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Table Of Contents

Beastie Boys, et al v Monster Energy Company	3
Couture v. Playdom, Inc.: Federal Circuit Holds Advertising Services Not Use in Commerce	6
Fourth Circuit Adopts Octane Fitness Standard in Trademark Infringement Claim	8
Garcia v. Google	10
Garcia v. Google: the 9th Circuit Struts and Frets its Hour Upon the Copyright Stage	16
Hana Financial, Inc. v. Hana Bank et al.	20
In re Cuozzo: Federal Circuit's First Decision from an Appeal of a Final Written Decision in an IPR Affirms Patent Trial and Appeal Board on All Grounds	23
Inhale, Inc. v. Starbuzz Tobacco—Inhale, Inc.'s Claim to Copyright Goes up in Smoke, Expensively	27
Is Social Media a 'Place of Public Accommodation'?	29
Kienitz v. Sconnie Nation LLC	31
Klinger v. Estate of Doyle	33
Nautilus, Inc. v. Biosig Instruments, Inc.	35
Perfect 10, Inc. v. Giganews, Inc.	37
Richards v. Merriam Webster, Inc.	43
SDNY Finds Fair Use by Media Monitoring Service	46
Space Law and Intellectual Property Law	48
Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.: Differing Standards of Appellate Review of Claim Construction	51
The Supreme Court and USPTO Attempt to Clarify §101 through Alice Corp. v. CLS Bank	54
Trademark - Supreme Court - Issue Preclusion and the TTAB	57

Beastie Boys, et al v Monster Energy Company

by Barron Stroud - Monday, June 08, 2015

On February 20, 2015, the U.S. District Court for the Southern District of New York entered an order granting a permanent injunction for the Beastie Boys prohibiting Monster Energy from using a promotional video that infringed on musical composition copyrights and sound recording copyrights in connection with five Beastie Boys songs. The award followed a jury trial victory by the Beastie Boys on copyright and trademark infringement claims.

Background

The Beastie Boys and affiliated plaintiffs (collectively, the “Beastie Boys”) brought claims against Monster Energy Company (“Monster”) for copyright infringement in violation of the Copyright Act, 17 U.S.C. § 101, *et seq.*, and false endorsement in violation of the Lanham Act, 15 U.S.C. § 1051, *et seq.*, arising from Monster’s creation and dissemination of a promotional video (the “Ruckus” video) that used, without the Beastie Boys knowledge or consent, portions of five songs that were composed and recorded by the Beastie Boys. The Ruckus video, a four minute recap video for Monster’s annual “Ruckus in the Rockies” event, used the five Beastie Boy songs for more than three minutes and also contained text that referred to the Beastie Boys and one of their members.

After a jury found that Monster was liable for willful copyright infringement and Lanham Act false endorsement, the Beastie Boys sought a permanent injunction to broadly enjoin Monster from using their music, names, and trademarks in any advertisement or trade-related content. Specifically, the Beastie Boys requested that the court permanently enjoin Monster from: (1) using, promoting or distributing the Ruckus video; (2) using, distributing or promoting, without the plaintiffs’ consent, any copyrighted musical work or sound recording that the plaintiffs owned or controlled; (3) using the plaintiffs’ names, voices or trademarks for advertising or commerce; and (4) suggesting a false endorsement of Monster’s products by the Beastie Boys. Monster opposed, arguing that the Beastie Boys were not entitled to injunctive relief, or, alternatively, that the relief sought was too broad. Monster sought to limit any possible injunction to the infringing video.

On February 20, 2015, Judge Paul Engelmayer granted, in part, the plaintiffs’ request for permanent injunction relief. The injunction was granted, but the scope of the relief was substantially narrowed from the plaintiffs’ request. In a companion order, the court apportioned copyright damages among the plaintiffs.

Analysis

As the court noted, to prevail on a permanent injunction request, a plaintiff must prove: (1) the plaintiff would suffer an irreparable harm in the absence of permanent relief; (2) remedies available at law, such as monetary damages, would be inadequate to compensate the plaintiff for its injury; (3) balancing the hardships between the plaintiff and defendant, a remedy in equity was warranted; and (4) the public interest would not be disserved by a permanent injunction.

Irreparable Harm

Because a jury found that the Beastie Boys demonstrated a likelihood of confusion regarding the endorsement of Monster's products, and because the evidentiary record in the case supported that finding, the court presumed the element of irreparable harm.

Specifically, the court found that the Beastie Boys had credibly testified that they had a general policy against licensing their music for product promotions, and surviving members of the group testified that they would not have allowed Monster to use their music in the Ruckus video as they disliked the video's portrayal of women and because they did not want to associate with Monster's products. The court also found that Beastie Boys were forced, against their will, to publicly associate with and advance the causes of Monster through the video.

Adequacy of Legal Remedies

The jury awarded damages in excess of a million dollars to the plaintiffs, but the court found that the award did not adequately capture the value of the damages that were caused by the loss of First Amendment freedoms. The court found that none of the awards accounted for or compensated the Beastie Boys for the injuries caused by the group's forced association with Monster and its products. The court also found that the injury could not easily be measured, given the difficulty of protecting a right to exclude improper uses simply through monetary damages.

Balancing the Hardships

Monster asserted that a broad injunction would undermine its First Amendment right of expression to the extent mentioning the Beastie Boys names could be "fair use" or would otherwise be permissible.

The court agreed with Monster's general proposition, but, in the context of the Ruckus video, found it inapplicable. Monster had previously conceded that the Ruckus video infringed the Beastie Boys' copyrights, and a jury had concluded that the video violated the group's trademark rights by false endorsement. Thus, Monster possessed no further First Amendment rights in the use or dissemination of the video, and the court found, balancing the hardships, that a permanent injunction barring the use of the video would protect the Beastie Boys from further injury, without unduly harming Monster.

Public Interest

The court found that a permanent injunction limited to the Ruckus video would not disserve the public interest since the public has a compelling interest in protecting copyright owners' rights to a creative work to "encourage the production of creative work."

The Court's Order for Injunctive Relief

For the reasons discussed above, the court found the Beastie Boys' injunction request to be "highly overbroad" because it would sweep well beyond the infringing video to "a host of highly hypothetical future acts ..." – including potentially lawful uses. Thus, the court denied the plaintiffs' request for a permanent injunction beyond the infringing video.

Allocation of Damages

The jury awarded \$1.2 million in statutory copyright damages, which reflected a \$120,000 award for each of the five musical compositions, and \$120,000 for each of the sound recording copyrights. Prior to trial, two co-owners of the copyrights at issue -- Capitol Records on the sound recording side, and Universal Music Publishing Group (“UMPG”) on the musical composition side -- had assigned to the Beastie Boys their rights to litigate copyright infringement respecting the Monster video. In a companion order to the order regarding injunctive relief, the court addressed the allocation of copyright damages among various rights holders. A brief summary follows.

Sound Recording Copyrights

The Beastie Boys and Capital Records each owned a fifty (50) percent undivided interest legal and beneficial interest in the sound recording copyrights. Thus, the Beastie Boys were entitled to 50 percent, or \$60,000, for each of the five infringed copyrights, totaling \$300,000.

Music Composition Copyrights

The plaintiffs represented that plaintiff Brooklyn Dust Music (“Brooklyn Dust”) was a ninety (90) percent owner and non-party UMPG was a ten (10) percent owner of four of five music composition copyrights. Regarding the fifth musical composition copyright, the plaintiffs represented that Brooklyn Dust, UPMG, and another non-party, Dust Brothers Music (“Dust Brothers”), owned 49.5 percent, 5.5 percent, and 45 percent interests, respectively.

Thus, the court awarded Brooklyn Dust \$108,000 (90 percent) in damages for each of the first four musical composition copyrights and \$59,400 (49.5 percent) in damages for the fifth musical composition copyright, for a total of \$491,400 in damages.

The Dust Brothers did not make an assignment of its rights to the plaintiffs in this matter. The court acknowledged that Dust Brothers, or one of its members, might one day pursue a judgment against Monster, and required the plaintiffs to indemnify Monster for any damages that exceeded the 45 percent interest for Dust Brothers calculated by the plaintiffs.

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Couture v. Playdom, Inc.: Federal Circuit Holds Advertising Services Not Use in Commerce

by Julie Ann Hopkins - Friday, June 05, 2015

In *Couture v. Playdom, Inc.*, the Federal Circuit answered the long unsettled question of whether “the offering of a service, without the actual provision of a service, is sufficient to constitute use in commerce” to support a service mark in-use application. No. 2014-1480 (Fed Cir. Mar. 2, 2015). Building upon its opinion in *Aycock Eng’g, Inc. v. Airflite, Inc.*, 560 F.3d 1350, 1353 (Fed Cir. 2009), where it held that the use in commerce requirement is not met when an applicant merely uses a service mark in the preparatory stages of a service’s development, but never offers the service to the public, the Federal Circuit affirmed the Trademark Trial and Appeal Board’s (“TTAB”) recent decision to cancel the mark at issue for failure to actually render the services advertised. These recent decisions make clear that a future applicant must actually offer *and* provide the service to the public before submitting an in-use application for a service mark.

David Couture’s (“Couture”) service mark PLAYDOM was registered by the United States Patent and Trademark Office (“USPTO”) on January 13, 2009. Couture’s application was based on use in commerce under the Lanham Act, 15 U.S.C. § 1051(a)(1) (the “Act”). Under the Act, a mark is used in commerce when “it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” 15 U.S.C. § 1127. To show use, Couture submitted a screenshot of a www.playdominc.com, a website he launched in May 2008. The single page website stated: “Welcome to PlaydomInc.com. We are proud to offer writing and production services for motion picture film, television, and new media. Please feel free to contact us if you are interested: playdominc@gmail.com.” The USPTO registered the mark on January 13, 2009, and, while the website offered services, Couture did not actually render any services under the mark until 2010.

In February 2009, Playdom, Inc. (“Playdom”), a subsidiary of Walt Disney, filed an application to register PLAYDOM. Playdom’s application was denied because of Couture’s existing registration, and the company filed a petition with the USPTO to cancel Couture’s registration. Playdom claimed that Couture’s application for registration was void *ab initio* because he had not rendered any services on or before the filing date of the application.

The TTAB agreed with Playdom, and cancelled Couture’s mark. In its opinion, the TTAB noted Couture’s misunderstanding of the technical definition of use in commerce. While Couture thought that advertising or offering services was sufficient to establish that he was rendering the services, according to the Board, Couture’s website advertising his services was irrelevant, because the advertisements failed to address whether “[Couture] had actually made technical use of his service mark sufficient to support registration as of the filing date of his application.” Merely creating a website advertising his “readiness, willingness and ability to render said services” was insufficient to support an in-use application. Couture appealed the TTAB’s decision to the Federal Circuit.

Unfortunately for Couture, the Federal Circuit agreed with the TTAB. First, the Federal Circuit revisited its *Ayock* opinion in which it stated that “at the very least, in order for an applicant to meet the use requirement, there must be an open and notorious public offering of the services to those for whom the

services are intended.” The Federal Circuit, however, clarified that the above language did not suggest that an open and notorious public offering alone is sufficient to establish use in commerce. Rather, the Federal Circuit held that the advertising or publicizing of a service alone will not support registration unless it relates to an existing service actually being rendered. The court also cited several Courts of Appeals’ decisions for support. Importantly, the Federal Circuit denied Couture’s attempt to revise his original application to an intent-to-use application, holding that a substitution of basis may only occur before a mark registers.

Playdom highlights the importance of choosing the correct basis when filing a service mark application. Had Couture filed an intent-to-use application, Couture would likely have avoided cancellation of the mark if he waited to show use until the services were actually rendered, as a person can file for an intent-to-use based mark so long as there is “a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce.” 15 USCS § 1051(b)(1). Such intent was evident here. In the end, Couture’s misunderstanding of the use in commerce requirements cost him his mark. Therefore, when in doubt as to whether a service mark is in use, it is probably advisable to file an intent-to-use application.

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Fourth Circuit Adopts Octane Fitness Standard in Trademark Infringement Claim

by Bryan Utter - Thursday, June 11, 2015

Following the lead of the Third and Sixth Circuits, and several U.S. District Courts, the Fourth Circuit imported the standard articulated by the U.S. Supreme Court in the patent litigation case of *Octane Fitness, LLC v. Icon Health and Fitness, Inc.*, 134 S.Ct. 1749 (2014) into the Trademark Infringement arena. *Georgia-Pac. Consumer Products LP v. von Drehle Corp.*, 781 F.3d 710 (4th Cir. 2015), *as amended* (Apr. 15, 2015). The District of Maryland and the Eastern District of Virginia had both previously applied the *Octane Fitness, LLC* standard for shifting fees in Patent Act claims to the Lanham Act's identical fee-shifting provision. *See Teal Bay Alliances, LLC v. Southbound One, Inc.*, No. CIV.A. MJG-13-2180, 2015 WL 357064 (D. Md. Jan. 26, 2015); *Reynolds Consumer Prods. V. Handi-Foil Corp.*, No. 1:13-CV-214, 2014 WL 3615853 (E.D. Va. July 18, 2014).

In general, under the *Octane Fitness, LLC* standard, an "exceptional" case meriting a shifting of fees is one that "stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated," not, as the Federal Circuit had interpreted, only those cases that either involve "material inappropriate conduct" or are "both 'objectively baseless' and 'brought in subjective bad faith'." 134 S.Ct. at 1754-56. Additionally, entitlement to fees need only be proven by a preponderance of the evidence, as opposed to clear and convincing evidence. *Id.* at 1758.

In *Georgia-Pac. Consumer Prods. LP*, the Fourth Circuit vacated the Eastern District of North Carolina's award of \$2,225,782.35 in attorney's fees to the Plaintiff, even though the District Court had, in the Fourth Circuit's view, "erroneously relied on the [Defendant's] purposeful *conduct*," as the basis for finding the case "exceptional," because so doing "conflate[ed] willful and intentional *conduct* with willful and intentional *infringement*." *Georgia-Pac. Consumer Prods. LP*, No. CIV.A. MJG-13-2180, 2015 WL 357064 at *719 (emphasis in original). This was error, "especially since [Defendant] reasonably believed that its conduct was lawful." *Id.* Defendant had distributed its own paper towels for use in Plaintiff's paper towel dispenser, in contravention of Plaintiff's trademark rights. *Id.*

The District Court's decision was, however, predicated on pre-*Octane Fitness, LLC* law. The Fourth Circuit held that an attorney's fee award did not have to rely on a finding of willful and intentional infringement, but, instead, that the District Court could, under the *Octane Fitness, LLC* standard, "award attorneys fees to the prevailing party under [the Lanham Act] when it determines, in light of the totality of the circumstances, that (1) there is an unusual discrepancy in the merits of the positions taken by the parties, based on the non-prevailing party's position as either frivolous or objectively unreasonable; (2) the non-prevailing party has litigated the case in an unreasonable manner; or (3) there is otherwise the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at *721 (internal citations and quotation marks omitted).

Accordingly, to give the District Court an opportunity to consider the award in light of this new standard, the Fourth Circuit vacated the award and remanded the case. *Id.*

In *Teal Bay Alliances*, a case in which the authors' firm represented defendant Southbound One, the U.S. District Court for the District of Maryland awarded attorneys' fees to defendant Southbound One after finding that the material false representation plaintiff used to obtain registration of its "Shorebilly" trademark, together with plaintiff's non-use of the mark in commerce prior to defendant's first use in commerce and the lack of similarity between the parties' marks were sufficient to make the case "exceptional." *Teal Bay Alliances, LLC*, 2015 WL 357064 at *2. In his Bench Trial Decision, Judge Marvin J. Garbis described the plaintiff's claims as "specious" and "utterly meritless." *Id.* at *2-3.

