recovery of a wrongdoer's profits,¹⁵ or

¹² *Trademark, 1946*: “In assessing profits, the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost which are claimed.” 15 U.S.C. § 1117(a) (2008). *Trademark, 1905*: Law of Feb. 20, 1905, ch. 592, § 19, 33 Stat. 723, 729 (1905) (same).

¹³ *Copyright, 1978*: innocent party need only prove “gross revenue” after which “the infringer is **required to prove ... deductible expenses and the elements of profit attributable to elements other than the copyrighted work.**” 17 U.S.C. § 504(b) (2010). *Copyright, 1947*: Law of July 30, 1947, ch. 2, § 101(b), 61 Stat. 652, 661 (1947) (substantively identical). *Copyright, 1909*: Law of Mar. 4, 1909, ch. 320, § 25(b), 35 Stat. 1075, 1081 (1909) (same).

¹⁴ *Design patent, 1952*: Innocent party entitled to recover “total profit” from infringer’s “sale or exposure for sale” of an “article of manufacture” to which the patented design has been “applied” by the wrongdoer. 35 U.S.C. § 289. *Design Patent, 1887*: unchanged, Law of Feb. 4, 1887, ch. 105, 24 Stat. 387 (1887); *Henry Hanger & Display Fixture Corp. v. Sel-O-Rak Corp.*, 270 F.2d 635, 643 (5th Cir. 1959) (burden of avoidance of lost profits is on the defendants); *Bergstrom*, 496 F. Supp. at 497; *In re AI Realty Mktg. of N.Y., Inc.* 293 B.R. 586, 618 (Bankr. S.D.N.Y. 2003) (“...the burden shifts to the infringer to demonstrate the nature and amount of the costs . . . as well as their relationship to the infringing product.), *aff’d on this issue, sub. nom. Sunbeam Prods. v. Wing Shing Prods. (BVI) Ltd.*, 311 B.R. 378 (S.D.N.Y. 2004).

¹⁵ The common-law action for disgorgement of profits was styled an “accounting” for unlawful profits and applies the same burden shifting rules. *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1309-10 (Fed. Cir. 2013); *Restatement 3rd of Restitution and Unjust Enrichment* §51 (2011).

through government enforcement actions.¹⁶

In all these cases, the innocent party has only the burdens of production and persuasion to make an initial showing of the gross revenues received by the wrongdoer and their connection with the infringement (design patent, copyright, trademark) or other wrongful conduct (*e.g.*, government enforcement actions, common law). Upon meeting this burden, the patent owner has satisfied a *prima facie* case for disgorgement of profits and both burdens shift. Contrary to Seirus's unsupported arguments, Section 289 dictates the specific burden for the patentee: the patentee must prove that the infringer sold or exposed for sale to the public and profited from an article of manufacture bearing the infringing design. The district court clearly and correctly instructed the jury on Columbia's burden to provide this proof. (Appx3341-3342, Appx6457.) Columbia unquestionably carried that burden of production

¹⁶ Enforcement actions by government seeking disgorgement also follow the same burden shifting rules, *SEC v. First City Financial Corp.*, 890 F.2d 1215, 1231 (D.C. Cir. 1989); *SEC v. Platforms Wireless Int'l Corp.*, 617 F.3d 1072, 1096 (9th Cir. 2010) (same, including disproof of causal connection to wrongdoing); *SEC v. Bilzerian*, 29 F.3d 689, 697 (D.C. Cir. 1994); *SEC v. Whittemore*, 744 F. Supp. 2d 1, 8 (D.D.C. 2010) *aff'd* 659 F.3d 1 (D.C. Cir. 2011); *United States SEC v. Halek*, 537 F. App'x 576, 581 (5th Cir. 2013).

and persuasion. (Appx6544-6545; Appx 6558; Appx 6557.) Columbia's *prima facie* case was satisfied.

