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Top Tens in 2011: Patent, Trademark, Copyright and Trade Secret Cases

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Top Tens in 2011:
Patent, Trademark, Copyright and Trade Secret Cases

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Stephen McJohn *

Draft: December 1, 2011

Patent

The leading development in patent law was the enactment of the Leahy-Smith America Invents Act of 2011.¹ The Act made a number of significant changes in US patent law, such as moving US law closer to most jurisdictions, by shifting to a first-to-file rule for determining priority between competing inventors, instead of first-to-invent;² broadening prior user rights;

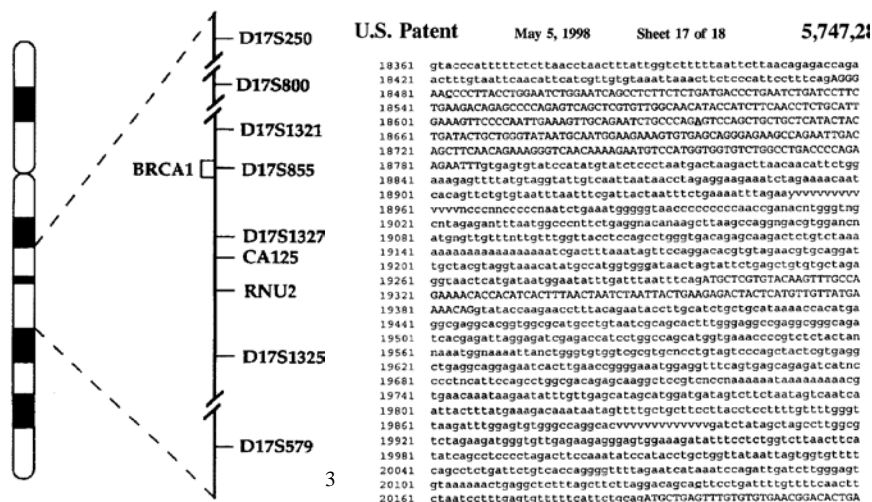
* Professor of Law, Suffolk University School of Law. This listing and analysis are decidedly subjective, and all the usual disclaimers apply. Comments welcome: smcjohn@suffolk.edu.

¹ Leahy-Smith America Invents Act, Public L. No 112-29, 112th Cong., 1st Sess., 125 Stat. 284- 341 (September 16, 2011), codified at 35 U.S.C. § 2 et seq. For a clear guide to a complex statute, see Mark A. Lemley, Things You Should Care About in the New Patent Statute (Sept. 16, 2011), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1929044.

² The first-to-invent rules will continue to apply to existing patents, and applications filed until March 17, 2013. The new system might have given a different result in litigation over patent rights to Crestor, a widely sold pharmaceuticals. See *Teva Pharmaceutical Industries Ltd. v. Astrazeneca Pharmaceuticals Lp.*, No. 2011-1091 (Fed. Cir. Dec. 1, 2011)(Teva's patent invalidated by Astrazeneca's prior invention date).

nullifying the best mode requirement; adopting a supplemental examination procedure, to cure defects in an applicants' submissions of prior art; adding a post-grant opposition procedure; and barring patents encompassing centaurs or tax strategies. As to patent reform, meatier issues were addressed by a number of judicial decisions, on such issues as the scope of patent subject matter, challenges to the validity of patents, and the breadth of patent protection.

Association for Molecular Pathology v. U.S. Patent and Trademark Office, 653 F.3d 1329 (Fed. Cir., 2011).



In a case testing the limits of patentable subject matter, the question was whether human genes are patentable. Not in the form in which they appear in the body, the Federal Circuit stated, because that is a nonpatentable “product of nature.” But the court held a patent may issue for genes that have been identified and isolated:

Native DNA exists in the body as one of forty-six large, contiguous DNA molecules. Each DNA molecule is itself an integral part of a larger structural complex, a chromosome. . . . Isolated DNA, in contrast, is a free-standing portion of a native DNA molecule, frequently a single gene. Isolated DNA has been cleaved . . . or synthesized to consist of just a fraction of a naturally occurring DNA molecule.

Accordingly, the court upheld Myriad Genetics’ patents on isolated *BRCA1* DNA and isolated *BRCA2* DNA, two mutations of human DNA linked to higher probability of breast and ovarian cancer.