The Court, however, declined to award all fees requested by defendant due to motions and arguments raised earlier in the case by defendant that the Court believed were unreasonable and unnecessarily increased the cost of litigation. But one of these key arguments was a Motion to Dismiss by defendant early in the case on the basis that plaintiff had not used its purported mark as a trademark, but rather used such designation in an ornamental fashion that is not subject to trademark protection. These arguments were raised early in the case in an effort to eliminate plaintiff's suit, which defendant perceived as baseless and frivolous. While defendant was unable to tender sufficient evidence to establish its ornamentation argument early in the case (thereby resulting in the denial of its Motion to Dismiss), defendant was successful in establishing this argument at trial based on additional facts and evidence garnered in discovery. So the Court's decision to reduce defendant's fee award presents difficult questions for attorneys in strategizing how to defend a frivolous case, in terms of the nature and timing of the defenses to raise and the amount and sufficiency of the evidentiary support for such defenses.

As these cases demonstrate, the trend in the Federal Courts is toward applying *Octane Fitness, LLC* to trademark infringement matters.

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Garcia v. Google

by Alan Glickman - Friday, June 05, 2015

“Copyright Infringement!”

“Why do you keep claiming that? I do not think it means what you think it means.”

Introduction

This case hits all the buttons, both substantively and procedurally. The facts easily lend themselves to sensationalist, clickbait headlines (*The legal theory Google doesn't want you to know! This woman found herself on the receiving end of a fatwa; find out how you can you avoid her mistake! Is Google helping further a fatwa?*[\[1\]](#)); the oral arguments are full of sound bites about the Lord of the Rings and Ben Hur; and the case's procedural history is rife with aphorisms. From the perspective of the 9th Circuit panel that found in favor of Petitioner Garcia, “no good deed goes unpunished”; from the perspective of Google, the Copyright Office, an absolute plethora of amici, and the 9th Circuit *en banc*, “bad facts makes bad law”.

Background

In July of 2011, Nakoula Basseley Nakoula, aka Mark Basseley Youssef, cast Cindy Lee Garcia in a minor role for a film titled *Desert Warrior*. Garcia worked for about three days, under the apprehension that the film was an historical Arabian Desert adventure film. Unbeknownst to Garcia, Nakoula/Youssef had just recently been released on probation for bank fraud and was already violating his probation by using a computer and the internet to cast his movie. The importance of that probation condition became apparent when Nakoula/Youssef used the footage he recorded for *Desert Warrior* in his anti-Islamic *Innocence of Muslims* short film that was released on in July 2012 and translated to Arabic in September 2012.

The *Innocence of Muslims* was so inflammatory that an Egyptian cleric issued a *fatwa* against everyone involved in the creation of the film. Garcia's scene, despite being a matter of mere seconds, was dubbed over with dialogue that prompted death threats against her and her family. Garcia tried to have the film removed from YouTube using DMCA takedown notices numerous times but Google declined.

Timeline

On 12 September 2012, Garcia brought the case in district court.

On 25 September 2012, Garcia submitted an application to register for a copyright in her performance.

On 30 November 2012, the district court denied Garcia's request for an injunction and she appealed.

On 18 December 2012, the Copyright Office denied Garcia's application for a copyright in her performance.

On 26 June 2013, a 3 judge panel in the 9th Circuit heard the case.

On 19 February 2014, the 9th Circuit panel reversed the district court decision and Judge Kozinski (who wrote the panel opinion) issued a temporary injunction along with his decision directing Google to take down *Innocence of Muslims* from YouTube until the district court granted the preliminary injunction.

On 27 February 2014, Google requested an emergency stay on the injunction pending their request for a rehearing *en banc*.

On 28 February 2014, the court denied Google's emergency stay motion.

On 12 March 2014, Google petitioned the court for a rehearing *en banc*.

On 14 March 2014, the court *sua sponte* moved for a vote on rehearing *en banc* the panel's denial of Google's stay motion; the movement was voted down.

On 25 March 2014, Garcia moved for a finding of contempt, claiming that *Innocence of Muslims* was still on YouTube. The court declined to find Google in contempt on 31 March.

On 12 November 2014, the court granted Google's request for a rehearing *en banc*.

On 15 December 2014, the 9th Circuit *en banc* heard oral arguments from Garcia and Google.

On 18 May 2015, the 9th Circuit *en banc* affirmed the district court's denial of Garcia's request for an injunction.

District Court

When Garcia was unable to receive satisfaction using the DMCA takedown procedures, she brought a copyright infringement case in federal district court in California demanding a temporary restraining order in an effort to remove the film from YouTube. The district court viewed Garcia's request for a restraining order as an application for a preliminary injunction. Accordingly, the district court looked at the four factors defined in *Winter*^[2]: (1) her likelihood of success on the merits of the underlying copyright claim, (2) her likelihood of irreparable harm without the requested injunction, (3) balance of equity between the parties, and (4) public interest in the requested relief. The district court found that, because the film was already released and Garcia's involvement in the film was already known, there was no proof that removing the film from YouTube would prevent any harm. Furthermore, the court found that Garcia granted an implied license to use her performance in the film, which would make her unlikely to succeed on the merits.

9th Circuit

3 Judge Panel

Garcia appealed the district court's decision in the 9th Circuit. The 3 judge panel reversed the district court's decision regarding the injunction and remanded the case for retrial on the merits of the copyright claim. Judge Kozinski explained that Garcia has an individual copyright in her performance since an actor's performance, fixed on film, is original and creative enough to merit copyright protection on its own.

Kozinski further speculated that Garcia would be likely to succeed on the merits of the underlying copyright claim, since Nakoula/Youssef's implied license would never have included using Garcia's performance for a film so drastically different from the one he advertised that he had to lie to Garcia to get her to act for it. Furthermore, Kozinski stated that Garcia showed that removing *Innocence of Muslims* from YouTube would help deter and mitigate the harm she was suffering (namely, death threats). Finally, Kozinski touched on the balance of equities and public interest. He discarded Google's concerns about prior restraint since the First Amendment doesn't apply to copyright infringement.

The dissent, by Judge Smith, claimed that the facts and law did not *clearly favor* issuing a preliminary injunction, meaning the district court did not abuse its discretion when it denied Garcia's injunction request. Judge Smith viewed Garcia's request as a mandatory preliminary injunction which requires that the law and facts "clearly favor her position", as opposed to a standard prohibitory injunction which merely requires a likelihood of success. Smith viewed the injunction as mandatory because it was demanding a change to the status quo; the status quo preceding this litigation was that *Innocence of Muslims* was uploaded to and available for viewing on YouTube. The preliminary injunction issued by the panel majority disrupted that status quo by ordering Google to remove the film.

Post-Opinion

The court denied Google's request for an emergency stay prior to the publication of its opinion, and again denied Google's subsequent post-opinion request for a stay. The panel finally ruled on Google's request for rehearing *en banc* and agreed that the case was important and far-reaching enough to require an *en banc* hearing.

En Banc

At oral arguments, the primary point of contention was a letter from the Copyright Office to Garcia's attorney, refusing Garcia's registration of copyright ownership or authorship. The letter explains that, but for one narrow exception, motion pictures^[3] are a single, integrated work with either joint ownership or a single owner. Counsel for Google raised the letter as a clear cut decision by the experts on copyright as to Garcia's lack of copyright claim to her 5-second performance in the movie. Garcia's counsel denounced the letter as non-precedential and incorrect. Both sides were also subject to numerous hypotheticals involving the *Lord of the Rings* films.

Majority Opinion

The 9th Circuit *en banc* decided this in the only way they could have. The court received thirteen amicus briefs from just about anyone who knows what a copyright is: the Screen Actors Guild, Adobe Systems, the EFF, Netflix, Volunteer Lawyers for the Arts, both Internet and IP Law Professors, and more. Of the thirteen, two were concerned with the current state of copyright law.^[4] Only one was in support of Garcia.

The *en banc* court, in an opinion authored by Judge McKeown, affirmed the district court's refusal to grant Garcia's request for an injunction. The court held that the district court was well within its discretion in denying the request.

Starting by acknowledging Judge Smith's distinction that Garcia was requesting a mandatory injunction by demanding Google to change the status quo by continuing to remove copies of *Innocence of Muslims*, McKeown then went on to explore Garcia's likelihood of success on the underlying copyright issue. Relying heavily on the Copyright Office's guidance and the 9th Circuit's previous opinion in *Aalmuhammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000), the court pointed out that a work such as a motion picture is considered to be a singular entity that can either be a subject to a single author or joint authors. Garcia unequivocally denied any authorship, sole or joint, of the *Innocence of Muslims*, and the court

stated that relying on her theory that she has a copyright in her performance within the film “would result in the legal morass we warned against in *Aalmuhammed*—splintering a movie into many different ‘works’.”^[5]

On top of the determination that Garcia’s performance would not be separately copyrightable, the court also held that the fixation element of her copyright claim did not exist. While the performance was fixed on film, it was not fixed “by her or under [her] authority.”

Despite having just stated that Garcia would not succeed on her copyright claim, McKeown went on to explore the irreparable harm prong of *Winter’s* test because “the grave danger Garcia claims cannot be discounted and permeates the entire lawsuit.”^[6]

McKeown pointed out that the claim of irreparable harm in the context of an injunction must be a harm that stems from the underlying claim; that is, it must be harm to Garcia’s legal interests as an author. The court was sympathetic to the threats and danger Garcia was subject to as a result of the film and suggested that she look to privacy laws as a possible panacea. Furthermore, the court agreed with the District Court’s determination that Garcia’s delay in requesting the injunction undercut her claim of irreparable harm.

The majority finished by saying that the panel’s injunction was not only incorrect as a matter of law, but also stepped on First Amendment concerns.

Concurrence

Judge Watford concurred but warned against the court delving into copyright law. He suggested that the court only look at the irreparable harm prong of the *Winter’s* test in order to affirm the District Court’s decision. Watford pointed out that even with a showing of irreparable injury, Garcia would need to show that the requested injunction would help reduce the risk of that injury. He went on to speculate that, even if Google removes all traces of *Innocence of Muslims*, none of the harm she currently faces will be reduced; Garcia’s name is still associated with the film, and the film would still be available outside of Google’s purview.

Dissent

Judge Kozinski stuck to his guns and tried to champion the individual performers’ cause. He declaimed the majority’s position by positing that such a view of copyright would leave hours of footage not ultimately included in the final cut of a film outside of the scope of copyright. His understanding, relying on *Effects Associates*^[7], is that if the performance could be separate from the film and potentially sold as its own entity, it is a standalone work. Kozinski then attacked the majority’s view of the fixation requirement, focusing on the fact that a performer need not operate the recording equipment to be an author. Since an actor’s performance is creative enough to merit a copyright, and since Kozinski believes that there was no implied license, Garcia should have copyright protection as soon as her performance was fixed.

Kozinski next attempted to defang the Copyright Office’s refusal to grant Garcia a copyright in her

performance by raising the unratified Beijing Treaty on Audiovisual Performances. Since the Register of Copyrights was part of the delegation that signed the treaty, Kozinski assumed that the rights recognized in the treaty should now be a policy reality, acknowledging individual performers' rights in their performances.

Finally, Kozinski pointed out that since most copyright issues would be dealt with by way of contract^[8] the concern that granting Garcia a copyright in her performance would impractically splinter movies into numerous "works" would never actually come to fruition. As he said, "our injunction has been in place for over a year; reports of the internet's demise have been greatly exaggerated."^[9]

Takeaway

For a copyright case, the thing that becomes most clear in this opinion is that the courts are becoming more and more aware of the need for some sort of privacy right of action.^[10] This is not such a surprise when you acknowledge the fact that this case would never have been about copyright if Cindy Lee Garcia had some other alternative to resolve the terrible circumstances she found herself in. This decision is a triumph in keeping copyright law neatly within the boundaries of what copyright law is meant to handle.

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^[1] No. See Betteridge's law of headlines (http://en.wikipedia.org/wiki/Betteridge%27s_law_of_headlines)

^[2] *Winter v. NRDC*, 555 U.S. 7, 24 (2008)

^[3] As well as sound recordings. See <http://glickmantechlaw.com/documents/motionforjudicialnotice.pdf> page 9.

^[4] The Amicus Brief by Prof. Justin Hughes, et al. (<http://cdn.ca9.uscourts.gov/datastore/general/2014/11/26/12-57302%20Amicus%20by%20Professor%20Hughes.pdf>) was raised during *en banc* oral arguments. The brief takes issue with how the court ruled previously in the *Aalmuhammed* case.

^[5] *Cindy Lee Garcia v. Google, Inc.*, No. 12-57302, at 20 (9th Cir. 2015), <http://cdn.ca9.uscourts.gov/datastore/opinions/2015/05/18/12-57302.pdf>

^[6] *Garcia*, at 23

^[7] *Effects Associates, Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990).

[8] Despite having quoted *Effects* earlier in his dissent and claiming, “Moviemakers do lunch, not contracts.”

[9] *Garcia*, at 42.

[10] “We are sympathetic to her plight. Nonetheless, the claim against Google is grounded in copyright law, not *privacy*” (at 8); “Garcia seeks a preliminary injunction under copyright law, not *privacy*, fraud, false light or any other tort-based cause of action.” (at 24); “In broad terms, ‘the protection of *privacy* is not a function of the copyright law. . . .’” (at 25); “*Privacy* laws, not copyright, may offer remedies tailored to Garcia’s personal and reputational harms.” (at 26)

Garcia v. Google: the 9th Circuit Struts and Frets its Hour Upon the Copyright Stage

by Bryan Utter - Friday, June 05, 2015

You could hardly ask for a more sympathetic client than Cindy Lee Garcia. An actress just trying to make it in the tough world of film, her plight reads like something out of a movie.

Doubtlessly looking for roles to add to her resume, and for money to pay her bills, Garcia accepted a small part in a low-budget film written and produced by a man who called himself Mark Basseley Youssef.

Youssef, who also went by the names Nakoula Basseley Nakoula and Sam Bacile, told Garcia that the film was an ancient Arabian adventure movie. The movie's title, he said, would be *Desert Warrior*. Based on Youssef's description of the job Garcia showed up, gave her performance to the camera, and received \$500 for 3 days' work.

What Garcia did not know was that Youssef never intended to make *Desert Warrior*. Instead, he took Garcia's visual performance, dubbed over her spoken words, and used the resulting product as part of his anti-Islamic film, "Innocence of Muslims."

Youssef uploaded the film to YouTube.com, where it promptly drew worldwide media attention and outrage. Sometime thereafter, Garcia saw the movie on YouTube. Garcia also received death threats subsequent to the YouTube distribution of the film. At least some of these threats were prompted by the fatwa issued by an Egyptian cleric against everyone involved in the film's creation.

Understandably distraught, Garcia served Google, owners of YouTube, with eight separate Digital Millennium Copyright Act takedown notices. Google repeatedly refused to remove the film, so Garcia applied to the U.S. District Court for the Central District of California for a "temporary restraining order," which the court treated as a motion for a preliminary injunction. The District Court denied the motion, finding, among other things, that Garcia was unlikely to succeed on the merits because she had granted Youssef an implied license to use her performance in "Innocence of Muslims." Garcia appealed to the 9th Circuit.

The 9th Circuit reversed. The Court found that even though Garcia had granted an implied license to Youssef, that license had been exceeded when Youssef used her performance to create a film completely different from the film he had described to her before she agreed to perform. *Garcia v. Google, Inc.*, 766 F.3d 929, 937-38 (9th Cir.) *reh'g granted*, 771 F.3d 647 (9th Cir. 2014).

In addition, the 9th Circuit found that Garcia was neither an employee of Youssef, nor was her performance a work made for hire. *Id.* at 935-37. The court issued an injunction against Google and YouTube, requiring that *Innocence of Muslims* be taken down and prohibiting further uploads of the film.