Disgorgement principles permit the wrongdoer to avoid this proof only by carrying the burdens of production and persuasion that those profits are incorrect or excessive. Section 289 has always been interpreted to require the wrongdoer to carry the burdens of production and persuasion as to any reductions in avoidance of the innocent party's *prima facie* proof of recoverable profits. *See* n. 14, *supra*. The same principles apply equally, or with even greater force, where the wrongdoer contends that its total profit should not be measured by the articles of manufacture it sold to the public, but by a lesser part of those articles. Perry Saidman et al., *Determining the "Article of Manufacture" Under 35 U.S.C. § 289*, 99 J. Pat. & Trademark Off. Soc'y 349, 355 n. 5 (2017) ("if the infringer proffers that the article of manufacture is something different than that proffered by the patentee, the infringer bears the burden of proving that its proffered article of manufacture is the relevant article of manufacture.")

The same principles that gave rise to the now well-established shifting of the burdens of production and persuasion to determine the

measure of total profits—equity, the infringer’s ready access to information about its products and their costs, and a purpose to assure no wrongful profit is retained—apply equally to the determination of the relevant article of manufacture to which disgorgement should apply.

Since the adoption of Section 289’s predecessor statute in 1887, no court has applied to the patent holder the burden of persuading the jury of the inappropriateness of a lesser profit, as Seirus urges here. *See, e.g., Henry Hanger*, 270 F.2d at 643 (burden of establishing expenses on avoidance of lost profits is on the defendants).¹⁷ Moreover, this paradigm, requiring the infringer to bear the burden of proving any deductions from its total profits, including a claim that the design is applied to something other than the article of manufacture it sells to market, is fair and sensible. *Concrete Pipe & Prods. v. Constr. Laborers Pension Trust*, 508 U.S. 602, 626 (1993) (“Such was the rule at common law.”); *Campbell v. United States*, 365 U.S. 85, 96 (1961) (fairness dictates). The infringer is best positioned to identify alleged costs that it claims should be deductible from the *prima facie* proof of “total profits” as well as any

¹⁷ *Henry Hanger* is the earliest case Columbia has been able to identify addressing the burdens under Section 289 or its predecessor statute.

alleged different article of manufacture associated with the design at issue.¹⁸ *Michery v. Ford Motor Co.*, 650 F. App'x. 338, 341 (9th Cir. 2016) (allocating burden to the defendant because such is “peculiarly within [defendant’s] knowledge.”); *see also* DOJ Br., p. 31 (defendant “has superior knowledge of the identity of the [defendant’s] product’s components ...”).

Seirus asks this Court to apply rules of proof developed under the very different purposes of Section 284. Such an approach would up-end 100 years of established procedures developed under Section 289 and its predecessor statute that are consistent with both statutory and common law rules for proof of disgorgement. *See Callaghan*, 128 U.S. at 666 (“it is the defendants who are responsible for having blended the lawful with the unlawful, and they must abide the consequences”) (citing *Mawman v. Tegg*, 2 Eng. Reports, 385 (1826)). No justification is proffered for such sweeping new rules.

Seirus acknowledged the well-established disgorgement paradigm

¹⁸ Seirus has argued that modern discovery practices grant the patentee equal access to the infringer’s complete information. Yet, in its four-days-before-trial disclosure, Seirus failed to provide information on this very issue. *See discussion, supra*, at 42-44.

and its shifting burdens of proof under Section 289. (Appx1776, citing approvingly *Schnadig*, 620 F.2d at 1172.) Additionally, Seirus's requested jury instructions acknowledged that Seirus was required to carry the burdens of both production and persuasion to show additional, if any, deductions from the patentee's *prima facie* proof of the gross profits received from sales of the infringing articles to the public. (Appx1776-1777.) Those burdens apply equally to the issue of the relevant article of manufacture arising under the same statute and do not change because the jury rejected Seirus's alleged proof. The district court properly instructed the jury on Seirus's burden of proof in light of Columbia's *prima facie* proof of Seirus's total profits from the infringement.

