

Enhanced remedies in IP disputes under 93A

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The march of dominance of Chapter 93A in intellectual property disputes continues unabated in Massachusetts. The reason? Chapter 93A provides enhanced remedies of an automatic award of attorneys' fees and up to three times actual damages — far more favorable than the vastly more limited remedies provided by the various federal IP laws.

Generally limited IP remedies

With respect to trade secrets, the only federal law providing civil remedies that may apply is the Computer Fraud and Abuse Act.

The CFAA, however, typically addresses liability for computer access without authorization and for improper purposes, and limits civil remedies to “economic damages” only.

With respect to trademarks under the federal law, the Lanham Act offers no punitive damages and limits attorneys' fees to only certain, exceptional cases.

With respect to copyrights, the federal Copyright

Act does not allow punitive damages, and attorneys' fees are awarded only in the court's discretion.

With respect to patents, the federal Patent Act does allow punitive damages of up to three times actual damages for cases of willful infringement, but attorneys' fees can be awarded only in limited, exceptional cases.

Enhanced remedies under 93A

In contrast to those restrained remedies available under federal law, Chapter 93A affords parties greater remedial and, therefore, leverage opportunities in IP cases.

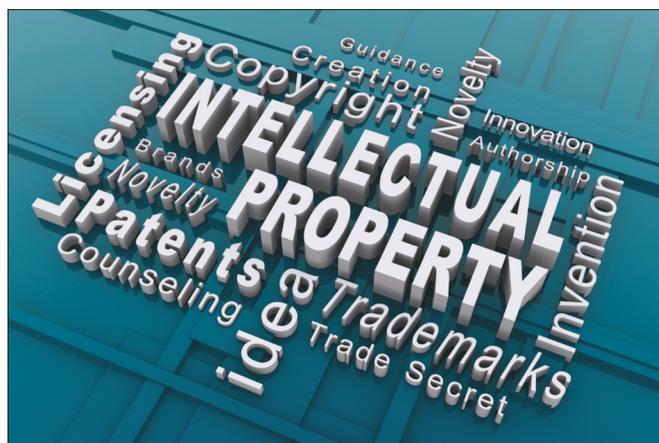
Chapter 93A, in part, is Massachusetts' unfair competition law, which, generally speaking, prohibits “[u]nfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce.”

In addition, Chapter 93A gives standing to businesses to bring claims against their competitors for a wide range of conduct associated with IP and permits successful plaintiffs to recover an award of enhanced remedies, in addition to injunctive relief.

These greater remedies include: (1) an automatic award of attorneys' fees; and (2) an award of punitive damages as a multiple of two to three times actual damages when the defendant's conduct was willful or knowing.

Limited federal preemption of 93A remedies

Because Chapter 93A always provides plaintiffs protecting their IP rights with greatly superior remedies over alternative federal statutes, the question becomes when is Chapter 93A preempted by federal law, whether wholly or in part?



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In many cases, Chapter 93A rightfully will drive the course of litigation and force defendants to consider the serious risks of their alleged conduct.

There are three types of preemption whereby a federal statute precludes application of Chapter 93A.

The first, express preemption, occurs when a federal statute by its express terms precludes state law causes of action, which grant equivalent rights to those granted under the federal statute.

The second, field preemption, occurs when Congress intends the federal government to occupy an area of law exclusively so that any state law encroachment on that “field” of law is barred.

The third, actual, or conflict, preemption, takes place when compliance with both federal and state law is impossible, i.e., conduct governed or protected under federal law is illegal under state law.

Trade secret: 93A not preempted

As discussed above, there is no specific civil federal law governing trade secrets, so there is no issue of federal law preemption of Chapter 93A trade secret claims.

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Trade secret conduct supporting enhanced remedies

Chapter 93A provides enhanced remedies for the following more nuanced, bad-faith conduct, in addition to the “garden-variety” claims of trade secret misappropriation:

- Deliberately producing a product that is the same or similar to that produced by the trade secret process after access to the trade secret;
- Deliberately producing a product using a process that is the same or similar to that used in the trade secret process after access to the trade secret;
- Deliberately producing a product using a process solely modified from the trade secret process after access to the trade secret; and
- Bad faith after notice of misappropriation in continuing to sell and/or failure to undertake remedial efforts.

Trademark: 93A not preempted

With respect to Chapter 93A law claims for trademark infringement, not long ago the 1st U.S. Circuit Court of Appeals in *Attrezzi v. Maytag Corp.*, 436 F.3d 32 (1st Cir. 2006), ruled that the Lanham Act did not preempt state unfair competition laws (in that case, Maine’s parallel unfair competition statute, which similarly to Chapter 93A awards attorneys’ fees to prevailing plaintiffs asserting trademark violation claims).