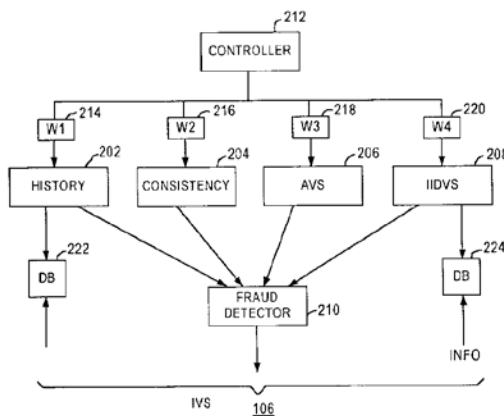
The decision also considered process claims related to the genes. The court held that claims on methods of “comparing” or “analyzing” two gene sequences” were outside patentable subject matter, because they claimed only “abstract mental processes.” The court, however,

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³ U.S. Patent 5,747,282 (17Q-linked breast and ovarian cancer susceptibility gene). To Dennis Crouch’s *Patently-O* I owe the practice of illustrating patent law cases with relevant patent drawings.

upheld a claim on “a method for screening potential cancer therapeutics.” That claim was patentable, because it had the concrete steps of “growing” host cells, determining their growth rate by manipulating the cells.

The method claim analysis has importance well beyond the issues of the patentability of genes. Whether genes are patentable is important for practical reasons (there are thousands of patents on genes) and for theoretical reasons (it triggers questions from philosophy to economics). The process claims may be of more practical importance, because the patentability of processes arises in biotech, but also in many other areas, such as business methods, and software – and software can be in every field. Some abstract software patents are likely to be called into question, if they appear to claim only “abstract mental processes.” Where the software has a specific concrete application, it may fall into the second category.



Not long after *Myriad*, the Federal Circuit indeed held a software patent invalid, as claiming an invention that was merely a set of mental steps. See *CyberSource Corp. v. Retail Decisions Inc.*, 99 U.S.P.Q.2D (BNA) 1690 (Fed. Cir., 2011). Likewise, medical diagnostic procedures and other biotech inventions also may be either abstract or concrete. The importance of *Myriad*, however, will become clearer if and when the Supreme Court disposes of *Prometheus*, which deals with the patentability of a diagnostic procedure.

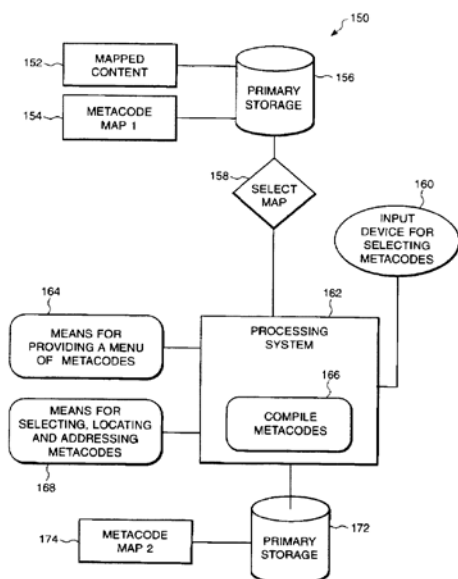
The 2011 Leahy-Smith America Invents Act provided a specific limitation on patentable subject matter in life sciences: “Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.”⁴ The provision would bar patents on genetically altered humans and cloned humans, and very likely chimeras combining humans and other species (not that any actual inventions were in sight as of the date of the statute. Read broadly, the provision could apply to human stem cell methods or products, or even other inventions involving human cells. Indeed, because “directed to” and “encompassing” are not defined terms, it could in theory be read very broadly indeed. Any method of medical treatment, fitness program or weight loss method is directed to a human organism, in a sense, especially if

⁴ Leahy-Smith America Invents Act, Public L. No 112-29, 112th Cong., 1st Sess., 125 Stat. 284- 341 (September 16, 2011), Sec. 33. This provision, counterparts of which had been including in previous budget legislation, was not codified into the Patent Act.

the effect on the subject range throughout the body. “Encompassing a human organism,” literally, could encompass a game of Ring A Ring A Rosy. The USPTO, however, soon stated its view that the provision simply codified existing USPTO policy.⁵ Although that policy has likewise not been set out in detail, the USPTO has issued many patents on human genes (hence *Myriad*), human cells, and other human biotech inventions, so such patents will continue to issue, unless the courts read the patent statute otherwise.

