

How They Won IT

Goodwin Flips Script To Turn Contract Row Into Patent Win

By **Dani Kass**

Law360 (January 15, 2020, 8:54 PM EST) -- The way Goodwin Procter LLP sees it, by the time Leviton's breach of contract suit against Pass & Seymour got to trial in December, the suing company had no legs left to stand on.

What had started as Leviton Manufacturing Co. accusing rival electrical equipment manufacturer Pass & Seymour Inc. of breaching a licensing agreement for a circuit patent ended with Leviton standing before a New York federal jury, unable to save its patent from invalidation.

Goodwin has been representing Pass & Seymour, a subsidiary of France's Legrand, in defending the patents for its ground-fault circuit interrupter products. Most consumers would know these GFCIs as the "reset" and "test" buttons on outlets.

Partner Mark Abate said they were able to bring home a win for Pass & Seymour on Dec. 19 by narrowing the case down bit by bit: first removing a double royalties clause from the licensing agreement, then getting a ruling of noninfringement on one patent, blocking Leviton from bringing in secondary indicia of nonobviousness as to the other, and getting the judge to let them go first at trial. In the end, the jury determined the remaining patent claims were obvious.

To top it off, the prior art Pass & Seymour relied on to show the patent was obvious was its very own patent.

"We were able to narrow the issues and flip the trial, such that we were able to actually present ourselves as the innovator," Abate said. "And then the argument was, we're the innovator, we made the big leaps in the industry, and what [Leviton] did, that was a minor, obvious variation on the theme."

The dispute dates back to 2012, when Leviton first accused Pass & Seymour of infringement in the Eastern District of New York. Leviton also brought a U.S. International Trade Commission challenge to Pass & Seymour's customers.

That litigation ended in a settlement, with the companies agreeing to a licensing deal.

But then Pass & Seymour redesigned its product to avoid Leviton's patents, and stopped paying. Leviton shot back in January 2017 with the instant suit, accusing Pass & Seymour of violating their licensing

agreement. Pass & Seymour filed a counterclaim, asking for a judgment that its redesign didn't infringe.

The first thing Pass & Seymour did was get the court to invalidate part of the contract that allowed Leviton to get double royalties if Pass & Seymour challenged the patents. Goodwin asked for judgment on the pleadings, saying the double royalties clause was a penalty barred under New York state contract law.

U.S. District Judge Brian Cogan agreed with Goodwin, saying, "It is clear that the enhanced royalty provision in Section 3.3 is not intended to cover any loss or gain by Leviton as a result of P&S's breach, but to dissuade P&S from challenging Leviton's patents and to penalize it if it does."

He declared it unenforceable, meaning if Pass & Seymour lost, it would just owe the straight royalties it hadn't paid.

"We cut the [potential] damages in half," Abate said. "It gave the client comfort that it could go forward and litigate the case without this penalty."

That ruling was followed by a one-two punch at summary judgment, where Judge Cogan said Pass & Seymour didn't infringe U.S. Patent No. 7,737,809 with its redesigned product, and barred Leviton from bringing up secondary indicia of nonobviousness at trial for U.S. Patent No. 7,463,124.

Those indicia, which can help beat an obviousness challenge, include commercial success of the invention, a long felt but unmet need, and the failure of others. The judge said while these may apply to Leviton's products broadly, they don't necessarily tie to the patent claims being challenged.

"[Leviton] wanted to present this story that there was this problem in the art, and lo and behold we solved it, and it was terrific, and everyone recognized it, and we had great success with our products," Abate said. "By breaking the nexus or the connection between this other secondary evidence and the patent, they were unable to present any of that evidence. ... It just took their whole story right out of their case."

Heading into trial, Pass & Seymour admitted that it infringed the remaining claims of the '124 patent and therefore breached the contract. It also stipulated to the damages amount. That meant validity was the only thing up for question.

Pass & Seymour persuaded Judge Cogan to let it go first at trial, as only its counterclaims were in play.

"It changed the narrative of the case," partner Calvin Wingfield said. "The jury saw [our experts and attorneys] as teachers. The jury wasn't familiar with this technology. We explained it all. We gave ourselves this air of credibility."

A key witness for Goodwin was Thomas Packard, an inventor on a Pass & Seymour patent that was being used as prior art. Through Packard and other evidence, Goodwin was able to show, as Abate puts it, that Pass & Seymour was "the company responsible for the great milestones in the field," not Leviton.

Wingfield compared their "clear, focused story, going back to the '70s" to the lack of story presented to the jury by Leviton. The modification that had to be made from Pass & Seymour's patent to reach Leviton's was "common sense," and without the secondary indicia of nonobviousness, Leviton couldn't argue otherwise, he said.

Leviton had also argued that Pass & Seymour's patent had been disclosed during prosecution, so the U.S. Patent and Trademark Office examiner already considered whether it rendered the patent-in-suit invalid. But Abate said they argued that there were more than 100 references presented to the examiner, so it easily could have been buried, or not properly combined with other references.

Abate noted that it's "very, very hard to invalidate a patent in front of a jury," because jurors tend to trust that the expert at the USPTO did their analysis correctly when issuing a patent. He said this knowledge played into how they selected their jury, with their preferred jurors being "people you might expect to find in Brooklyn, which sometimes can be a little bit more artsy and more willing to challenge authority."

The jury verdict came back entirely in Pass & Seymour's favor, and Judge Cogan entered final judgment upholding it on Jan. 2. Leviton is asking for a new trial, with a brief due at the end of the month.

"Leviton was disappointed in the verdict and believes it was incorrect," attorney for the company Larry L. Shatzer of Strain PLLC told Law360. "Leviton did prevail on a number of significant issues prior to trial and has a renewed motion for judgment as a matter of law pending with respect to the jury verdict. Leviton is confident it will ultimately prevail."

The patents-in-suit are U.S. Patent Nos. 7,737,809 and 7,463,124.

Leviton is represented by Larry L. Shatzer and Stephen Nagy of Strain PLLC.

Pass & Seymour is represented by Mark Abate, Calvin Wingfield, Naomi Birbach and Jacqueline Genovese Bova of Goodwin Procter LLP.

The case is Leviton Manufacturing Co. Inc. v. Pass & Seymour Inc., case number 1:17-cv-00046, in the U.S. District Court for the Eastern District of New York. The case that originally settled was Leviton Manufacturing Co. Inc. v. Pass & Seymour Inc., case number 2:12-cv-02257, in the U.S. District Court for the Eastern District of New York.

--Editing by Breda Lund.