In so ruling, the 1st Circuit rejected both field preemption (“it is settled that the Lanham Act does not in general preclude state unfair competition laws from operating”) and conflict preemption (“it is accepted that Congress did not prohibit state unfair competition statutes that might have substantive terms somewhat more favorable to plaintiffs than the Lanham Act,” and the Lanham Act is not a full-scale regulatory regime such that “state deviations, including attempts to provide greater protection to putative plaintiffs,” would conflict with “a carefully constructed regulatory compromise.”).

As a result of *Attrezzi*, the Lanham Act simply does not preempt 93A in almost any respect.

Trademark conduct supporting 93A enhanced remedies

The stronger remedies available under Chapter 93A for trademark infringement include:

- Deliberately passing off goods or services as those of another;
- Bad-faith registration and use of domain

names that are identical or substantially similar to the existing trademarks of others; and

- Bad faith after notice of infringement in continuing to sell and/or failure to undertake remedial efforts.

Copyright: express preemption, but some allowance for 93A

The federal Copyright Act expressly preempts state law causes of action that grant equivalent rights; thus, there is no need to engage in field or conflict preemption analysis.

Nonetheless, there are a substantial number of decisions that rule that a copyright holder’s Chapter 93A claim against a copier is not subject to express preemption when the copier’s bad-faith conduct contains an “extra element” beyond mere reproduction so as to make it qualitatively different than a copyright claim.

Copyright conduct supporting 93A enhanced remedies

The judicial workaround for Chapter 93A claims cannot be overlooked, as it a powerful tool in the presence of that so-called “extra element.”

For instance, Chapter 93A can be applied in cases in which the “extra element” of a copyright holder’s claim is based, in part, on trademark-infringement actions including passing off, or false representations or promises made to acquire the copyright.

Patent: no express or field preemption, wide application of 93A

The Patent Act does not expressly preempt state law equivalents such as Chapter 93A. Moreover, in the leading case of *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 158 F.3d 1318 (Fed. Cir. 1998), the Federal Circuit held that “there is no field preemption of state law unfair competition claims that rely on a substantial claim of patent law.”

As for conflict preemption, the Federal Circuit in *Hunter Douglas* first ruled that, where the conduct challenged in the state unfair competition claim is neither governed nor protected by federal patent law, there is no conflict preemption. The court then concluded that because federal patent law neither governs nor protects bad-faith patent-related conduct, state law claims alleging and proving such patent-related conduct were not preempted.

The additional grounds for non-preemption in connection with trademarks (stronger remedies) and copyrights (extra element) should also apply

and should give rise to additional grounds for a 93A patent-type claim to avoid preemption.

Patent conduct supporting 93A enhanced remedies

Given that Chapter 93A standing depends on bad-faith, unfair competition conduct, Chapter 93A and patent claims can co-exist to remedy the following actions:

- Bad-faith enforcement of a patent (interpreted as knowing that the patent was unenforceable) or bad-faith publicizing of a patent in the marketplace;
- Bad faith of a patentee in exaggerating the scope of its valid patent by making claims to a competitor’s customers that the competitor cannot design around the patent, and that the patent makes the patentee the exclusive source of an entire category of products;
- After notice of infringement, deliberate failure of a competitor to obtain a reasonable, complete, independent and authoritative opinion of counsel or not relying on that opinion;
- Deliberate but incomplete effort of a competitor to design around a patent after knowledge or notice that its prior effort was infringing, giving rise to enhanced remedies;
- Bad faith of a competitor after notice of infringement in continuing to sell and/or failure to undertake remedial efforts; and
- As with the Copyright Act, when the scope of a patentee’s infringement claim contains an “extra element” making it qualitatively different than a patent claim, such as a claim containing a trademark infringement component or a claim based on false representations or promises made to acquire patent rights.

Conclusion

Because Chapter 93A is complementary to many, if not all, federal IP-related claims, its more powerful remedies cannot be overlooked.

In addition to the enhanced remedies discussed above, Chapter 93A also permits a judge and jury to render contradictory findings on the same underlying IP-related bad-faith conduct, thereby possibly preserving Chapter 93A remedies for judicial determination in the face of a no-liability jury finding.

Thus, in many cases Chapter 93A rightfully will drive the course of litigation and force defendants to consider the serious risks of their alleged conduct. MLW

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