Most controversially, the 9th Circuit found that Garcia, as a contributor to the work, though not a joint author of the work as a whole, had an independent copyrightable interest in her performance, because,

“Nothing in the Copyright Act suggests that a copyright interest in a creative contribution to a work simply disappears because the contributor doesn't qualify as a joint author of the entire work.” *Id.* at 934. Notwithstanding Youssef's creation of the script, which contained the dialogue that Garcia spoke in her performance, the Court held that Garcia's contribution to the film, in the form of her “body language, facial expression, and reactions to other actors and elements of a scene,” were protected by copyright, independent of the work as a whole. *Id.* at 935. Garcia could, according to the Court, “claim copyright in her own contribution but not in ‘preexisting material’ such as the words or actions spelled out in the underlying script,” and could “assert a copyright interest only in the portion of ‘Innocence of Muslims’ that represents her individual creativity....” *Id.*

On Nov. 12, 2014, the 9th Circuit voted to rehear the case *en banc*. *Garcia v. Google, Inc.*, 771 F.3d 647 (9th Cir. 2014). The 10-1 Opinion of the *en banc* court, issued on May 18, 2015, is a complete reversal of the court's earlier Opinion. In the opening paragraph of its Opinion, the majority declares that, “a weak copyright claim cannot justify censorship in the guise of authorship.” *Garcia v. Google*, No. 12-57302, slip op. at 7 (9th Cir. May 18, 2015).

Though the court recognized that Garcia was “bamboozled” by Youssef, and stated that it was “sympathetic to her plight,” it could not condone Garcia's legal strategy. “[T]he claim against Google is grounded in copyright law, not privacy, emotional distress, or tort law, and Garcia seeks to impose speech restrictions under copyright laws meant to foster rather than repress free expression. Garcia's theory can be likened to ‘copyright cherry picking,’ which would enable any contributor from a costume designer down to an extra or best boy to claim copyright in random bits and pieces of a unitary motion picture without satisfying the requirements of the copyright Act.” *Id.* at 7-8.

It is evident that the 9th Circuit was swayed by the numerous amicus briefs expressing grave concerns about the “independent, copyrightable interest” aspect of the 9th Circuit's holding.

The Electronic Frontier Foundation's (“EFF”) brief took the position that Garcia was not the “author” of “Innocence of Muslims” within the meaning of the Copyright Act, because she was not the “person to whom [the] work owes its origin and who superintended the whole work,” nor was she a joint author because she did not “exercise meaningful control over the work.” Brief for Elec. Frontier Found., et al. as Amici Curiae supporting Appellees, *Garcia v. Google, Inc.*, No. 12-57302, at 8-9 (9th Cir. Nov. 25, 2014) Garcia “contributed a brief performance” to *Innocence of Muslims*, but “did not exercise creative control over the work as a whole.” *Id.* at 10-11. Because only the work as a whole was eligible for copyright protection, Garcia has no protectable interest, according to the EFF. *Id.*

A brief filed by a coalition of 22 law professors, who styled themselves as “Professors of Intellectual Property Law,” likewise argued that Garcia is not an author within the meaning of the Copyright Act, but focused on her lack of “artistic control over the fixation of [the] work.” Brief for Professors of Intellectual Prop. Law as Amici Curiae supporting Appellees, *Garcia v. Google, Inc.*, No. 12-57302, at 10-11 (9th Cir. Nov. 25, 2014). Acknowledging that, “[a]n author need not perform the mechanics of fixation herself,” the brief goes on to assert that an author must nevertheless “somehow exercise artistic control over what comes to be fixed,” or the putative author will have “ceded authorship to someone else.” *Id.* Regarding a person in Garcia's position, specifically, the Professors of Intellectual Property Law state, “an actor who lacks sufficient artistic control over the film to sustain a claim of co-authorship will ordinarily also fail to acquire separate copyright in her individual performance.” *Id.* The Professors

base their position on a letter from the Copyright Office that states, “[A]n actor's or actress' performance in the making of a motion picture is an integrated part of the resulting work, the motion picture as a whole.” *Id.*

The *en banc* court agreed. Giving great weight to the Copyright Office’s rejection of Garcia’s application to register a copyright in her performance, and citing to prior precedent expressing concerns about the “fragmentation” of copyright if anyone involved in the creation of the work was entitled to separate protection of his or her contribution, the court found that recognizing Garcia’s copyright claim would create great problems for future courts. *Garcia v. Google*, No. 12-57302, slip op. at 16-22. If each individual involved in the creation of a movie could claim copyright in his or her contribution, “[u]ntangling the complex, difficult-to-access, and often phantom chain of title to tens, hundreds, or even thousands of standalone copyrights is a task that could tie the distribution chain in knots.” *Id.* at 22.

The Court also agreed with the Google amici’s argument that Garcia could not claim copyright protection because Youssef and his crew, not Garcia, fixed her performance in a tangible medium of expression. “However one might characterize Garcia’s performance, she played no role in fixation. On top of this, Garcia claims that she never agreed to the film’s ultimate rendition or how she was portrayed in *Innocence of Muslims*, so she can hardly argue that the film or her cameo in it was fixed by or under her authority.” *Id.* at 23 (internal quotation marks and brackets omitted).

The *en banc* court went on to find that Garcia failed to establish irreparable harm, and that the injunction was not only unwarranted, but was an unsupportable prior restraint on protected speech. *Id.* at 23-30.

Other notable amici in this matter included the International Documentary Association; Adobe Systems Inc.; the Volunteer Lawyers for the Arts; Netflix, Inc.; and a coalition of news media organizations including The New York Times Company, The Washington Post, the Reporters Committee for Freedom of the Press, and National Public Radio, Inc. Indeed, as of the date of this article, the only amicus brief filed in support of Garcia since the 9th Circuit granted rehearing *en banc*, was authored by the Screen Actors Guild and American Federation of Television and Radio Artists (SAG) and joined by a number of other performing artist guilds, federations, and alliances. The SAG’s brief took the position that an actor’s performance is a pantomime or dramatic work, separately protectable from the medium in which it is fixed. Brief for Screen Actors Guild, *et al.*, as Amici Curiae supporting Appellant, *Garcia v. Google, Inc.*, No. 12-57302, at 12 (9th Cir. Nov. 25, 2014). It responded to Google and Google’s amici by saying that their briefs effectively reduce an actor to “a puppet – an automaton that merely does as the director instructs.” *Id.* at 13. The SAG brief argued that it is the originality of the expression embodied in the performance that makes the performance special and worthy of protection. *Id.* at 13-16. Recognizing a performer’s copyright interest would not affect the relationship between performers and those that employ them, according to SAG. *Id.* at 23-28.

Many of the concerns and arguments raised by SAG were echoed by the lone dissent to the *en banc* opinion. *Garcia v. Google*, No. 12-57302, slip op. at 33 (9th Cir. May 18, 2015) (Kozinski, J. dissenting).

The fundamental copyright question raised in this case was whether an actor’s performance, delivered by the actor for express integration into a larger work of which the actor’s performance is but one aspect, is an independent work fixed by the actor at the moment the performance is delivered, thus giving the actor the status of author of that performance. Relying on long-established precedent concerning who is an

author within the meaning of the Copyright Act, the *en banc* court concluded that Garcia did not have an independent copyright interest in her performance. See *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1989) (the “author” of a work is the person “who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection). There were other legal theories upon which she could have relied, such as right of publicity, defamation, or various torts. The *en banc* decision notes that Garcia had, in fact, brought such claims, but that she had elected to pursue injunctive relief solely on the basis of copyright infringement, a theory that was tenuous at best. *Id.* at 10-11.

In order to circumvent authorship and copyright claims of the sort raised in this case, attorneys should counsel clients to obtain either a signed, written agreement from each performer assigning to the client any and all copyrights based upon or arising out of the performer’s performance, or in the absence of an assignment, a written license agreement which broadly and accurately reflects all anticipated uses of the performance.

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Hana Financial, Inc. v. Hana Bank et al.

by Mohammad Rahman - Friday, June 05, 2015

The U.S. Supreme Court considered the issue of trademark tacking on January 21, 2015 in *Hana Financial, Inc. v. Hana Bank et al.*, Case No. 13-1211, *slip op.*, 574 U.S. __ (2015). Trademark tacking involves having a trademark claim priority to a previous commonly owned trademark that is similar. The petitioner in this matter, Hana Financial, began using “Hana Financial” and a corresponding stylized trademark in commerce in the United States in 1995. *Id. at 2*. The respondent, Hana Bank, began using “Hana Overseas Korean Club” in English and Korean as well as “Hana Bank” in Korean as early as 1994. *Id.* Thereafter, the respondent used “Hana Bank” in the United States for the first time in 2002. *Id.* The petitioner sued the respondent in 2007 for trademark infringement, but the respondent claimed it had superior trademark rights as the first party to use the trademark under the tacking theory. *Id.* In a unanimous decision, the Court held in favor of the respondent. *Id. at 8*. The Court considers the question whether trademark tacking is a matter of law or fact; that is, whether it is a matter for a judge or jury to decide.

Trademark law generally allows an entity who uses a trademark first in commerce to have superior trademark rights over subsequent, junior users of the same or a similar trademark. Trademark owners can alter the appearance of a trademark over the course of time, while still using the same general framework of the trademark. Trademark tacking allows a trademark owner to have the newer version of the trademark claim priority to the original trademark for the purposes of establishing first use and accordingly establishing superior trademark rights over junior users. However, the two related trademarks must not only be held by the same owner, they must also be considered “legal equivalents” in that they “create the same, continuing commercial impression.” *Id. at 4 quoting Van Dyne-Crotty, Inc. v. Wear-Guard Corp.* 926 F.2d 1156, 1159. The “commercial impression” of a trademark is the meaning or idea it conveys, or the mental reaction it evokes. *Gideon Mark & Jacob Jacoby, Continuing Commercial Impression: Applications and Measurement*, 10 Marq. Intell. Prop. L. Rev. 433, 434 (2006) (*citing Spice Islands, Inc. v. Frank Tea & Spice Co.*, 505 F.2d 1293, 1296 (C.C.P.A. 1974)). The Court in the *Hana* case does not analyze whether the respondent’s trademarks are legal equivalents or create the same, continuing commercial impression, but rather relies on the lower court’s factual findings as determined by the jury.

In the *Hana* case the District Court provided the jury with the following instructions with respect to trademark tacking:

“A party may claim priority in a mark based on the first use date of a similar but technically distinct mark where the previously used mark is the legal equivalent of the mark in question or indistinguishable therefrom such that consumers consider both as the same mark. This is called ‘tacking.’ The marks must create the same, continuing commercial impression, and the later mark should not materially differ from or alter the character of the mark attempted to be tacked.” *Id. at 3*.

The jury sided with the respondent based on these instructions and generally found that the respondent had properly tacked its later version of “Hana Bank” with its earliest use of “Hana Overseas Korean Club” in English and Korean as well as “Hana Bank” in Korean. The petitioner appealed to the Court of

Appeals for the Ninth Circuit, which affirmed the decision of the District Court that tacking is a question of fact for a jury, but noted that trademark tacking has been considered a question of law in the Federal and Sixth Circuits. *Id.* at 3 citing *Van Dyne-Crotty* at 1159; *Data Concepts Inc. v. Digital Consulting, Inc.*, 150 F. 3d 620, 623 (CA6 1998). Based on this split among the circuits, the Supreme Court granted certiorari and affirmed the Ninth Circuit's decision in favor of the respondent that trademark tacking is indeed a matter of fact for a jury, when present, to determine. *Hana slip op.* at 3.

The Supreme Court addresses several arguments that the petitioner brings forth. The Court disagrees with the petitioner's argument that trademark tacking is a question of law and reaffirms that the determination of commercial impression lies with the determination of a consumer or purchaser of a particular good/service associated with a trademark or service mark, and thus is a question for a jury to decide. *See Hana slip op.* at 4 quoting *DuoProSS Meditech Corp. v. Inviro Medical Devices, Ltd.*, 695 F. 3d 1247, 1253. Arguing that potential errors in the jury's analysis may occur, the petitioners in the *Hana* case suggest that juries are susceptible to incorrectly applying the standards of trademark law when determining whether two trademarks are "legal equivalents" for the purposes of determining whether tacking is appropriate. *See Hana slip op.* at 5-8. The Court disagrees and notes that "when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer." *See Hana slip op.* at 4 citing *United States v. Gaudin*, 515 U. S. 506, 512 (1995). Indeed the Court has great confidence with a jury's ability to determine and analyze difficult issues.

However, the Supreme Court does identify some key exceptions to the general rule of trademark tacking being a matter for a jury to decide exclusively. The Court clarifies that judges can determine whether two trademarks may be tacked on "a motion for summary judgment or a judgment as a matter of law." *Hana slip op.* at 5 citing *Fed. Rules Civ. Proc.* 50, 56(a). Furthermore, when the two parties in a lawsuit agree to hold a bench trial without a jury, then the judge, as the fact-finder, would also determine the issue of trademark tacking. *Hana slip op.* at 5. Accordingly, there are instances where issues of trademark tacking could be determined exclusively by a judge.

The petitioner presents several other arguments, albeit all unpersuasive, to the Court. First, the petitioner suggests that the "legal equivalents" test requires applying a legal standard, and accordingly is a matter of law. *Id.* The Court counters this argument indicating that this test is actually a mixed question of law and fact, and as such should be resolved by a jury. *Id.* citing *Gaudin*, 515 U.S., at 512. The Court further suggests that proper jury instructions should permit juries to apply the correct legal standard. *Hana slip op.* at 6. Unfortunately, for the petitioner the instructions that were originally given to the jury in the District Court were instructions that the petitioner proposed itself. *Id.* Therefore, the petitioner fails to convince the Court of its position based on this argument. Second, the petitioner suggests that leaving tacking decisions in the hands of a jury will "create new law that will guide future tacking disputes." *Id.* The Court is unmoved by this argument also. Here, the petitioner unsuccessfully argues that future court cases involving issues of tacking must be determined by relying on precedent; again an issue for the judge as per the petitioner. *Id.* In this regard, the Court is strongly confident of a jury's ability to analyze facts, and that these matters will undoubtedly be determined on a case-by-case basis. Accordingly, this argument presented by the petitioner is also unsuccessful.

Third, the petitioner attempts to defend the entire trademark system by suggesting that allowing juries to determine issues of tacking will render the normal "predictability required for a functioning trademark

system” to be absent. *Id.* at 7. Once again the Court is unmoved, and analogizes trademark tacking to other areas of law such as torts, contracts, and criminal proceedings which require juries to answer mixed questions of law and fact. *Id.* The Court agrees with the petitioner in that different juries hearing similar fact patterns may yield different and “unpredictable” results. *Id.* However, such a chance for unpredictability has never prevented the American jurisprudence system from utilizing juries as triers of fact. The Court further indicates that factual determinations often require judgement calls. *Id.* Therefore, unpredictability is part of the process, and the Court rejects this argument by the petitioner as well.

Fourth, the petitioner says history is on its side since judges have resolved tacking disputes over the years, and in support of its argument the petitioner offers several cases where judges have decided issues of trademark tacking. *Id.* However, the Court astutely points out that the petitioner is citing cases involving bench trials, summary judgment, and other instances where a jury is not involved. *Id. citing Drexel Enterprises, Inc. v. Richardson*, 312 F. 2d 525, 526 (CA10 1962) (“[This action] was tried without a jury”); *Perfectform Corp. v. Perfect Brassiere Co.*, 256 F. 2d 736, 738 (CA3 1958) (“The district court dismissed the complaint”); *John Morrell & Co. v. Hauser Packing Co.*, 20 F. 2d 713 (CA9 1927) (“In the court below, there was a dismissal of both the bill and of defendant’s counterclaim”); *Beech-Nut Packing Co. v. P. Lorillard Co.*, 299 F. 834, 835 (NJ 1924) (equitable claims tried solely before a judge). The Supreme Court in *Hana* once again agrees that judges can and should determine tacking issues in certain circumstances, but only in those situations where a jury is not involved in the fact-finding process. *See Hana slip op. at 8.* Thus, the Court rejects all of the petitioner’s arguments.

Taking all of the arguments presented before it, the Supreme Court affirms the Ninth Circuit and holds that considering whether two trademarks may be tacked in order to determine priority of trademark use is a question for the jury. *Id.* While the theory of trademark tacking is a relatively uncontroversial theory, and indeed neither the petitioner nor the respondent question the legitimacy of trademark tacking itself, the issue in *Hana* only involved resolving whether a judge or jury should determine whether two related trademarks may be tacked for the purposes of establishing priority rights of a trademark; that is whether trademark tacking is a question of law or fact. However, trademark owners should be cautioned that if changes are made in a trademark over time, then it is appropriate to consider how a consumer or purchaser of the goods/services associated with the mark would view the changes between the related marks. Would such a person consider that the marks create the same and continuing commercial impression or would such a person consider the change to be a material difference that changes the character of the trademark that is attempting to be tacked? What the Court in *Hana* is telling trademark owners is that these matters are issues of fact left for the fact-finder in a court proceeding to determine, and if a jury is present, is a question that the jury should decide.