The 2011 patent legislation also effectively barred statutes on “any strategy for reducing, avoiding, or deferring tax liability.”⁶ The section provides that it does not bar patents on methods or computerized systems for preparing tax returns or for financial management (not that such business methods are necessarily patentable, the section further provides).

Microsoft Corp. v. i4i Limited Partnership, 131 S. Ct. 2238 (2011).



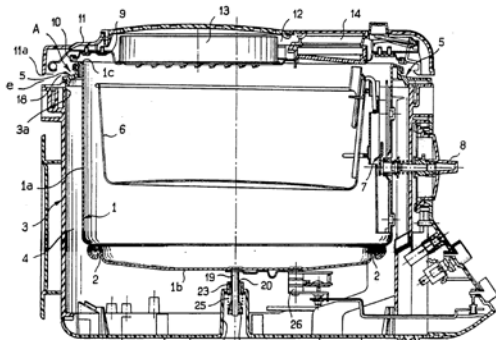
A patent should not issue if the claimed invention is not new. But showing that something had been done before is not always easy. With software patents especially, it may be difficult to find code (which is often not widely available) that prefigures a subsequent patent. Something that complicates the issue is that once the patent is issued, it is presumed valid, and can only be invalidated with “clear and convincing” evidence. That gives a lot of leverage to patent holders. When an inventor applies for a patent, the examiner must decide if the invention has already been sold or commercially used (in the United States) or published (anywhere in the world). The examiner, however, has limited resources to look for all those possible references.

⁵ Robert Bahr, Senior Patent Counsel, United States Patent and Trademark Office, Claims Directed to or Encompassing a Human Organism, Memorandum to the Examining Corps (September 20, 2011)(stating that “section 33(a) of the Leahy-Smith America Invents Act codifies existing USPTO policy that human organisms are not patent-eligible subject matter.”).

⁶ Leahy-Smith America Invents Act, Public L. No 112-29, 112th Cong., 1st Sess., 125 Stat. 284- 341 (September 16, 2011), Sec. 14. This provision was also not codified into the Patent Act.

Microsoft argued that the standard should be adjusted. Where a party presented evidence that had not been considered by the patent examiner, a court could use the general “preponderance” standard: if it was more likely than not that the patent was wrongly issued, it would be held invalid. In patent litigation, parties often uncover relevant references not considered during the application process. Compared to a single examiner, a patent defendant has much greater incentives (many millions may be at stake) and resources to research whether the invention was truly new. The Supreme Court, however, declined to depart from the existing standard, leaving it to Congress to change the patent statute if it so chose. Notably, Congress did not make this reform in the 2011 patent legislation.

Global-Tech Appliances Inc. v. SEB S.A., 131 S. Ct. 2060 (2011).




The Supreme Court also addressed the issue, when a party may be liable for infringement by someone else. Pentalpha copied an SEB deep fryer, whose cool-touch technology was a commercial success. Pentalpha then had an attorney analyze whether Pentalpha’s fryer infringed any patents – but without informing the attorney that the fryer was made by copying SEB’s fryer. Pentalpha exported the fryer to various retailers. The retailers infringed by selling the fryer. The question was whether Pentalpha was secondarily liable, for causing them to sell the infringing fryer.

When should one be liable for infringement by another? The patent statute requires knowledge of the infringement for secondary liability. In *Global-Tech Appliances*, the Supreme Court held that “willful blindness” to infringement is sufficient to meet the knowledge requirement. Pentalpha did not know that its fryer infringed the SEB fryer. Indeed, its attorney had not discovered any patents that that the Pentalpha fryer infringed. But had the attorney been advised that the fryer was copied from SEB, it’s much more likely the attorney would have looked at the SEB patent and advised otherwise. After deliberately insulating itself from knowledge of patent infringement, Pentalpha could now not argue that lack of knowledge protected it from infringement liability.

