

LUBBY HOLDINGS LLC v. CHUNG, Appeal No. 2019-2286 (Fed. Cir. September 1, 2021).
Before Newman, Dyk, and Wallach. Appealed from C.D. Cal. (Judge Klausner).

Background:

Lubby Holdings owned a patent directed to an electronic cigarette (e-cigarette) with reduced vapor fluid leakage. Henry Chung had been in negotiations with Lubby concerning the sale of e-cigarettes in the United States, but those negotiations failed. At the conclusion of the negotiations, an owner of Lubby Holdings warned Chung not to infringe their forthcoming patent.

Chung proceeded to import and sell a large quantity of infringing e-cigarettes from China, and continued to do so until shortly after being served with Lubby's lawsuit for patent infringement.

The district court found Chung liable for infringement, and the jury awarded Lubby nearly a million dollars in damages. Chung filed post-trial motions asserting that Lubby failed to meet the marking requirement, and thus infringement liability was limited to sales after service of the complaint (i.e. when he received actual notice of infringement). The district court denied these motions, and Chung appealed.

Issue/Holding:

Did the district court err in holding that Chung was liable for pre-litigation infringing sales? Yes, reversed-in-part.

Discussion:

On the issue of marking, the Federal Circuit held that Chung had met the *Arctic Cat* standard for shifting the burden of proof to the patentee. Specifically, Chung had identified an unmarked patented product that Lubby had sold. As a result, it was Lubby's burden to provide evidence that they sold marked patented products. Lubby had not provided any such evidence. Thus, a marked product sale could not be a starting point for patent infringement liability.

The Federal Circuit then analyzed whether Chung had legal notice of infringement under § 287 before being served with the infringement complaint. Although the record established that Chung had actual knowledge of the patent, the Federal Circuit held that he lacked legal notice of infringement. Again citing *Arctic Cat*, the Federal Circuit reasoned that legal notice requires a specific charge of infringement by a specific accused product or device. In other words, it was held that actions needed to have been taken by the patentee to establish notice, and Chung's actual knowledge was not relevant. According to the record, Lubby had never provided Chung with this type of specific infringement charge. Accordingly, the Federal Circuit held that the damages award should be limited to cover the small number of infringing sales after the service of the complaint.

Judge Newman dissented, arguing that the jury had sufficient evidence to find Chung had notice before all of the infringing sales, and that the Federal Circuit had overstepped its appellate review authority by overturning the jury in this case. Specifically, Judge Newman reasoned that the evidence of Chung's conduct and the warning he received during the failed negotiations supported a reasonable finding of notice of infringement.