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In re Cuozzo: Federal Circuit's First Decision from an Appeal of a Final Written Decision in an IPR Affirms Patent Trial and Appeal Board on All Grounds

by Peter Anthony Jackman - Friday, June 05, 2015

In re Cuozzo Speed Technologies, LLC is a split precedential opinion by the Court of Appeals for the Federal Circuit (CAFC) issued in the first appeal from a final written decision in an *inter partes* review (IPR). *In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271 (Fed. Cir. 2015). *Cuozzo* provides the first appellate rulings on two issues related to major procedural aspects of the post-grant review process at the U.S. Patent and Trademark Office (USPTO) created under the Leahy-Smith America Invents Act (AIA). First, the majority held that it lacks jurisdiction to review the decision to institute trial in an IPR even after the Patent Trial and Appeals Board (PTAB) issues its final written decision in that trial. The opinion, however, left open the possibility that in limited circumstances mandamus relief may be available to challenge the decision to institute trial. Second, the CAFC upheld the use of the "broadest reasonable interpretation" (BRI) claim construction standard in IPR proceedings. The majority justified its holding on the grounds that Congress impliedly adopted the existing rule of using BRI in USPTO proceedings, and that the PTAB's adoption of BRI is a proper exercise of its new rulemaking authority under the AIA.

Considering the importance of these holdings, it is not surprising that significant efforts are under way to change them or to limit their effect. A petition for *en banc* review is currently pending at the CAFC. And two bills introduced in Congress would require that post-grant review proceedings, including IPRs, be conducted under the narrower "ordinary and customary meaning" claim construction standard used in district court litigation.

Background

The *Cuozzo* appeal arose from a successful IPR challenge by Garmin USA, Inc. (Garmin) to the validity of U.S. Patent No. 6,778,074 to Cuozzo Speed Technologies (Cuozzo), entitled "Speed Limit Indicator and Method for Displaying Speed and the Relevant Speed Limit." IPRs proceed in two phases: first, the PTAB determines whether to institute trial of the validity of the challenged claims; and second, it conducts the trial and issues a final written opinion on validity. Garmin petitioned the PTAB for IPR of claims 10, 14, and 17 of the '074 patent. The PTAB instituted trial after finding that there is a reasonable likelihood that all three claims are obvious. However, the trial for claims 10 and 14 was not instituted based on the grounds asserted in Garmin's original petition against these claims. Rather, it was instituted based on a different ground that Garmin's petition asserted only against claim 17, which depends indirectly and directly from claims 10 and 14, respectively. Relying on the BRI claim construction standard, the PTAB's subsequent final decision found claims 10, 14, and 17 obvious. Cuozzo timely appealed from the final decision, the USPTO intervened in the appeal, and Garmin withdrew as appellee pursuant to its settlement with Cuozzo.

The CAFC lacks jurisdiction to review the decision to institute trial in an IPR

Cuozzo argued, *inter alia*, that the USPTO may only institute an IPR based on grounds identified in the

petition, relying on 35 U.S.C. § 314(a). Therefore, according to *Cuozzo*, the PTAB improperly instituted trial on claims 10 and 14 because the PTAB relied on prior art that Garmin did not identify in its petition as grounds for invalidating those two claims.

The majority rejected *Cuozzo's* argument and held that the decision to institute trial is final and non-appealable. The majority's analysis focused on the statutory language, in particular on § 314(d), which is entitled "No appeal" and provides that the "determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." 35 U.S.C. § 314(d). It first discussed the Court's previous holding that § 314(d) bars interlocutory appeal from a decision to institute trial before final decision is issued. *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, (Fed. Cir. 2014). Then the majority concluded that § 314(d) also "prohibits review of the decision to institute IPR even after a final decision. On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review." *Cuozzo*, 1276. The majority further observed that a contrary reading of § 314(d) would render it superfluous "given that § 319 and § 141(c) already limit appeals to appeals from final decisions." *Id.*

While finding the decision to institute trial final and non-appealable, the Court nevertheless addressed the question of whether the PTAB could find claims 10 and 14 obvious based on grounds that were not raised against these claims in Garmin's IPR petition. The majority held that "[n]or does the IPR statute expressly limit the Board's authority at the final decision stage to the grounds alleged in the IPR petition. It simply authorizes the Board to issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." *Id.* at 1276-1277. Thus, the PTAB acted within its statutory authority when it found challenged claims 10 and 14 obvious based on an invalidity ground asserted against claim 17 in Garmin's petition for IPR. *Id.* The majority pointed to *In re Hiniker Co.*, 150 F.3d 1362 (Fed. Cir. 1998) to support its decision. In *Hiniker*, the Court found that an error in instituting reexamination based on defective art is "washed clean during the reexamination proceeding" when the final decision is based on art that could have supported institution. *Hiniker*, 1367. In *Cuozzo*, the majority concluded that "[t]he same is even clearer here, where § 314(d) explicitly provides that there is no appeal available of a decision to institute [trial]. The failure to cite those references in the petition provides no ground for setting aside the final decision." *Cuozzo*, 1277.

The Court has previously held that mandamus is not available for immediate review of the PTAB's decision to institute trial. *In re Procter & Gamble Co.*, 749 F.3d 1376, 1378-79 (Fed. Cir. 2014). In *Cuozzo*, the Court expressly declined to decide whether the decision to institute trial is reviewable by mandamus after the PTAB issues a final decision. The Court nevertheless observed that "mandamus may be available to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority." *Cuozzo*, 1277. However, it declined to provide mandamus relief based on the current facts because there was no clear and indisputable right that precluded institution of the IPR proceeding. *Id.* at 1278.

BRI is the correct claim construction standard for PTAB proceedings

Cuozzo also appealed the PTAB's finding of obviousness based on the broadest reasonable interpretation claim construction standard, arguing that application of the standard was in error.

The majority affirmed the PTAB's use of the BRI claim construction standard in IPR proceedings on two

separate grounds. First, the Court held that "Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA" when it did not explicitly provide for a different standard. *Id.* at 1281. The Court observed that "the broadest reasonable interpretation standard has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings" and that "this court has approved of the broadest reasonable interpretation standard in a variety of proceedings, including initial examinations, interferences, and post-grant proceedings such as reissues and reexaminations." *Id.* at 1287. The Court further observed that "Congress in enacting the AIA was well aware that the broadest reasonable interpretation standard was the prevailing rule [i]t can therefore be inferred that Congress impliedly adopted the existing rule of adopting the broadest reasonable construction." *Id.* at 1280. The Court rejected *Cuozzo's* argument that "judicial or congressional approval of the broadest reasonable interpretation standard for other [USPTO] proceedings is irrelevant here because the earlier judicial decisions relied on the availability of amendment, and the AIA limits amendments in IPR proceedings." *Id.*

Second, the Court approved the BRI standard for IPRs because "[e]ven if the broadest reasonable interpretation standard were not incorporated into the IPR provisions of the statute, the standard was properly adopted by PTO regulation." *Id.* at 1282. The Court noted that §316 "expressly provide[s] the PTO with authority to establish regulations setting the 'standards' for instituting review and regulating IPR proceedings." *Id.* (internal citation omitted). And the Court found that the adoption of BRI was a proper exercise of the USPTO's new rule making authority under the familiar framework set forth in *Chevron, U.S.A. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842 (1984).

The impact of *Cuozzo*

The long term impact of *Cuozzo* depends on the outcome of ongoing judicial and legislative activity related to this case specifically, and to post-grant USPTO review, including IPRs generally. A petition for *en banc* review of *Cuozzo* is currently pending. Regardless of the final outcome at the CAFC, a petition for review by the Supreme Court is likely given the importance of the issues. Additionally, two appeals asking for review of the USPTO's decision to institute trial in a covered business method (CBM) review under the Administrative Procedures Act are pending at the CAFC. *Versata Development Group v. SAP America, Inc.*, Appeal No. 14-1194; *Versata Development Group v. Lee*, Appeal No. 14-1145. The outcome of these appeals will likely have an impact on the appellate review of other post grant review processes, including IPRs. Finally, the Innovation Act introduced in the House, and the STRONG Patents Act of 2015 introduced in the Senate both seek to remove the BRI standard at the PTAB in favor of the "ordinary and customary meaning" standard used in district court litigation.

Procedural rules for post-grant review under the AIA are highly contentious because they can affect the balance of power between patent owner and challenger. While *Cuozzo* provides some initial guidance, considerable litigation will have to occur before we have clarity on these important issues.

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P.L.L.C.

Inhale, Inc. v. Starbuzz Tobacco—Inhale, Inc.’s Claim to Copyright Goes up in Smoke, Expensively

by Michael Scott Fuller - Friday, June 05, 2015

Plaintiff Inhale, Inc. began selling their hookah pipe shown in Figure 1 below in 2008.



Figure 1

Their pipe had an image of a skull and crossbones, but was otherwise nearly identical in shape to all other hookah bases. Hookah pipes consist of a base and a stem which connects to the top of the base. The stems in particular can be very ornately decorated (see Figure 2).



Hookahs have existed for hundreds of years and during this time, their particular shape has been refined

and perfected by its users and designers to optimize their function.

Inhale, Inc. applied for and received a copyright on the hookah base with skull and crossbones design in 2011. Shortly after receiving their copyright Inhale, Inc. sued the defendant Starbuzz for copyright infringement for making and selling a hookah pipe with a decorated stem and an identically shaped base but without the skull and crossbones design found on Inhale, Inc.'s hookah base.

The U.S. District Court held in Starbuzz's favor. Both parties agreed that the hookah base qualified as a "useful article" as defined in 17 U.S.C. 101. In order to qualify for copyright protection, "useful articles" must incorporate "sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the container." Here, the utilitarian nature of the hookah base—especially obvious when you look at pictures of other hookah pipes and see how similar they all appear—is readily apparent, and Inhale, Inc. was unable to convince the court that its "sculptural features" could be separated from its function.

Inhale, Inc. appealed this decision to the 9th Circuit Court of Appeals in 2013, which affirmed the District Court's decision in January 2014, stating that "the shape of a container is not independent of the container's utilitarian function—to hold the contents within its shape—because the shape accomplishes the function." Inhale, Inc.'s copyright was thus invalidated, allowing Starbuzz to continue marketing its hookah pipes.

Judge Bea of the 9th Circuit concurred in part with the majority's ruling but asserted that, because 17 U.S.C. 101 was "not ambiguous" about whether suggestiveness was an element of separability, it was "unnecessary to look to the Copyright Office for further guidance."

The 9th Circuit also affirmed the District Court's awarding of \$111,993 under the Copyright Act's fee-shifting provision, designed to deter frivolous assertions of infringement which both courts felt Inhale, Inc. had done in pursuing this case. The Court applied the 5 factors outlined in *Jackson v. Axton* (25 F.3d 884 (1994)) for determining whether a plaintiff had pursued a frivolous action or acted in bad faith— "[1] the degree of success obtained; [2] frivolousness; [3] motivation; [4] objective unreasonableness (both in the factual and legal arguments in the case); and [5] the need in particular circumstances to advance considerations of compensation and deterrence"—and held that the District Court did not abuse its discretion in awarding this amount.

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Is Social Media a ‘Place of Public Accommodation’?

by Jaconda Wagner - Friday, June 05, 2015

“Public accommodation” is a term defined under Title II of the Civil Rights Act (CRA) of 1964, which precludes discrimination or segregation on the basis of race, color, religion, or national origin (*See* 42 U.S.C. §2000a, *et seq.*) and the Americans with Disabilities Act (ADA), which precludes discrimination on the basis of disability (*See* 42 U.S.C. §12101, *et seq.*).

Under the CRA, “public accommodations” are establishments affecting interstate commerce such as lodgings for transient guests, facilities engaged in selling food for consumption on the premises, gas stations, places of exhibition or entertainment, and establishments located within an establishment covered by a subsection and holds itself out as serving patrons covered by such establishments. The ADA includes the categories enumerated under the CRA and adds places of public gathering, public transportation, public display or collection, recreation, education, sales or rental, exercise or recreation, and professional service and social service center establishments. Under both the CRA and the ADA, interstate commerce means “travel, trade, traffic, commerce, transportation, or communication — (A) among the several States; (B) between any foreign country or any territory or possession and any state; or (C) between points in the same State but through another State or foreign country.”

In the Advanced Notice of Proposed Rulemaking, Nondiscrimination on the Basis of Disability; Accessibility of Web Information and Services of State and Local Government Entities and Public Accommodation, 75 FR 43460, the Department of Justice acknowledged that communication over long distances is the heart of social media.

The Internet [] is changing the way individuals socialize and seek entertainment. Social networks and other online meeting places provide a unique way for individuals to meet and fraternize. These networks allow individuals to meet others with similar interests and connect with friends, business colleagues, elected officials, and businesses. They also provide an effective networking opportunity for entrepreneurs, artists, and others seeking to put their skills and talents to use. Websites also bring a myriad of entertainment and information options for Internet users—from games and music to news and videos. With the Internet, individuals can find countless ways to entertain themselves without ever leaving home.

The notice confirmed that the Department has repeatedly affirmed the application of Title III to websites. However, a clear standard does not exist because of the case law.

There are decisions holding that the ADA is *not* limited to physical locations: *Carparts Distribution Center, Inc. v. Automotive Wholesalers’ Ass’n of New England, Inc.*, 37 F.3d 12, 19 (1st Cir.1994) (“public accommodations” encompasses more than actual physical structures and included defendant insurance company); *Pallozzi v. Allstate Life Ins. Co.*, 198 F. 3d 28 (2d Cir. 2000), *reh’g denied*, 204 F.3d 392 (2d Cir. 2000) (ADA applies to insurance offerings); *Doe v. Mutual of Omaha Ins. Co.*, 179 F.3d 557, 559 (7th Cir. 1999) (includes public facilities “whether in physical space or in electronic space,” including websites); *Rendon v. Valleycrest Productions Ltd.*, 294 F.3d 1279 (11th Cir. 2002) (telephone-based selection process for “Who Wants to Be a Millionaire” was a discriminatory procedure that screened out disabled persons aspiring to compete on the show); *National Federation of the Blind v.*

Target Corporation, 452 F.Supp.2d 946 (2006) (District Court refused dismissal finding ADA required access).

Other courts have held that the ADA applies only to physical locations. See *Ford Schering-Plough Corp.*, 145 F.3d 601, 612-14 (3d Cir. 1998) (ADA not applicable to insurance policies); *McNeil v. Time Ins. Co.*, 205 F.3d 179 (5th Cir. 2000) (same); *Parker v. Metro Life Ins. Co.*, 121 F.3d 1006, 1010-13 (6th Cir. 1997) (same); and *Weyer v. Twentieth Century Fox Film Corp.*, 198 F.3d 1104, 1114 (9th Cir. 2000) (places of public accommodation are “actual, physical places”); *Access Now, Inc. v. Southwest Airlines, Co.*, 227 F. Supp. 2d 1312 (S.D. Fla. 2002), (dismissed when plaintiff could not demonstrate website impedes access to a physical location); *Noah v. AOL Time Warner Inc.*, 261 F. Supp. 2d 532 (E.D. Va. 2003) (dismissed because virtual chat room is *not an “establishment,”* under the plain meaning of term in Section 230 of Communications Decency Act).

Given the structure of the internet, its advancement since DOJ first affirmed the applicability of ADA regulations in 1996, and the parity of “commerce” under both the ADA and CRA, social media is a public accommodation; however, DOJ is considering language that clarifies posts created or posted by users for personal, noncommercial use are not covered. Similarly, DOJ is considering language that clarifies the regulations do not apply to informal, occasional trading, selling or bartering by private individuals. It appears that the question will remain unanswered until the new regulations are finalized.