An ironic footnote: a premise of the Court’s analysis is that simply asking an attorney to examine a product and compare it to the data base of existing patents is not a dependable way to see if a product is likely to infringe a patent. In other words, the court assumes that patents do not provide much notice to potential infringers (whether willfully blind, as in *Global-Tech Appliances*, or innocent, as in the typical case).

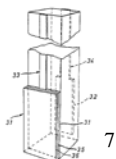
Board Of Trustees Of The Leland Stanford Junior University v. Roche Molecular Systems, 131 S. Ct. 2188 (2011)

 US005968730A	
United States Patent [19] Merigan et al.	[11] Patent Number: 5,968,730 [45] Date of Patent: Oct. 19, 1999
[54] POLYMERASE CHAIN REACTION ASSAYS FOR MONITORING ANTIVIRAL THERAPY AND MAKING THERAPEUTIC DECISIONS IN THE TREATMENT OF ACQUIRED IMMUNODEFICIENCY SYNDROME	
[75] Inventors: Thomas C. Merigan, Portola Valley; David A. Katzenstein, Menlo Park; Mark Holodniy, Mountain View, all of Calif.	Fitzgibbon et al. (1991) <i>Aids Research and Human Retroviruses</i> , vol. 7, No. 3, pp. 265-269. Otlmann et al. (1991) <i>Journal of Virological Methods</i> , vol. 31, pp. 273-284.
[73] Assignee: Leland Stanford Junior University, Palo Alto, Calif.	Holodniy et al. (1991) Abstract 704 presented at the 31st Interscience Conference on Antimicrobial Agents and Chemotherapy, McCormick Place, Chicago, Illinois Sep. 29-Oct. 2, 1991, p. 216.
[21] Appl. No.: 08/470,885	Holodniy et al.; "Quantitation of HIV-1 RNA in the Serum of ARC and Aids Patients Using the Polymerase Chain Reaction (PCR)", Abstract presented at the Sixth International Conference on AIDS, San Francisco, California, Jun. 22, 1990.
[22] Filed: Jun. 6, 1995	Holodniy et al., "Quantitation of HIV-RNA in Serum and Correlation with Disease Status Using the Polymerase Chain
Related U.S. Application Data	

The Bayh-Dole Act of 1980 has led to considerable commercial development of university research. The Act sets up a framework, under which universities may elect to patent inventions made through federally-funded research, or may allow the researchers to seek patents on the inventions. The narrow issue in *Board Of Trustees Of The Leland Stanford Junior University v. Roche Molecular Systems*. was whether the patent rights vest automatically in the university, or only after the researcher makes the required assignment of patent rights. The Supreme Court held that the general rule in patent law applies: the inventor initially has the right to patent, which passes only after an effective assignment has been made (even if, as in Bayh-Dole, the inventor is required to make that assignment).

The court did not address a broader issue of patent licensing that arose in the case. Courts differentiate between an agreement assigning patent rights and a promise to assign patent rights. The latter does not actually assign the rights; a second agreement actually assigning the rights must be executed. Some have questioned whether that accurately reflects patent law's historical approach or the intent of the parties (it is rare that the parties would intend anything other than an assignment of the rights, as opposed to committing to sit down again and sign the rights over). So drafting licensing agreements retains that trap for the unwary.

Therasense, Inc. (Now Known As Abbott Diabetes Care, Inc.) v. Becton, Dickinson & Co., 649 F.3d 1276 (Fed. Cir.,2011)(en banc)



A patent applicant is not required to search to see if her invention is new and nonobvious, and is not required to submit information on the relevant technology to the patent office. But she does have a duty to submit information on whatever relevant technology she is aware of. If the applicant fails to do so, the patent may be held unenforceable. *Therasense* addressed the consequences of failing to disclose. A meandering line of cases had set confusing standards on the issue, when a patent would be unenforceable due to failure to disclose. Some cases had held patents unenforceable, even where the non-disclosed information would have had little effect or the failure to disclose reflected little intent to mislead the PTO. The majority of defendants in patent litigation raised inequitable conduct as a defense.