IV. SEIRUS FAILED TO SATISFY EVEN THE LESSER BURDEN OF PRODUCTION, RENDERING ITS OBJECTION ON THE BURDENS OF PROOF HARMLESS

The burden of production has two critical parts in the context of Section 289. Beyond identifying a lesser component of the accused infringing product, Seirus must timely identify competent evidence sufficient to permit a reasonable jury to find and reliably allocate total profit to that alternative article of manufacture. *Sabrah v. Lucent Techs.*,

1998 WL 792503, at *4 (N.D. Tex. Nov. 6, 1998) (“The burden of production requires more than an assertion--it requires evidence.” (emphasis added)).

Here, Seirus failed to provide sufficient evidence in support of its defective disgorgement theory. Regardless of what lesser article of manufacture may qualify for purposes of Section 289, Seirus failed to produce competent evidence from which a jury could ascertain the profits for that article.

To identify the profits attributable to various components, Seirus’s and Ms. Distler’s methodology relied on dividing the respective costs of the HeatWave material from all other costs (a “black box” number). Seirus and Ms. Distler then used this ratio (without any qualitative analysis) as a proxy for the profits allocable to the HeatWave material—simply multiplying the resulting percentage by Seirus’s profits for the sale of each product.

By doing so, Seirus allocated all of the intangible costs to the denominator. But the Supreme Court expressly rejected the contention that intangibles are components to which profits could be allocated, holding that “[a] component of a product ... is a thing made by hand or

machine.” *Samsung*, 137 S. Ct. at 435 (emphasis added). And for a single-component product, the Supreme Court stated that **all** profits are to be disgorged, notwithstanding that single component products still have intangible costs and multiple pieces in creating them. Therefore, the Supreme Court rejected an approach where profits can be bifurcated between profits made from the “components,” which are subject to disgorgement, and profits allegedly made on intangible contributions.¹⁹ However, that is exactly what Seirus did. Using this approach, Seirus has asserted that only 37-42 percent of the profits for a product made 100% of HeatWave material are attributable to that material—the rest of the profits, it asserts, were made on intangibles such as labor. Seirus’s approach is legally flawed. And it used this flawed approach for all of its products.

Moreover, because it essentially produced only two cost values—(1) HeatWave material as a raw material, and (2) a “black box” with everything else, including intangibles—Seirus failed to produce competent evidence from which the jury could properly award profits on

¹⁹ Labor, profits, import duties, know-how, marketing materials, and the like are not “components” of a multi-component article of manufacture.

anything other than the finished product. *See discussion, supra*, at 35-36. All of the more detailed financial information was requested by Columbia. But Seirus refused to respond to discovery requests for the information and failed to produce the costs for each of the raw materials, as would have been necessary to complete the analysis that Seirus relied upon at trial.

It is not enough for Seirus to simply point at a lesser “component” in an article of manufacture to carry its burden of production. Seirus must produce evidence from which profits attributable to that component can be ascertained. Seirus failed. Its failure to carry its burden of production moots any issue regarding the allocation of the burden of persuasion to prove an alternate article of manufacture. *Rocket Jewelry Box, Inc. v. Quality Int’l Packaging, Ltd.*, 250 F. Supp. 2d 333, 341 (S.D.N.Y. 2003) (defendant failed to produce sufficient evidence to permit finding different than injured party’s *prima facie* case), *vacated in part on other grounds*, 90 F. App’x 543 (Fed. Cir. 2004).

V. CONDITIONALLY, SHOULD THE COURT REMAND THE DISGORGEMENT ANALYSIS FOR ANY REASON, IT SHOULD REMAND WITH INSTRUCTIONS THAT IT BE DECIDED BY THE COURT, NOT A JURY

In advance of trial, Columbia moved that all issues concerning

disgorgement of profits—article of manufacture and attributable profits—should be tried to the bench and not the jury. (Appx6706-6712.) The district court denied that request. Should this Court remand the disgorgement analysis for any reason, it should do so with instructions that all issues concerning the application of Section 289 be tried by the bench.