WAGNER LAW is a full service IP practice that prepares and prosecutes domestic and foreign patent applications, particularly in the medical device, biotechnology, chemical and pharmaceutical areas, registers trademarks, conducts due diligence and clearance studies, and advises on copyrights, unfair competition, trade secrets, and technology transfer.

Jaconda Wagner, principal of WAGNER LAW, has 20 years of legal experience. Her primary practice, intellectual property, includes drafting and prosecuting patent applications, strategically developing IP portfolios, conducting due diligence and FTO analyses, drafting opinions and supporting IP litigators in the development of enforcement and defense strategies, and drafting IP agreements. Ms. Wagner has a breadth of experience, which was obtained in academia, government, corporate, and law firm environments, that enables Ms. Wagner to evaluate and approach projects in a broad, efficient and effective manner. Ms. Wagner has a keen interest in social justices and devotes a portion of the practice to civil rights, consumer fraud and civil remedies for victims of crimes.

Kienitz v. Sconnie Nation LLC

by Sandy Bartlett - Friday, June 05, 2015

In 1969 Paul Soglin was a student at the University of Wisconsin when he attended the first Mifflin, Wisconsin Street Block Party. Fast forward to 2012, Mr. Soglin was in his seventh term as Mayor of Madison, Wisconsin and he wanted to put an end to the annual block party. In protest against Mr. Soglin's actions, Sconnie Nation made and sold t-shirts and tank tops displaying Mr. Soglin's face and the phrase "Sorry for Partying." Sconnie Nation downloaded the image on the shirts from a professional photograph taken by Michael Kienitz. As a result, Kienitz brought a copy infringement action against Sconnie Nation and Underground Printing for the unauthorized use of his photograph.

The United States Court of Appeals, Seventh Circuit affirmed the magistrate judge's decision to grant summary judgment in favor of the defendants. The courts held that Sconnie Nation made fair use of the photo. The Seventh Circuit applied the fair use statutory defense to copyright infringement, 17 U.S.C. §107:

In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include ----

- The purpose and character of the use including whether such use is of a commercial nature or is for nonprofit educational purposes;
- The nature of the copyrighted work;
- The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- The effect of the use upon the potential market for or value of the copyrighted work.

The court noted the Second Circuit's improper conclusion that "transformative use" is enough to bring a modified copy into the scope of fair use under §107. See, e.g. *Cariou v. Prince*, 714 F.3d 694, 706 (2d Cir. 2013). The Seventh Circuit was skeptical to use this approach as it is not one of the above four statutory factors. The Supreme Court mentioned "transformative use" in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 568, 579 (1994), but the Seventh Circuit found that the Second Circuit went too far with its analysis linking "transformative use" and "fair use." Accordingly, the Seventh Circuit did not use *Cariou's* approach and the Seventh Circuit perceived "transformation" as a nonexclusive issue in a copyright infringement action lest it replace the statutory list above and override the protection of derivative works authorized in 17 U.S.C. §106(2). The court determined that the Second Circuit did not explain how "fair use" comes into play with "transformative use" without extinguishing the author's exclusive control afforded under §106(2) to protect the right to prepare derivative works of the copyrighted work.

Focusing its analysis solely on §107, the court found factors (3) and (4) to be the most relevant because very little of the copyrighted work remained in the defendants' work and their work did not have a significant effect on Kienitz's market for the copyrighted work. Sconnie Nation had only 54 sales and cleared a small profit. Kienitz does not argue that the defendants' products reduced the value or demand for the original photograph or interfered with any use he contemplated. The photograph was posted on a

public website for viewing and downloading without costs. There was no shown market harm.

The court found factor (3) to hold the most weight because the “Defendants removed so much of the original content that, as with the Cheshire Cat, only the smile remains.” The defendants used a low-resolution version from the website and as such, much of the original detail was not part of the new work. The background, colors, and shading were gone. The expression in Soglin’s eyes was incomprehensible and the lighting effect from the original work was barely there. Only the outline of Soglin’s face remained. The court concluded that the defendants could have started with a snap-shot taken on the street and achieved the same effect.

The court went on to say that since the defendants’ intention was to mock the mayor, and not comment on Kienitz’s skills as a photographer, there was no need to use Kienitz’ copyrighted photograph. The court called the defendants part of the “lazy appropriators.” There were several other noncopyrighted alternatives the defendants could have used, according to the court. The fair use privilege under §107 is to protect and facilitate uses that would not be possible if users had to always negotiate with copyright owners, academic uses, for example. Yet, this was not part of Kienitz’ argument.

Further, although Kienitz did not argue it, the court noted that as an established photographer, the defendants’ use could injure Kienitz’s long range commercial opportunities if his subjects thought his work would later be used against them. With this said however, the court noted that such consideration would not have been enough to offset the fact that the defendants’ resulting work left almost none of the copyrighted work and therefore was rightly found to be fair use under §107.

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Klinger v. Estate of Doyle

by Emily Billig - Monday, June 08, 2015

In his 1924 work “The Adventure of the Illustrious Client”, Sir Arthur Conan Doyle chronicles the quest of his famous detective, Sherlock Holmes, to seize a book belonging to the villainous Austrian Baron Adelbert Gruner in order to prevent the Baron’s marriage to the daughter of Holmes’ client. More than 90 years later, a different story of intrigue starring Holmes and book rights of another sort is playing out before U.S. courts.

Doyle was a prolific writer, publishing fifty-six stories and four novels featuring Holmes between 1887 and 1927 before his death in 1930. Due to a series of statutory extensions of U.S. Copyright Law over the past several decades, the copyrights on Doyle’s works published prior to 1923 expired in 1998, and the chronicles of Holmes’ adventures contained in those publications entered the public domain. The remaining works, a total of ten stories including “The Adventure of the Illustrious Client”, will enter the public domain between 2018 and 2022, depending on their respective first dates of publication. In the meantime, Doyle’s estate has embarked on its own quest to seize as many copyright royalties from the remaining ten stories as it can.

On February 14, 2013, author Leslie Klinger sued Doyle’s estate in a bid to prevent the estate from soliciting another \$5,000 licensing fee from the proposed publisher of one of Klinger’s anthologies of original Holmes stories. Klinger’s declaratory judgment action requested a determination that he may freely use the Holmes character from the fifty public domain tales, less any sufficiently copyrightable elements from the ten stories that remain under copyright. The estate countered that a “complex” character such as Holmes remains completely under copyright, despite the fact that some tales of his exploits have already entered the public domain, until the fully-“complexified” Holmes character, as finally revealed in later stories, enters the public domain. In essence, Klinger’s suit asked the court to consider whether copyright protection on a fictional character can be extended beyond its expiration due to modifications of the character appearing in later works. On appeal, in June of 2014, the Seventh Circuit held squarely that it could not. Thus, Klinger, and any other artist, was free to use the Holmes character in his original works, as long as he avoided any of the elements of Holmes’ character added only by the ten protected works. When the Supreme Court rejected the estate’s appeal of this ruling, Holmes (and his assistant Watson, also a subject of the suit) became property of the public domain in the United States.

Mr. Holmes is a fitting character for this analysis, not only because of the time period in which his adventures were published, but because he, as a literary character, is most securely protected by copyright law. By contrast, a more “visual” character like a cartoon may benefit from trademark law, whereby a cartoon character’s visual likeness (or hallmark slogan or other unique characteristic) may receive indefinite protection for its association with a certain individual or company. Literary artists such as Doyle are subject to the “copyright bargain”: a limited duration of protection up front in exchange for releasing the work thereafter to enrich the public domain.

But all is not lost for the Doyle estate. Although not directly at issue in the Klinger case, a few details pointed out by the Court leave openings for narrow slivers of copyright protection for the Holmes and Watson characters. The Court noted, for example, that in the final ten protected works, the reader learns

that Holmes has grown to like dogs, and that Watson has been married twice. The use of Holmes or Watson characters bearing these particular characteristics without the Doyle estate's permission would likely constitute copyright infringement. These "incremental additions" to the Holmes and Watson characters are exactly what the estate points to in their lawsuit, filed last month, against Miramax, LLC and Roadside Attractions LLC, whose U.S. premier of *Mr. Holmes*, a film about Holmes' retirement, is set for July 17, 2015. If certain details about the Holmes character depicted in the film are present in the ten protected works and not in any of Doyle's other published writings, the studios, as well as *Mr. Holmes*' director and the author and publisher of the book on which the film is based, may be liable. Until the last Holmes copyright expires in 2022, the Holmes anthologizer would be wise to take a close reading of both the literature and the law.

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Nautilus, Inc. v. Biosig Instruments, Inc.

by Royal William Craig - Friday, June 05, 2015

“Insolubly Ambiguous” is insolubly ambiguous. Nautilus, Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120, 572 US __, 189 L. Ed. 2d 37 (2014).

On June 2, 2014, the U.S. Supreme Court in Nautilus, Inc. v. Biosig Instruments, Inc., No. 13-369, gave patent claim drafters another reason to avoid extraneous adjectives such as “spaced.” Biosig’s U.S. Patent No. 5,337,753 describes a heart-rate monitor used with exercise equipment. Claim 1 reads on the handlebar-type monitor and requires two live electrodes and a common electrode “*in spaced relationship with each other.*”

The ‘753 patent issued in 1994. Ten years later Biosig sued Nautilus in the Southern District of New York, but when Nautilus filed for USPTO reexamination Biosig voluntarily dismissed without prejudice. Nautilus twice pursued reexamination and both times the USPTO confirmed patentability. Finally in 2010, Biosig re-filed the lawsuit. Early in 2011 the District Court held a Markman hearing and construed “*spaced relationship*” to mean “*a defined relationship between the live electrode and the common electrode on one side of the cylindrical bar and the same or a different defined relationship between the live electrode and the common electrode on the other side of the cylindrical bar*”. Armed with this claim construction and a recent holding in Halliburton Energy Services v. M-I[\[1\]](#), Nautilus won summary judgment. The District Court held that “*in spaced relationship with each other*” failed the 35 U.S.C. §112, ¶2 definiteness requirement because the specification and prosecution history “did not tell [the court] or anyone what precisely the space should be.”[\[2\]](#)

The Federal Circuit reversed and remanded, applying long-established precedent to conclude that a “spaced relationship” passes the §112, ¶2 threshold because the term is “amenable to construction” and is not “insolubly ambiguous.”[\[3\]](#)

Indeed, very few District Judges encountered claims that they were incapable of construing. Over the years the “incapable of construction/insolubly ambiguous” standard had eviscerated 35 U.S.C. §112, ¶2, and the Supreme Court had had enough.

Writing for a unanimous Court, Justice Ginsburg complained that the standard “leaves courts and the patent bar *at sea without a reliable compass.*” Id., 11–13 (emphasis added). He replaced the old compass with a subjective “reasonableness” test, holding that a patent is invalid “if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”

In other areas of the law the Supreme Court knows what is reasonable when they see it. Less certain of invalid patents, they simply handed the case back to the Federal Circuit to apply the new standard.

On Monday 27 April 2015 the Federal Circuit reached exactly the same conclusion that it had before, that the patent is not indefinite because “spaced relationship” when read in light of the specification and the prosecution history, inform with reasonable certainty those skilled in the art about the scope of the

invention.” This new §112 standard may not spike invalidity rulings, but it gives patent defense lawyers yet another golden opportunity, and claim drafters another reason to mind their adjectives.

[1] *Halliburton Energy Services, Inc. v. M-I LLC*, 514 F.3d 1244, 1249 (Fed. Cir. 2008). In *Halliburton*, the patent-at-issue was directed to a “fragile gel” that was used in drilling, e.g., a gel that is easily disrupted or thinned. The Federal Circuit had found no disclosure as to how fragile the claimed “fragile gel” was and invalidated the patent.

[2] The parties agreed that definiteness is to be evaluated from the perspective of a person skilled in the relevant art, that claims are to be read in light of the patent’s specification and prosecution history, and that definiteness is to be measured as of the time of the patent application. The parties disagree as to how much imprecision §112, ¶2 tolerates.

[3] The manner of claim interpretation that is used by courts in litigation is not the manner of claim interpretation that is applicable during prosecution of a pending application before the USPTO. In *re Zletz*, 893 F.2d 319, 322 (Fed. Cir. 1989). The established law in post-issuance patent infringement cases was that the definiteness requirement "does not compel absolute clarity" and "[o]nly claims ‘not amenable to construction’ or ‘insolubly ambiguous’ are indefinite" *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347 (Fed. Cir. 2005). The Federal Circuit has noted that the high standard for indefiniteness reflects the statutory presumption of patent validity.

Perfect 10, Inc. v. Giganews, Inc.

by Gregory Olakunle Olaniran - Friday, June 05, 2015

Plaintiff Perfect 10, Inc. brought an action against Defendants Giganews, Inc. and Livewire Services, Inc. each for (1) direct, contributory, and vicarious copyright infringement; (2) direct, contributory, and vicarious trademark infringement; (3) trademark dilution; (4) violation of California's Unfair Competition Law; and (5) violation of its right of publicity. Following an unwieldy procedural history, which included a change in venue, dismissal of certain claims, and amendment of Perfect 10's complaint, only the direct, contributory, and vicarious copyright infringement claims against Defendants remained.[\[1\]](#) In a three-part summary judgment ruling, the Court concluded that Defendants were not liable on any of the three claims.[\[2\]](#)

I. The Parties

A. Perfect 10

Perfect 10 produced and sold adult photographs, video productions, and other media primarily deriving revenue from selling access to these images on its website *perfect10.com*. The company owned copyrights to thousands of adult images, some of which were registered with the U.S. Copyright Office and some of which were pending registration; several trademarks – perfect 10, perfect10.com, and P10; as well as the right of publicity of some of the models in its photographs. Perfect 10 alleged that its business was almost entirely dependent on IP rights.

B. Giganews

Giganews owned and operated numerous UseNet servers, and provided its subscribers access to the content stored on its servers and on the servers of other UseNet providers. The UseNet is a subsection of the larger internet of all networked computers, much like the world-wide-web, which, though commonly referred to as the "Internet," is really a different subset of the internet governed by a different set of transfer protocols.

Content on the UseNet was primarily user-driven. Users posted text-based articles to online bulletin boards known as newsgroups, and each article received a unique Message-ID. This Message-ID was the only field truly unique to any UseNet article; the other fields could be manipulated by the users (*e.g.*, multiple users could enter anonymous@anonymous.com as their email address in the "Sender" field). Images, songs and videos could be embedded as binary files. Giganews offered its own program via its browser, Mimo, to decode these binary files and displayed them as images or audio files.

Based on a peering agreement to accept materials from each other, the UseNet members, shared content via servers and employed built-in processes to synchronize their shared information, subject to certain exceptions for duplicate articles (identified via their unique Message-IDs), articles already identified and deleted as infringing, and articles blocked based on information from the Internet Watch Foundation. Given the amount of material UseNet providers exchanged during the peering process, it was impossible

for any UseNet provider to know the content of the individual articles exchanged. *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, *supra* note 2, at *9-10. Giganews did not select, provide or solicit any of the content on its servers. *Id.* at *11.

C. Livewire

Livewire provided its customers with access to the UseNet by simply contracting with Giganews for access to its servers. It had no control over the content uploaded to, downloaded from, transmitted or stored on Giganews' servers. *Id.* at *12.

II. Direct Copyright Infringement

Perfect 10's direct copyright infringement claim rested on allegations that the Defendants copied, reproduced, distributed, adapted, and/or publicly displayed works copyrighted by Perfect 10, thereby violating its exclusive rights. However, the Court found that "Defendants' automated, content-neutral systems [were] not the *direct cause* of any infringement at issue." *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *1.

A claim for direct copyright infringement requires the plaintiff to show: (1) ownership of the allegedly infringed material; and (2) the alleged infringers violated at least one exclusive right granted to copyright holders under 17 U.S.C. § 106. *Id.* at *19 (citing *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001)). Because Perfect 10's ownership of the copyrights was undisputed, the claim for direct infringement turned on whether the Defendants violated any of Perfect 10's exclusive rights.

