

LITIGATION

'Schedule A' Cases: A Powerful Tool for Enforcing Design Patents

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May 15, 2023

“Schedule A” cases get their name from the fact that the defendants are identified in a “Schedule A,” rather than on the cover or in the body of the complaint. In increasingly popular Schedule A design patent cases, the Schedule A is filed under seal. As a result, defendants are not initially aware that a lawsuit has been filed against them, which is the intention. The plaintiff then files an *ex parte* motion for entry of a sealed Temporary Restraining Order (TRO) to enjoin the offer for sale and sale of the allegedly infringing products. Assuming plaintiff’s motion is granted—which routinely occurs because the defendants are not provided the opportunity to oppose—the plaintiff then provides the TRO to online marketplaces, who then close the relevant product listings and institute an asset freeze before defendants learn about the proceedings against them. Such cases, therefore, provide plaintiffs with a powerful and relatively quick tool for enforcing design patents against sellers—in particular, foreign sellers—that sell products on popular online marketplaces. This article takes a closer look at such cases in the U.S.



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District Court for the Northern District of Illinois, the preferred venue for the increasingly popular Schedule A design patent cases.

Schedule A Complaint. The most important distinction between typical design patent complaints and Schedule A complaints is that Schedule A complaints are written in a manner intended to prevent the defendants from learning about the proceedings prior to the execution of the TRO. Thus, as noted above, the complaint does not publicly identify the defendants. Rather, the complaint identifies the defendants as, for example, “The Partnerships and Unincorporated

Associations Identified on Schedule A,” which the plaintiff seeks to file under seal. Even when the Schedule A is filed under seal, the list of defendants also generally does not specifically identify the true names of the defendants, as the identities may not be readily ascertainable. In such cases, defendants are identified by their seller aliases on the respective online marketplaces.

To further conceal the identity of the defendants, plaintiffs will also frequently identify the accused products in an exhibit that they also seek to file under seal, and often go as far as to file the asserted design patent under seal. Plaintiffs allege that filing under seal is necessary to prevent defendants from learning of the proceedings prematurely, which would allegedly result in the destruction of relevant documentary evidence and the hiding or transferring of assets to foreign jurisdictions.

In order to establish personal jurisdiction over the defendants and to assert that the Northern District of Illinois is the proper venue, plaintiffs allege that the defendants are foreign and that they directly target their business activities towards consumers in Illinois through online stores. Schedule A cases have become so common in the Northern District of Illinois, in fact, that Judge Pacold provides on the Court’s website a “TRO Template,” “Preliminary Injunction Template,” and “Default Judgment Template” specifically for Schedule A cases.

Ex Parte TRO. After filing the complaint, the plaintiff will promptly file an ex parte motion for entry of a TRO and seek to file the motion under seal for the same reasons discussed above. Thus, the defendants remain unaware that a lawsuit has been filed against them

and are not provided with any opportunity to oppose the TRO motion. For example, defendants are unable to argue that plaintiff is not likely to succeed on the merits because defendants do not infringe the design patent, or because the design patent is likely invalid. This lack of adversarial proceeding provides plaintiffs with an opportunity to more easily obtain the requested TRO. The success rate for obtaining TROs in the Northern District of Illinois Schedule A design patent cases is staggering. Based on the authors’ analysis, at the time of writing this article, since 2022, there have been 87 such motions ruled on, with 85 granted in their entirety and 2 granted-in-part. Similarly, all five ex parte motions for TROs in Schedule A cases made in the Southern District of New York since 2022 have been granted.

As for the TROs, they customarily (1) temporarily enjoin defendants from making or selling unauthorized products, (2) temporarily restrain and enjoin defendants from transferring or disposing of any monies or assets, (3) authorize the plaintiff to serve third-party discovery on an expedited basis, and (4) authorize the plaintiff to serve discovery on the defendants on an expedited basis concerning the identity and location of defendants and financial information concerning defendants’ online marketplace accounts. The Northern District of Illinois often orders the TRO to remain in effect for fourteen days and authorizes service of process by email. The TRO will also typically require the plaintiff to deposit with the Court a certain amount of cash or security bond that the Court deems sufficient to cover any damages suffered by the defendants as a result of a wrongful restraining

order, which has been set at \$10,000 as a matter of course.

TRO Enforcement. Because the granted TRO is also filed under seal, defendants, even at this stage, remain unaware that a lawsuit has been filed against them and that a TRO has been granted. Once granted, the plaintiff will promptly serve the TRO on the online marketplaces, which then promptly remove the infringing product listings and institute an asset freeze (e.g., preventing withdrawals from the defendant's balance). These actions by the online marketplaces are typically the first notice that defendants receive that an action has been taken against them, which can be a devastating shock to their business, especially during peak shopping seasons.

Once the TRO has been executed by the online marketplaces, the plaintiff serves the complaint and TRO on the defendants. To the extent that the plaintiff does not have each defendant's email address to effectuate service, as authorized by the TRO, plaintiffs routinely serve third-party discovery for such information on an expedited basis on the online marketplaces.

Preliminary Injunction. As noted above, the Northern District of Illinois regularly orders the TRO to remain in effect for fourteen days. Accordingly, plaintiffs quickly move for the entry of a preliminary injunction to extend the relief previously granted in the TRO for the pendency of the action. It is worth noting, however, that even if the TRO expires and the plaintiff does not seek a preliminary injunction, the online marketplaces might continue to

block the alleged infringing product listings and asset freeze until they receive a request from the plaintiff to release the restrictions and process the request.

Thus, the ability to obtain a TRO in design patent cases against foreign online marketplaces sellers via Schedule A cases has made the Northern District of Illinois the preferred venue. They provide an effective method for closing online marketplace listings, at least temporarily, which can be very disruptive to defendants. But Schedule A cases are also open to abuse due to the lack of adversarial proceedings in obtaining a TRO. Design patent holders should thus consider this particularly effective method of enforcement against foreign defendants. And foreign defendants that suspect they might be accused of design patent infringement should be mindful of the potentially drastic and immediate consequences of a Schedule A design patent case against them and consider product redesigns. Given the increasing frequency of Schedule A cases in the Northern District of Illinois, the court is likely to consider whether it is wise to continue to foster an environment that has made it the preferred venue for such cases.

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