Section 289’s right to and remedy of disgorgement of profits is purely equitable. *Chauffeurs, Teamsters & Helpers, Local No. 391 v. Terry*, 494 U.S. 558, 570 (1990) (“we have characterized damages as equitable where they are restitutionary, such as in ‘action[s] for disgorgement of improper profits’...”); *Petrella v. MGM*, 134 S. Ct. 1962, 1967 n. 1, 1978-79 (2014) (disgorgement under Copyright Act is an “equitable” remedy); *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 964 (2017) (accounting of profits in patent law was an “equitable” remedy); *Reebok Int’l, Ltd. v. Marnatech Enters.*, 970 F.2d 552, 559 (9th Cir. 1992).

The Supreme Court has held that this doctrine applies where a patent statute allows for disgorgement of profits. *Packet Co. v. Sickles*, 86 U.S. 611, 617-618 (1873); *see also Burdell v. Denig*, 92 U.S. 716, 720

(1876) (same). *Packet* and *Burdell* were decided under the predecessor statute for utility patent infringement. Congress patterned 35 U.S.C. § 289 after that statute. *Samsung*, 137 S. Ct. at 433; DOJ Br., pp. 12-13.

For equitable remedies, it is a well-established rule that there is no right to a jury trial on any disputed factual issues. *Am. Universal Ins. Co. v. Pugh*, 821 F.2d 1352, 1356 (9th Cir. 1987) (“equitable remedies are not triable of right by a jury”). Instead, all issues must be resolved by the court. *See, e.g., SEC v. Jasper*, 678 F.3d 1116, 1130-31 (9th Cir. 2012) (holding there is “no right to have a jury find all predicate facts to the remedy of disgorgement” under the Sarbanes-Oxley Act); *Am. Calcar, Inc. v. Am. Honda Motor Co.*, 651 F.3d 1318, 1333 (Fed. Cir. 2011).

The question of the relevant “article of manufacture” is simply one predicate finding inextricably intertwined with the measure of disgorgement and, as such, must be decided by the Court. *Cf., e.g., Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015).

Should this Court remand design patent infringement issues, the Court should order that all issues related to Columbia’s claim for disgorgement shall be tried to the Court.

CONCLUSION

For the reasons stated herein, the Court should reverse the judgment of non-infringement and remand for a new trial.

Dated this 27th day of May, 2022.

Respectfully submitted,

/s/ Nika Aldrich

Nika Aldrich

Scott D. Eads

Sara Kobak

Schwabe, Williamson & Wyatt

1211 S.W. Fifth Avenue, Suite 1900

Portland, OR 97204

naldrich@schwabe.com

seads@schwabe.com

skobak@schwabe.com

Telephone: 503-222-9981

Christopher V. Carani

MCANDREWS, HELD

& MALLOY, LTD.

500 West Madison Street, 34th Floor

Chicago, Illinois 60661

ccarani@mcandrews-ip.com

Telephone: 312-775-8000

Attorneys for Plaintiff-Appellant

Columbia Sportswear

North America, Inc.

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rules of Appellate Procedure and Federal Circuit Rule 32(b) because this brief contains 13,973 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

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Dated: May 27, 2022.

/s/ Nika Aldrich
Nika Aldrich

CERTIFICATE OF SERVICE

I hereby certify that a copy of the **RESPONSE AND REPLY BRIEF OF APPELLANT COLUMBIA SPORTSWEAR NORTH AMERICA, INC.** was served by the Appellate CM/ECF System, on the 27th day of May, 2022, on the following parties:

	Christopher S. Marchese marchese@fr.com Seth M. Sproul sproul@fr.com John W. Thornburgh thornburgh@fr.com Fish & Richardson P.C. 12390 El Camino Road San Diego, CA 92130 Tel: 858-678-5070 <i>Attorneys for Defendant/Cross-Appellant Seirus Innovative Accessories, Inc.</i>
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By: /s/ Nika Aldrich
Nika Aldrich