Direct infringement is a strict liability tort. Meaning, there is no intent element or consideration of the alleged infringer's mental state. *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *19 (citing *Educational Testing Service v. Simon*, 95 F.Supp.2d 1081, 1087 (C.D. Cal. 1999)). Causation turns on "who made [the] copy," *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *21 (quoting *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 131 (2d Cir. 2008)), and liability thus attaches only if the Defendants "*actively* engage in one of the activities recognized in the Copyright Act." *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *21 (quoting *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F.Supp.2d 1146, 1168 (C.D. Cal. 2002)).

The Court's analysis focused on *Religious Tech. Ctr. V. Netcom On-Line Communication Servs., Inc.* ("*Netcom*"), 907 F. Supp. 1361, 1370 (N.D. Cal. 1995), which held that "although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party." Noting that the 9th Circuit had not spoken on the issue, the Court determined that although both the 2nd and 4th Circuits had adopted *Netcom*'s causation analysis, each had misinterpreted *Netcom*'s "volition" reference as imposing a knowledge, state-of-mind, or awareness requirement on the defendant. *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *24-*25. Indeed, the lengthy *Netcom* decision only used the term "volition" twice, and both times it was coupled with a reference to causation. *Id.* at *25, n. 11. Thus, a claim for direct liability does not consider any intent or willfulness but rather requires plaintiffs to show the defendants themselves engaged in the infringing activity or directly caused the infringement.

The Court further echoed many courts' growing reluctance to hold internet service providers strictly liable for the discrete acts of third party copyright infringers. A multitude of parties are involved in the establishment and maintenance of the Internet, and holding these parties liable for infringing material that happened to be stored on or passed through their facilities would tip the balance too far in favor of copyright holders to the detriment of others engaged in unrelated areas of commerce. *Id.* at 23.

Granted, Giganews charged a flat monthly subscriber fee, Perfect 10 provided no evidence that Giganews specifically sold access to Perfect 10's copyrighted materials, or to erotic material, as opposed to access to the UseNet in general. *Id.* at *33-*34. The fact that some of Giganews' subscribers posted infringing material to its servers warranted consideration for a secondary, not a direct, copyright infringement claim. *Id.* at *34; *see also Giganews, Inc.*, 2013 U.S. Dist. LEXIS 71349, *supra* note 1, at *25.

The Court likened Giganews' activities to a copy store selling access to a copy machine that third parties then use to infringe a copyright. *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183592, at *34. Similarly, Livewire, which did not, and could not, modify, edit, delete or otherwise alter content on Giganews' servers but rather merely assigned its content-neutral right of access to the UseNet to its own end-users, could not be held liable for directly infringing Perfect 10's copyrights. *Id.* at *37-38.

III. Secondary Copyright Infringement

A. Vicarious Infringement

To be held vicariously liable for copyright infringement, the defendant must have *both* "(1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity." *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, *supra* note 2, at *7 (quoting *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n ("Visa")*, 494 F.3d 788, 806 (9th Cir. 2007)).

A financial benefit exists, no matter how insubstantial it is in proportion to the defendant's overall profits, *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *8 (quoting *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004)), if the infringing material in any way acts as a draw for the defendant's customers. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *8-*9 (quoting *A&M Records, Inc. v. Napster, Inc. ("Napster")*, 239 F.3d 1004, 1023 (9th Cir. 2001)). Even so, there must be a direct causal connection between the specific copyrighted material at issue – *e.g.*, Perfect 10's copyrighted images – and the financial benefit to the defendant, namely, Giganews' subscription fees. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *9. Perfect 10's evidence that Giganews is awash with infringing material undermined its argument that Giganews' subscribers were drawn to the service specifically to unlawfully obtain Perfect 10's content. *Id.* at *10-*11. Furthermore, Perfect 10 presented no evidence that Giganews either attracted new users solely due to the infringing material available on its servers or lost users when such infringing material was eventually blocked. *Id.* at *12.

The Court distinguished the instant case from *Arista Records LLC v. UseNet.com, Inc. ("Arista Records")*, 633 F.Supp.2d 124, 157 (S.D.N.Y. 2009), because the magistrate judge in *Arista Records*, as a consequence of a discovery sanction, had already granted an adverse inference against the defendant that the infringing music acted as a draw to the service's users. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *14. The Court also distinguished this case from *Napster*, where the defendant's service was

almost exclusively designed and promoted to enable users to exchange music unlawfully. *Id.* In the instant case, there was no evidence that access to Perfect 10's copyrighted works in any way influenced any individual user's decision to subscribe or not to subscribe to Giganews. *Id.* at *15.

Because Perfect 10 could not show any direct financial benefit to Giganews from the availability of its content, the Court did not reach the other element of vicarious infringement – Giganews' "right and ability to supervise or control its users' allegedly infringing activity." *Id.* at *16-17.

B. Contributory Infringement

Contributory infringement occurs when a defendant has (1) knowledge of a third party's infringing activity and (2) either (a) materially contributes to or (b) induces that infringement. *Id.* at *17 (quoting *Visa*, 494 F.3d at 795). The Ninth Circuit has held that consistent with *Grokster*,^[3] the "material contribution" and "inducement theories" can be applied alternatively, *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *18, but that both require knowledge of the infringement that goes beyond "a generalized knowledge...of the possibility of infringement." *Id.* at *20 (quoting *Ludvarts, LLC v. AT&T Mobility, LLC*, 710 F.3d 1068, 1072 (9th Cir. 2013)). Perfect 10 failed to meet this threshold knowledge requirement.

A system capable of, and used for, substantial non-infringing purposes will not automatically be held contributorily liable because it also allows for the exchange of copyrighted material. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *20. Perfect 10 argued Giganews had constructive knowledge of the alleged infringement because vast amounts of infringing material could be found on Giganews' servers. However, the only evidence proffered in support of this contention was Perfect 10's expert testimony, which was excluded as lacking foundation. *Id.* at *21. Furthermore, "'general awareness that infringement may be occurring' is irrelevant to the specific question of whether a particular defendant violated a particular copyright held by a particular plaintiff." *Id.*^[4]

Further, a proper takedown notice can confer actual knowledge, *id.* at *24, but those that do not substantially comply with the DMCA requirements "shall not be considered...in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent." *Id.* (quoting 17 U.S.C. § 512(c)(3)(B)(i)). Perfect 10's takedown notices to Giganews did not meet the DMCA requirements. Rather, Perfect 10 simply sent screenshots of newsreader windows with instructions to conduct searches of Giganews' servers to recreate the results memorialized in the screenshot and to then cross-reference those Message-IDs for infringing posts. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *25. This did not give "information reasonably sufficient to permit the service provider to locate the material" under 17 U.S.C. § 512(c)(3)(A)(iii) because the searches yielded inconsistent results when conducted on different days or even at different times on the same day. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *25-26. Furthermore, because searches could yield both infringing and non-infringing posts, Giganews could not simply take down all of the messages returned and Perfect 10 could not in good faith affirm that the use of the material in the complaint was not authorized by the copyright owner, its agent, or the law. *Id.* at *27.

It was not Giganews' duty to conduct such investigative work; Perfect 10 was obligated to police its own copyrights. *Id.* at *30. The law "place[s] the burden of...identifying the potentially infringing material and

adequately documenting the infringement...squarely on the shoulders of the copyright owner.” *Id.* at *32 (quoting *Perfect 10 Inc. v. CCBill*, 488 F.3d 1102, 1113 (9th Cir. 2007)). Perfect 10’s failure to meet that burden was considered more egregious in light of the fact that it was aware of and used a much simpler method to extract Message-IDs with infringing material, but refused to do so in its takedown notices. *Giganews, Inc.*, 2015 U.S. Dist. LEXIS 183590, at *32.

Consequently, the Court found there was no evidence that Giganews had any knowledge of any infringing content other than those for which Perfect 10 provided DMCA-compliant takedown notices with legible Message-IDs. *Id.* at *31. Notably, per its takedown policy, Giganews promptly blocked access to those messages. *Id.* As such, the court did not address the second element under either the material contribution or inducement theory.

IV. Conclusion

Given that Defendants employed a content-neutral system to provide access to its materials; derived no direct financial benefit from the availability of Perfect 10’s materials on Giganews; and lacked specific knowledge of the particular infringement alleged, Defendants were not found liable for direct, vicarious, or contributory infringement.

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[1] Defendants motion to dismiss all of Perfect 10’s claims was granted with leave to amend, except for the state law claims asserted, which were dismissed outright. *Perfect 10, Inc. v. Giganews, Inc.*, 2013 U.S. Dist. LEXIS 71349, *1 (C.D. Cal., Mar. 8, 2013). In considering the amended claims, despite finding that the allegations were still weak and based on information and belief, the court found it was “sufficiently plausible” that Giganews and Livewire, by selling access to Giganews’ servers, directly infringed Perfect 10’s copyright infringement. *Perfect 10, Inc. v. Giganews, Inc.*, 2013 U.S. Dist. LEXIS 98997, *8 (C.D. Cal., July 10, 2013). Perfect 10’s claims against Livewire for secondary infringement were dismissed, as Perfect 10 did not sufficiently allege Livewire, which was never served with any takedown notices, had knowledge of the infringing images or could control its clients and the information they shared or accessed. *Id.* at *11-15.

[2] See *Perfect 10, Inc. v. Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183590 (C.D. Cal., Nov. 14, 2014);

Perfect 10, Inc. v. Giganews, Inc., 2014 U.S. Dist. LEXIS 183592 (C.D. Cal., Nov. 14, 2014); and *Perfect 10, Inc. v. Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183595, *1 (C.D. Cal., Nov. 14, 2014). The Court declined to reach the question whether Giganews qualified for the DMCA safe harbor per 17 U.S.C. § 512. *Perfect 10, Inc. v. Giganews, Inc.*, 993 F. Supp. 2d 1192 (C.D. Cal. 2014); see also *Giganews, Inc.*, 2014 U.S. Dist. LEXIS 183595, at *1. Defendants were also awarded nearly \$6 million in reasonable attorneys' fees and non-taxable costs. *Perfect 10, Inc. v. Giganews, Inc.*, 2015 U.S. Dist. LEXIS 54063 (C.D. Cal., Mar. 24, 2015).

[3] *Metro-Goldwin-Mayer Studios, Inc. v. Grokster, Ltd.* (“Grokster”), 545 U.S. 913 (2005).

[4] Quoting *Viacom Int'l. v. YouTube, Inc.*, 676 F.2d 19, 35 (2d Cir. 2012), cited with approval in *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1023 (9th Cir. 2013).

Richards v. Merriam Webster, Inc.

by Charles L Simmons - Friday, June 05, 2015

Does the “fair-use doctrine” protect wholesale copying of word definitions that may have been in the public domain for decades, or in some instances centuries? Not according to a September 2014 opinion from the United States District Court for the District of Massachusetts.

James T. Richards (“Richards”) brought an action for declaratory judgment against Merriam Webster, Inc. (“Webster”). In his Complaint, Richards recounts his personal history and his early struggles with the English language. In 1976, he “realized that his own reading skills, which were mediocre, could be greatly improved if he learned the meaning of all the words in a Collegiate®/college dictionary.” Richards set out to read the *Merriam-Webster Collegiate Dictionary*, which he did six or seven times.

Richards’ asserts that his score on the verbal portion of the SAT rose from 560 to 740 after his efforts at dictionary reading. When Richards took the LSAT, he scored above the 99.8th percentile. Richards accredits much of his success to his time spent thumbing the pages of his *Webster’s* dictionary.

Richards conceived of a “textbook dictionary” to help those with poor reading abilities and poor reading comprehension. While a standard dictionary was used by Richards, he believed that a textbook format for the words and definitions, along with verbal illustrations, could improve reading comprehension skills. Richards developed the concept of a textbook style format in which words and definitions were presented on a page in larger type and without multiple columns, so “everything wasn’t crammed together.” The textbook format would allow the user to customize her own reading experience. Essentially, Richards wanted students and adults struggling with reading comprehension to be able to read the dictionary like a book. Richards planned to disseminate his textbook to the world, free of charge.

To realize his vision, Richards downloaded a large portion of the copyrighted Eleventh Edition of Webster’s dictionary from CD-ROM. By some accounts in the legal filings, Richards downloaded 70% or more of content of the Eleventh Edition. It took Richards about four months to complete his initial download. Richards then modified the entries for certain words by changing font sizes, adding emphasis, adding verbal illustrations, removing etymological history, removing pronunciation clues, and removing archaic and obsolete terms.

Richards then approached Webster, in writing, requesting permission to use “virtually all” of the material in the Eleventh Edition for his textbook dictionary. Webster denied Richards’ request. Richards filed a complaint seeking a declaration that publication of his textbook dictionary would not violate Webster’s copyrights in the Eleventh Edition. Richards presented two primary arguments: (a) that some of the Eleventh Edition’s content was copied from earlier dictionary versions and that content is in the public domain; and (b) that Richards’ use of Webster’s content constituted fair use.

The District Court quickly disposed of Richards’ public domain argument. Richards contended that Webster failed in discovery responses to identify which words and definitions are now in the public domain. Not a bad argument! The Court found, however, that Richards was not seeking to use only those portions of Webster’s content that had entered the public domain. Instead, Richards was seeking to use

the work as a whole. In this way, the Court sidestepped the very tedious task – for Webster and the Court -- of defining what portions of the Eleventh Edition were in the public domain and therefore free for Richards to use as he saw fit. (Note that no argument was presented that Webster held copyrights in *the collective work or compilation* of words and definitions that were in the public domain.)

The Court next turned its attention to Richards' fair-use argument. Richards cited the four factors of 17 U.S.C. §107 used in the factual determination of whether a reproduction constitutes fair use: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

Although historically the effect of the use upon the potential market was deemed to be the most determinative factor, recent decisions by the Second Circuit indicated a sea change -- whether the reproduction was "transformative," in the context of the purpose and character of the use, was the most important factor. *See, e.g., Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013); *Authors Guild v. Hathi Trust*, 755 F.3d 87 (2d Cir. 2014). In *Cariou*, the court found "transformative" to mean adding "something new, with a further purpose or different character." The chance of success on a fair-use argument increases if the reproduction is truly transformative.

Richards argued that his work was transformative; that it was a new way of presenting stale and "crammed" up content to a user that would improve reading comprehension. In its discussion of the purpose and character of use, the Court focused not on the qualitative transformation of the work but instead renewed its emphasis that a significant portion of content from the Eleventh Edition was used and that the other three fair-use factors were heavily against Richards. In so finding, the Court gave less weight to the purpose and character of the use factor.

Indeed, the Court seemed to revert to the tried and true market effect factor. The Court accepted (although without dispute from Richards) that Richards' use would "impede the market share and profitability of [Webster's] online dictionary." With respect to the nature of the work factor, the court accepted Webster's position that dictionary definitions "represent Merriam Webster's unique perspective and opinion as to what words mean," essentially ascribing creative focus to what might otherwise be considered factual recitations. Finally, the Court agreed with Webster that Richards' use of "the majority of the copyrighted work" militated against finding fair-use.

In sum, although Richards' claimed intended use was laudable, the Court found that such a substantial use of the protected work, with the probability of significant market harm, outweighed any transformative nature of the work. The Court granted summary judgment in Webster's favor. The docket indicates no appeal of the decision by Richards. At least for now, we will not know whether a "textbook dictionary" can dramatically improve reading and comprehension in the real world. This is an unfortunate consequence of the decision.

Although Richards represented himself *pro se*, his court filings were cogent and his arguments had merit, regardless of the outcome. It is not clear whether he ever attended law school or practiced law, but if not he should have! One thing is certain: Richards' dictionary reading as a young man gave him the tools to ably present and advocate his case. So the method worked, at least for Richards.

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SDNY Finds Fair Use by Media Monitoring Service

by Louis Joseph Levy - Friday, June 05, 2015

On September 8, 2014, a federal court found that a company's monitoring and recording of content broadcast by television and radio stations for use in a searchable database used by a broad range of government and private subscribers constituted a permissible fair use of copyrighted material. *Fox News Network, LLC v. TVEyes, Inc.*, 13 Civ. 5315, S.D.N.Y. (September 8, 2014).

TVEyes, Inc. ("TVEyes") recorded the content of more than 1,400 television and radio stations. Subscribers to this service, including the White House, 100 current members of Congress, and major news agencies and businesses and others, use search terms to determine how, when and where the specific terms were used, and obtain transcripts and video clips of the broadcasts containing those terms. *Slip op.* at 1. Fox News sued, claiming that TVEyes had copied and distributed clips of its programs, thereby infringing Fox's copyrights in these works. TVEyes conceded that it had infringed Fox's copyrights, but asserted a defense of fair use.

To determine whether infringing use of a copyrighted work is a fair use, a court will apply the following factors:

- The purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;
- The nature of the copyrighted work;
- The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- The effect of the use upon the potential market or value of the copyrighted work.

17 U.S.C. §107. "The ultimate test of fair use," the Court noted, "is whether the copyright law's goal of promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it." *Slip op.* at 12 (*internal citations omitted*).

Applying these factors, the Court focused most heavily on the purpose and character of the use, and specifically, on whether TVEyes' use of the content was "transformative," i.e., did it "add [] something new, with a further purpose or different character, altering the [original work] with new expression, meaning or message." *Slip op.* at 13 (*internal citations omitted*). Citing the Second Circuit decision in *Authors Guild, Inc. v. Hathi Trust*, 755 F3d 87 (2d Cir. 2014), the Court added that "[t]ransformation almost always occurs when the new work 'does something more than repackage or republish the original copyrighted work.'" *Id.* Hathi Trust's creation of a full-text search database, the Second Circuit held, was "quintessentially transformative" because the search results served a different character, meaning and purpose from that of the original works involved. *Id.* at 97. Applying the 2nd Circuit's reasoning, the court ruled that "TVEyes search engine, together with its display of results and clips, is transformative because "it serves a new and different function from the original work and is not a substitute for it." *Slip op.* at 19 (*internal citations omitted*).

The Court's application of the remaining factors is shaped by this analysis. Turning to the "nature of the

copyrighted work,” the Court found that, notwithstanding the nature of Fox’s original work, “where the creative aspect of the work is transformed, as is the case here, [this] factor has limited value. *Slip op.* at 21.

With respect to the amount and substantiality of the portion used in relation to the copyrighted work as a whole, the Court stated that this factor “does not . . . counsel a simple, crude quantitative comparison.” Rather it asks “whether the secondary use employs more of the copyrighted work than is necessary, and whether the copying was excessive in relation to any valid purpose asserted under the first factor.” *Slip op.* at 21 (*internal citations omitted*). Here, the Court held that TVEyes’ copying the entire work was “necessary to accomplish the transformative function or purpose” in so far as its database depended on the copying of everything the television and radio stations broadcast. *Slip op.* at 21-22. This factor therefore did not weigh in favor of either party.

Turning to the final factor, the Court held that there was no evidence to support a conclusion that TVEyes service was a substitute for watching Fox News, and hence, no evidence that Fox suffered economic harm. The Court also noted that TVEyes provided a significant public benefit by offering the only method for subscribers to sift through hours of television and radio broadcasts. *Slip op.* at 26.

This decision applied only to TVEyes’ copying for indexing and clipping services for its subscribers. The Court specifically did not rule on whether the fair use defense applied to the full range of TVEyes’ services, including allowing subscribers to save, archive, download, email and share clips of Fox’s television programs. Those issues remain before the Court.

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Space Law and Intellectual Property Law

by Samuel Gompers - Thursday, June 11, 2015

As private companies enter and compete in the field of rocket launch and space services at an ever quickening pace, space law is becoming a burgeoning area of legal practice. Many ventures are bringing considerable expertise to bear on all areas of earth and space sciences, such as the development and launching of new rockets for space tourism, lunar and inter-planetary use, in addition to the design of increasingly small and highly specialized satellite payloads. The foundational document of space law, the “Outer Space Treaty”, lays out, for instance, proscriptions against weaponizing space, as well as national appropriation of planets and other solar system bodies. *Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies*, Jan. 27, 1967, 18 U.S.T. 2410, 610 U.N.T.S. 205. Though explicitly directed toward state actors, it has long been debated whether private entities may be immune from such prohibitions. Typically however, the practice of space law has dealt with more mundane (inasmuch as rocket launches can be considered “mundane”) issues of insurance and liability, licensing and contracts, environmental protection, as well as export control agreements and other international treaties.

An illustrative example is the explosion and loss of Orbital Sciences Corp.’s (now Orbital/ATK) Antares rocket along with its Cygnus capsule. The launch to resupply the ISS (International Space Station) was scheduled to take place on October 28, 2014 from Virginia’s Wallops Flight Facility launch complex, in Maryland’s own backyard. Although ignition was successful and the unmanned rocket began its ascent, a malfunctioning first-stage engine caused a catastrophic explosion several seconds after lift-off.

<http://www.nbcnews.com/science/space/orbital-says-antares-rocket-explosion-likely-caused-worn-bearings-n341566>. (Apr. 14, 2015). The contract between Orbital and NASA included certain milestone payments: one for ignition and liftoff and a separate one for “mission success”, that is, delivery of payload. Since Antares successfully lifted off after ignition, Orbital received payment from NASA for that portion of the contract, while it did not receive payment for delivery due to the loss of the Cygnus payload during the explosion. Orbital had however purchased insurance coverage for the payload delivery portion of the mission, and was therefore compensated for that loss. Thus they essentially suffered no financial loss as a result of the explosion, but have voluntarily paid a portion of the expenses to repair the launch facilities.

Until very recently, intellectual property rights pertaining to space have not been the focus of much legal attention for practical reasons: humans haven’t been in the habit of patenting, copyrighting, or trademarking anything while in or near space. That is beginning to change as SpaceX battles Blue Origin in a patent dispute concerning a feat of engineering that, if successful, will probably revolutionize the rocket launch business. <http://ipinspace.com/>. (Mar. 16, 2015). SpaceX, founded by Elon Musk, is one of the key launch providers in the space industry for both private clients as well as NASA, as one of its cargo suppliers to the ISS. Though long a staple of science fiction, vertical landing of rockets has never been successfully achieved. Rockets are generally non-reusable. Although some types of solid rocket boosters (SRBs) can be recovered and reused, like those that were used with the Space Shuttle, the majority of booster stages employing liquid propellants are expendable, falling into the ocean or burning up in the atmosphere after delivering their payload. SpaceX is trying to ameliorate that waste and expense by perfecting land and sea-based vertical landing and recovery of a rocket booster stage, the Falcon9,

rendering it reusable and thus saving millions of dollars in launch costs, in addition to quickening the turnaround time for new launches. To date, there have been two landing attempts at sea, both failures, though the attempt in April, 2015 nearly succeeded. <http://www.space.com/29111-spacex-reusable-rocket-landing-test-video.html>. (Apr. 15, 2015). Aside from the technical challenges, there's only one thing standing in SpaceX's way—Blue Origin. Blue Origin, founded by Amazon's Jeff Bezos, is also developing a reusable rocket, "New Shepard", which too will employ vertical landing/recovery, and is the subject of the dispute with SpaceX. <https://www.blueorigin.com/technology>

Blue Origin was granted Patent No. 8,768,321 (the '321 patent) on March 14, 2014, for "Sea landing of space launch vehicles and associated systems and methods", with a priority date of June 15, 2009. The patent included fifteen claims for methods and systems of launching a rocket, powering off a booster stage with separation from the payload section, and then reigniting the stage for descent, orienting it vertically with its tail section toward the ocean, and ultimately landing it upright on a platform at sea after receiving positional information of the platform. Blue Origin however has never put the patent to practice in an actual launch scenario. On August 25, 2014, SpaceX petitioned for an inter partes review (IPR) of the '321 patent. *Space Exploration Techs. Corp. v. Blue Origin LLC, Case IPR2014-01376, Paper 2, (P.T.A.B. Aug. 25, 2014) (Petition for Institution of Inter Partes Review)*. IPR became available under the America Invents Act (AIA) on September 16, 2012, as a new avenue of challenging the validity of an issued patent, replacing inter partes reexamination. 35 U.S.C. § 311. SpaceX alleged in its petition that Claims 1-13 were anticipated by and obvious over a technical publication by Ishijima (a primary reference used to disclose the stage separation and oriented recovery scheme described in the '321 patent) in combination with several other patents. *IPR2014-01376, Pet. at 4*. Meeting the standard for commencement of review described in 35 U.S.C. 314(a), "that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged", an IPR was instituted on March 3, 2015. *IPR2014-01376, Paper 7, (P.T.A.B. Mar. 3, 2015) (Decision Granting Institution of Inter Partes Review)*. The PTAB has up to a year to conclude the proceedings. 35 U.S.C. § 316(a)(11). Interestingly, the PTAB did not grant a separate petition by SpaceX concerning claims 14 and 15, which covered a system using the powered landing/reuse feature. *Space Exploration Techs. Corp. v. Blue Origin LLC, Case IPR2014-01378, Paper 6, (P.T.A.B. Mar. 3, 2015) (Decision Denying Institution of Inter Partes Review)*. Both were means-plus-functions claims deemed indefinite by the Board due to lack of a corresponding structure described in the specification, and therefore "not amenable to construction." *Id. at 8*. Allegations that claims are unpatentable via IPR are limited to anticipation and obviousness, not indefiniteness. 35 U.S.C. § 311(b). Thus, the Board concluded that they could not determine whether SpaceX could show a reasonable likelihood of prevailing on those claims. *Id. at 9*.

In the meantime Blue Origin filed for a reissue application of the '321 patent, on December 3, 2014. Application No. 14/559777 included an amended specification and substantial number of new claims. Reissue applications under 35 U.S.C. §251 endeavor to correct errors in an original patent rendering it wholly or partially invalid, and if a new patent is granted, the '321 patent would be surrendered. 35 U.S.C. § 252. The possible resulting scenarios of the prosecution of this application and the outcome of the IPR are intriguing to say the least. Obviously the most devastating result for Blue Origin would be if the IPR was successful and all original claims of the '321 patent were ruled invalid, along with a failure to receive a reissue patent. SpaceX could even petition for an IPR on the reissue patent as well. But a more interesting case is if claims survive, via IPR or reissue, with additional limitations, which, given the seemingly strong prior art references cited by SpaceX, would likely be rather narrow in scope. For

instance, the specter of intervening rights arises if a reissue is granted and any of the (narrower in scope) patentable claims read on SpaceX's activities. Liability for infringement of these product claims could be avoided if the infringing activity began prior to the grant of reissue, or if "substantial preparation was made before the grant of reissue." *Id.* The dispute at hand however centers essentially on method claims. In that event "the court may also provide for the continued practice of any process patented by the reissue that is practiced, or for the practice of which substantial preparation was made, before the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue." *Id.* SpaceX, which already had stocks of booster stages on hand and had begun landing attempts using the methods described in the reissue application, is in good position to escape a determination of infringement through such equitable intervening rights.

The preceding engagements are just a small taste of the sorts of intellectual property topics currently related to space activities. Copyright issues are also becoming manifest in at least two prominent arenas: imaging and 3-D printing. As more companies build and orbit more specialized and sophisticated imaging satellites, ownership and associated rights of those collected images will need to be carefully spelled out in any business contracts. Additionally, activities aboard the ISS, specifically the production of 3-D printed tools and other objects, encounter both international treaty as well as copyright. To date there have been over 20 items produced by 3-D printing on the ISS. <http://3dprint.com/40026/3d-printing-in-space/>. (Jan. 27, 2015). The Maryland IP attorney will need to pay close attention to these rapidly growing list of issues, given the proximity of numerous agencies associated with the space industry: U.S. Patent and Trademark Office, the Mid-Atlantic Regional Spaceport (MARS) at Wallops Island on Virginia's Eastern Shore, NASA Headquarters and NASA/Goddard, NOAA, in addition to the army of private tech companies dotting the DC and northern Virginia suburbs.

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.: Differing Standards of Appellate Review of Claim Construction

by Gaby Lorraine Longworth - Friday, June 05, 2015

The claims of a patent define its invention. Accordingly, interpreting the meaning of patent claims, "claim construction," is an important part of patent litigation. In 1996, the United States Supreme Court held in *Markman v. Westview Instruments, Inc.* [1] that claim construction is a question of law that falls within the province of a judge, and not a jury. [2] A judge interprets the claim language as "a person of ordinary skill in the art" would have done at the time of invention by considering "intrinsic evidence" (claim terms, the specification, and prosecution history of the patent) and "extrinsic evidence" (expert testimony, dictionaries, etc.). [3] *Markman*, however, did not expressly address the standard for reviewing claim construction decisions on appeal.

Since *Markman*, the Federal Circuit has reviewed claim construction decisions, including their underlying factual determinations, *de novo*. [4] But, on January 20, 2015, the Supreme Court in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* [5] reversed this approach as running counter to Federal Rule of Civil Procedure 52(a)(6). [6] Rule 52(a)(6) states that the "findings of fact" must not be set aside on appeal unless they are clearly erroneous. [7] The *Teva* decision is another example of the Supreme Court overturning the Federal Circuit on patent law issues.

In a 7-2 decision authored by Justice Breyer, the *Teva* Court held that while the ultimate issue of claim construction is a question of law subject to "*de novo*" review, its underlying factual determinations based on extrinsic evidence are subject to "clear error" review. [8] The Court analogized claim construction with construction of written instruments such as deeds and contracts, where the ultimate construction is a question of law but the subsidiary factual determinations based on extrinsic evidence are findings of fact reviewed for clear error. [9] The Court also cited precedent and practical considerations to support its holding. The Court reasoned that "[a] district court judge who has presided over, and listened to, the entirety of a proceeding has a comparatively greater opportunity to gain [] familiarity [with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience] than an appeals court judge who must read a written transcript or perhaps just those portions to which the parties have referred." [10]

Providing guidance on how to apply the standard, the Court stated that when a district court uses only the intrinsic evidence to interpret claims, that determination "amount[s] solely to a determination of law" and must be reviewed *de novo* on appeal. [11] However, when a district court "look[s] beyond the patent's intrinsic evidence and [] consult[s] extrinsic evidence in order to understand, for example, the background science or the meaning of a term," this "subsidiary factfinding must be reviewed for clear error on appeal." [12]

The Court disagreed that the new standard would make the review difficult for the Federal Circuit or bring less uniformity to claim construction because there was no showing that "divergent claim construction stemming from divergent findings of fact (on subsidiary matters) should occur more than occasionally," because "the Federal Circuit will continue to review *de novo* the district court's ultimate interpretation of the patent claims," and "subsidiary factfinding is unlikely to loom large in the universe of

litigated claim construction."[\[13\]](#)

The dissent, written by Justice Thomas and joined by Justice Alito, argued that claim construction does not involve findings of fact and therefore Rule 52(a)(6) does not apply.[\[14\]](#) The dissent reasoned that determinations in claim construction resembled determinations underlying statutory construction, which are conclusions of law, and must be reviewed *de novo*.[\[15\]](#) The dissent also raised the concern that the majority decision would destroy the uniformity of claim construction and would lead to fewer precedential claim construction decisions by the Federal Circuit.[\[16\]](#) The dissent further noted that a party prevailing in district court on claim construction would have an opportunity and incentive to argue on appeal that the district court's construction was based on findings of fact subject to clear error review.[\[17\]](#)

Although the full implications of *Teva* remain to be seen, it is clear that the Federal Circuit will need to distinguish between factual and legal determinations, and extrinsic and intrinsic factual determinations, in a district court's claim construction. The Federal Circuit might also find intrinsic evidence dispositive to justify its *de novo* review of a district court's claim construction decision.

In the 4 months since *Teva*, the Federal Circuit has applied the new standard in 27 cases, which include not only the cases addressing district court claim construction decisions, but also the cases addressing the Patent Office's claim construction decisions[\[18\]](#) in *inter partes* reviews and reexaminations and during prosecution. As expected, the Federal Circuit first identified whether the claim construction relied on extrinsic or intrinsic factual determinations, and then it applied the appropriate standard of review. Interestingly, the Federal Circuit found only about 10% of the claim construction decisions to rely on extrinsic evidence and applied clear error review. In addition, the Federal Circuit overturned about 40% of claim construction decisions.

After *Teva*, district courts may rely more on extrinsic factual findings and conduct evidentiary hearings during claim construction to ensure clear error review of their decisions on appeal. In addition, Markman hearings may turn into protracted, trial-like battles of the experts, particularly in technological arts, such as biotechnology, pharmaceuticals, and computer sciences, or in new arts, where district courts need expert testimony to help interpret the claim terms and scope.

Teva will likely also alter the behavior of patent applicants. The importance of original claim construction at the time of the patent application filing will likely increase, with applicants attempting to include more extensive definitions in their patent applications to reduce the need for expert testimony later on during patent office proceedings and district court litigations. This approach, however, cannot fully insulate the applicants due to the impossible task of predicting an appropriate definition for every term that could become relevant in the future.

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[\[1\]](#) 517 U.S. 370 (1996).

[2] *Id.* at 372, 376, 384-385, 391.

[3] *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005).

[4] *See, e.g., Lighting Ballast Control LLC v. Philips Electronics N.A. Corp.*, 744 F.3d 1272, 1292 (Fed. Cir. 2014); *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1303 (Fed. Cir. 2011); *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 457 F.3d 1293, 1301 (Fed. Cir. 2006); *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448, 1454-1456 (Fed. Cir. 1998).

[5] 135 S. Ct. 831 (2015).

[6] *Id.* at 835.

[7] Fed. R. Civ. P. 52(a)(6).

[8] *Teva*, 135 S. Ct. at 838, 839, 841.

[9] *Id.* at 837-838.

[10] *Id.* at 838.

[11] *Id.* at 841.

[12] *Id.* at 841.

[13] *Id.* at 839-840.

[14] *Id.* at 844.

[15] *Id.* at 845-849.

[16] *Id.* at 852.

[17] *Id.*

[18] *See, e.g., In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271 (Fed. Cir. 2015); *Tadayon v. Saucon Techs., Inc.*, 2015 U.S. App. LEXIS 7703 (Fed. Cir. May 11, 2015); *Belden Inc. v. Berk-Tek LLC*, 2015 U.S. App. LEXIS 6312 (Fed. Cir. Apr. 17, 2015); *In re 55 Brake LLC*, 2015 U.S. App. LEXIS 5927 (Fed. Cir. Apr. 13, 2015); *In re Bookstaff*, 2015 U.S. App. LEXIS 4899 (Fed. Cir. Mar. 26, 2015); *Oracle America, Inc. v. Google, Inc.*, 2015 U.S. App. LEXIS 4537 (Fed. Cir. Mar. 20, 2015).

The Supreme Court and USPTO Attempt to Clarify §101 through Alice Corp. v. CLS Bank

by Brian David Kaider - Friday, June 05, 2015

Patent eligibility under §101 continues to vex the Federal Circuit. In 2012, Judge Plager vented the appellate court's frustration in *Myspace, Inc. v. Graphon Corp.*, 672 F.3d 1250 (Fed. Cir. 2012) urging district courts to "avoid the swamp of verbiage that is §101" by deciding cases on the bases of §§ 102, 103, and 112. *Id.* at 1261. Doing so, he suggested, would make it "unnecessary to enter the murky morass that is §101 jurisprudence" and allow "the litigants, the trial court, and this court on review [to] have some semblance of a chance at arriving at a predictable and understandable result." *Id.* at 1261-2. It has not worked out that way. In the more recent case, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. ___, 134 S.Ct. 2347, 110 USPQ2d 1976 (2014), the U.S. Supreme Court affirmed the decision of the Federal Circuit *en banc* panel, but one could hardly argue that the appellate court "got it right."

The case first came to the Federal Circuit on appeal from the U.S. District Court for the District of Columbia, which had found the relevant claims ineligible for patent protection under §101. The patents at issue related to a business method for eliminating "settlement risk" in a transaction between two parties by using a computer as an intermediary. The District Court held the claims invalid as directed to the "fundamental idea of employing a neutral intermediary" to ensure that both parties perform. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 768 F.Supp.2d 221, 243 (D.D.C. 2011).

In a split decision, the Federal Circuit overturned the lower court. Picking up on Judge Plager's argument in *MySpace*, the Court urged that §101 need not be a "threshold" analysis, "particularly when other sections might be discerned by the trial judge as having the promise to resolve a dispute more expeditiously or with more clarity and predictability." *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1348 (Fed. Cir. 2012). Nevertheless, as the lower court's decision was based on §101, the Federal Circuit proceeded with its analysis, reasoning that when "it is not manifestly evident that a claim is directed to a patent ineligible abstract idea, that claim must not be deemed for that reason to be inadequate under §101." *Id.* at 1352. Judge Prost dissented, arguing that there was no basis for this new "manifestly evident" standard, which she described as an "escape hatch," for the majority to avoid deciding cases on §101 grounds. *Id.* at 1357.

Alice Corporation appealed the Federal Circuit's decision, requesting *en banc* review, which the Federal Circuit granted. Although a majority of the judges agreed that at least the method claims were invalid under §101, they did so in six different opinions with "additional reflections" by Chief Judge Rader. *CLS Bank Int'l v. Alice Corp. Pty.Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013). The message to the U.S. Supreme Court was unmistakable, the Federal Circuit needed clarity on the standard for patent eligibility reviews under §101.

The Supreme Court "Affirms"

In a unanimous decision, Justice Thomas reiterated the framework for evaluating a patent eligibility issue, previously set forth in *Mayo Collaborative Serv. v. Prometheus Labs., Inc.*, 566 U.S. ___, 132 S.Ct. 1289, 101 USPQ2d 1961 (2012). First, determine whether the claims at issue are directed to a patent-ineligible

concept (a law of nature, natural phenomenon or abstract idea). If so, then consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. *Alice Corp.*, 573 U.S. at *2, citing *Mayo*, 566 U.S. at *7-17.

Applying this framework to the patents at issue in *Alice Corp.*, the Court found that the claims were “drawn to the abstract idea of intermediated settlement.” *Id.* Further, they found that the method claims simply required a generic computer to implement the abstract idea of intermediated settlement. *Id.* at 3. Tracing prior §101 decisions, the Court reasoned that if a patent’s recitation of a computer amounts to a mere instruction to implement an abstract idea on the computer, “that addition cannot impart patent eligibility,” because it does not provide any “practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.” *Id.* at 13. Moreover, the court evaluated each implementation step recited in the claims and found that each was a “purely conventional” function of existing computers. *Id.* at 12. Taken together, these steps did not improve the functioning of the computer itself or improve any other technology or technical field, rather, they amounted to nothing more than “an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer.” *Id.* at 15. This is not enough to transform that abstract idea into a patent-eligible invention. *Id.*

The USPTO Breaks it Down

The Federal Circuit Judges are not the only ones that have been perplexed by §101. Patent prosecution attorneys and patent examiners have struggled, as well. As a result, the U.S. Patent and Trademark Office issued a *2014 Interim Guidance on Patent Subject Matter Eligibility* in view of the Supreme Court’s decision in *Alice Corp.* 79 Fed. Reg. 74618-33 (Dec. 16, 2014).

The guidance first breaks down the analysis of a §101 determination into a simple flow chart and then walks step-by-step through the analysis. Along the way, it notes what types of technologies have been found to be patent eligible or ineligible in previous court cases and describes the different analytical steps for nature-based products.

While the guidance advises that “Failure of Office personnel to follow th[e] Interim Eligibility Guidance is not, in itself, a proper basis for either an appeal or a petition,” it does put certain burdens on the examiner. *Id.* at 74619. For example, when rejecting a nature-based product claim under §101, the examiner must “identify the exception as it is recited in the claim, and explain why it is an exception, providing reasons why the product does not have markedly different characteristics from its naturally occurring counterpart in its natural state.” *Id.* at 74624. Also, the examiner must evaluate every claim individually and not find that some claims should automatically stand or fall with similar claims in the application. *Id.*

The guidance then goes through a set of “sample analyses,” based on Supreme Court decisions in six different cases. Each of these cases is evaluated for subject matter eligibility under the *Alice Corp.* framework as explained in the guidance. This analysis varies from the arguments made by the Supreme Court in each case, but leads to the same result, thus validating the framework as an effective means to interpret claims in accordance with the law of §101.

Further, the USPTO released two additional documents, to be used in conjunction with the interim

guidance, containing hypothetical examples of abstract idea and nature-based product claims. See http://www.uspto.gov/patents/law/exam/mdc_examples_nature-based_products.pdf and http://www.uspto.gov/patents/law/exam/abstract_idea_examples.pdf. These hypotheticals demonstrate the types of elements that elevate a claim above a pure abstract idea or product that exists in nature. Together, the examples in the guidance and the hypotheticals provide a useful tool to the patent practitioner when trying to overcome a patent ineligibility rejection. They provide a blueprint for how to structure an argument under §101 and provide a platform for discussion with the examiner.

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Trademark - Supreme Court - Issue Preclusion and the TTAB

by Ned T Himmelrich - Friday, June 05, 2015

In its ruling that decisions of the Trademark Trial and Appeal Board could have a preclusive effect on similar issues in a federal district court case, the Supreme Court, in [*B&B Hardware, Inc. v. Hargis Indus., Inc.*, No. 13-352, slip op., 575 U.S. \(2015\)](#), created new considerations for determining how to prosecute a trademark registration dispute with a third party. This note summarizes the case, sets out the legal arguments for the majority and the dissent, fits the case into current TTAB practice and suggests future strategies.

B&B Hardware, Inc. and Hargis Industries, Inc. have been fighting each other for almost two decades in the U.S. Patent and Trademark Office and in the courts. B&B registered SEALTIGHT at the PTO for metal fasteners in 1993. Hargis applied for SEALTITE for screws in 1996. B&B filed an Opposition. The TTAB found that the marks were confusingly similar and refused to register Hargis' mark. In a parallel action in District Court, B&B sued Hargis for trademark infringement. B&B requested the District Court to apply the TTAB's ruling that likelihood of confusion existed between the marks. The District Court did not apply collateral estoppel, basing its decision on the notion that the TTAB was an administrative court and the District Court was an Article III court, so issue preclusion could not carry from one to the other. The Eighth Circuit, on appeal, determined that the administrative ruling could carry over to the District Court, but instead affirmed based on the theory that the TTAB and the District Court use different likelihood of confusion factors that could not carry from one to the other.

The Supreme Court reversed the decision, holding "A court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met." As explained below, this could be a narrowly applied ruling.

Justice Alito's majority opinion first dispelled the notion that an administrative tribunal is somehow a less-than-adequate arbiter whose decisions can never be grounds for issue preclusion in a district court. Fitting the TTAB situation into an earlier framework, the Court found that "[w]hen an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose."

The Court walked through the "ordinary elements" of issue preclusion, setting out the general rule that "when an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties whether on the same or a different claim (Restatement (Second) of Judgments § 27). The Court also cited with favor the Restatement's "well known exceptions" that, if any of them existed, would negate enforcing issue preclusion, such as "whether appellate review was available or whether there were 'differences in the quality or extensiveness of the procedures followed.'" Under the facts of *B&B Hardware*, the Court found that the ordinary elements existed and that none of the exceptions did. However, the Court understood the limitations of its holding in saying that "for a great many registration decisions issue preclusion obviously will not apply because the ordinary elements will not be met."

As a related test, issue preclusion would not be upheld if there was “evident” reason that Congress would not want the TTAB decisions to receive preclusive effect. The Court found no evident reason. It found nothing in the Lanham Act to prohibit a finding. Addressing an assertion that there would be a possible “bogging down” of the TTAB process due to increased evidence and pleading, the Court ruled that this was not a strong enough reason for the court system to impute a prohibition on issue preclusion.

The Court next addressed the Eighth Circuit’s conclusion that the likelihood of confusion analysis for registration was too different from the likelihood of confusion test in an infringement dispute to support issue preclusion. The nub of the concern is that the registration standard looks at whether the marks “resemble” each other (15 USC §1052(d)) while the infringement standard is focused on “use” (15 USC § 1114(1)). The Court found that “The factors are not fundamentally different, and the minor variations in the application of what is in essence the same legal standard do not defeat preclusion.” Thus, the Court concluded that likelihood of confusion for the purposes of registration is close enough to the standard for the purposes of infringement. If a mark owner uses its mark in materially the same ways as the usages included in its registration application, then the TTAB is deciding the same likelihood of confusion issue as a district court in infringement litigation. The Court was clear, however, that its holding is limited, and it was merely clarifying that issue preclusion does not never apply (double negative intended) from a TTAB action to an infringement action.

The limitations of this case are highlighted even more by the brief concurrence of Justice Ginsburg, who made it clear that she was joining the Court’s opinion only on the understanding that issue preclusion did not apply if the analysis in registration was made in the abstract and not based on marketplace usage.

Justice Ginsburg accentuated a point which could form a significant basis for not applying *B&B Hardware* to most situations. A TTAB action looks only at the goods and services that are part of the application or registration. The tribunal is not authorized to look beyond that scope. The TTAB action is not a proper foundation for issue preclusion if a subsequent infringement dispute in a district court relates to goods and services used in commerce that are not included in the applications/registrations or if the channels of trade or other material factors are part of the infringement action that were not adjudicated at the TTAB.

The majority also discussed the different procedures used at the TTAB and in the District Court, and found that the differences likewise are not an absolute bar to issue preclusion. The more extensive incorporation of evidence and the use of live witnesses in a district court action may create a situation where there is “reason to doubt the quality, extensiveness or fairness “ of the TTAB process, and thus negate issue preclusion. But the Court ruled that this is not always the case, and slight differences in procedure can be overlooked.

The Court also affirmed the importance of trademark registration and presumed that both sides will take the matter seriously. This assertion offset an argument that issue preclusion is not to be applied where the amount in controversy between the first case and the second are so disparate.

Justice Thomas’s dissent focused on the Constitutional issue of separation of powers. Administrative courts such as the TTAB are the function of the Executive Branch, rooted in Article II. District courts are functions of the Judicial Branch, rooted in Article III. Allowing the TTAB to have preclusive effect “may effect a transfer of a core attribute of the judicial power to an executive agency.” The dissent also

looked at the purview of each court and posited that an administrative tribunal should never create res judicata for an Article III court. The dissent's concern was that an administrative proceeding is not what was historically deemed a "court of competent jurisdiction" and precedent dictates that in other situations, administrative proceedings were not deemed worthy of creating preclusion. The dissent also interpreted the Lanham Act's focus in §1067(a) on authorizing the TTAB to determine rights of registration as an indication that TTAB holdings are not relevant to usage. But the decision was 7-2 against these positions.

The *B&B Hardware* decision requires a more thoughtful analysis of how to handle opposition and cancellation proceedings. If the facts of a case clearly show that issues that would be raised in an infringement action are different from issues that the TTAB can handle in the opposition or cancellation proceeding, then there is less risk in moving forward with the opposition or cancellation separate from any infringement action. This is because the issues decided in the TTAB action will be sufficiently different from those that might be decided in a district court infringement action.

When it is not so clear that the opposition or cancellation proceeding will vary in substance from an infringement action in the district court, the trademark practitioner's decision becomes harder. It may be more prudent to forgo the TTAB action and instead bring suit in the district court. A district court has the power to cancel a registration and also has power to stop an infringement. The TTAB can only adjudicate registration issues. To foster judicial economy, as well as client economy, one action in the district court could solve all problems, and the dispute can be more fully vetted. If, however, after some forum shopping, the TTAB precedent seems more beneficial than any relevant circuit, then the TTAB may be a better choice. At the TTAB, the practitioner will need to be fully immersed in the process and bring all evidence it would have brought in a district court action.

Another tactic would be merely to argue that the facts of a situation do not support issue preclusion. To distinguish a situation from the *B&B Hardware* holding and avoid issue preclusion, a party could allege that the proceedings in the district court have created "a difference in the quality, extensiveness or fairness of procedures followed in prior litigation." If oral testimony is important to the district court determination, that could be a crucial distinction which the TTAB process could not overcome.

B&B Hardware gives the trademark attorney many new issues to consider in TTAB practice, although many of those thoughts are about how to make the TTAB proceeding irrelevant to a subsequent infringement suit in district court.

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