The en banc court raised the bar: “This court now tightens the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.” The court set high standards of proof for both the applicant’s state of mind and the materiality of the non-disclosed material. As to state of mind, “the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO.” The nondisclosure must also generally involve highly relevant information, such that the “PTO would not have allowed a claim had it been aware of the undisclosed prior art.” Given those high standards, inequitable conduct is now a much less promising defense. Indeed, in most cases, it would require showing prior art that would invalidate the patent anyway (for obviousness or lack of novelty). The 2011 patent statute provided for a supplemental examination procedure, in which a patentee could submit material that had not been submitted during prosecution of the patent and thereby not be subject to a finding of inequitable conduct.⁸ Given that *Therasense* moots most such cases, the supplemental examination will be less important strategically, but still provides a procedure to clear the record.

Centocor Ortho Biotech, Inc. v. Abbott Laboratories, 636 F.3d 1341 (Fed. Cir. 2011)

```
<210> SEQ ID NO 19
<211> LENGTH: 20
<212> TYPE: DNA
<213> ORGANISM: Artificial Sequence
<220> FEATURE:
<223> OTHER INFORMATION: PCR oligonucleotides

<400> SEQUENCE: 19
atcggacgtg gacgtgcaga
```

20

What is claimed is:

1. An isolated recombinant anti-TNF- α antibody or antigen-binding fragment thereof, said antibody comprising a human constant region, wherein said antibody or antigen binding fragment (i) competitively inhibits binding of A2 (ATCC Accession No. PTA-7045) to human TNF- α , and (ii) binds to a neutralizing epitope of human TNF- α in vivo with an affinity of at least 1×10^8 liter/mole, measured as an association constant (K_a), as determined by Scatchard analysis.

of A2 (ATCC Accession No. PTA-7045), and (ii) binds to a neutralizing epitope of human TNF- α in vivo with an affinity of at least 1×10^8 liter/mole, measured as an association constant (K_a), as determined by Scatchard analysis.

8. A composition comprising the antibody or antigen-binding fragment of claim 1, and a pharmaceutically acceptable carrier.

9. The antibody or antigen-binding fragment of claim 1, which has specificity for a neutralizing epitope of human TNF- α .

⁸ Leahy-Smith America Invents Act, Public L. No 112-29, 112th Cong., 1st Sess., 125 Stat. 284- 341 (September 16, 2011), Sec. 12, codified at 35 U.S.C. § 257.

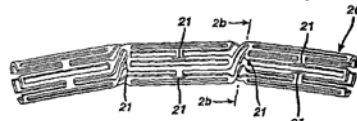
The written description requirement acts as a safeguard against overbroad claims. It also serves to balance the timing issues of patent prosecution. A patent applicant must provide a written description of the invention, as well as claims that define the invention. The applicant may amend the claims during the process of patent prosecution. That way, if the PTO denies the application because the claims are too broad or otherwise defective, the applicant may amend the claims in order to receive a patent. Otherwise, deserving inventors might be denied patents simply because they did not draft claims that were deemed acceptable. But the ability to amend claims raises some hazards. An applicant may amend claims in order to cover the processes or products of others that became public after the application was filed. At its extreme, submarine patenting involved amending patent applications decades after they were filed, to cover after-developed technology. But less dramatic cases also show the hazards of amending claims.

Centocor filed a patent application on a pharmaceutical, a mouse antibody targeted at treating arthritis. Abbott, a competitor, subsequently marketed a pharmaceutical for treating arthritis, based on a similar human antibody. Centocor amended its patent claims in the pending application to cover human antibodies, obtained a patent, and sued for infringement. A jury awarded \$1.67 billion in damages.

The Federal Circuit overturned the award, reasoning that the claims were invalid, as not supported by the written description. The written description requirement applies to the application as of the date of application. It therefore acts as a limitation on an applicant's ability to amend the claims during the application. Centocor did not meet the written description requirement for a human antibody by identifying the properties of a mouse antibody in the application, even if it did disclose that the method might subsequently be developed to produce a human antibody. Accordingly, the description did not support the subsequent amendment to the claims in the patent application.

Other notable cases in 2011 turned on the written description requirement. Johnson and Johnson patents (like Centocor's, with claims amended long after the filing of the application) were invalidated as failing to describe the claimed angioplasty stents.⁹ A patent on method for detecting genetic mutations related to iron absorption disorders was held to merely describe a "research plan" as of the filing date, as opposed to supporting the claimed diagnostic method.¹⁰

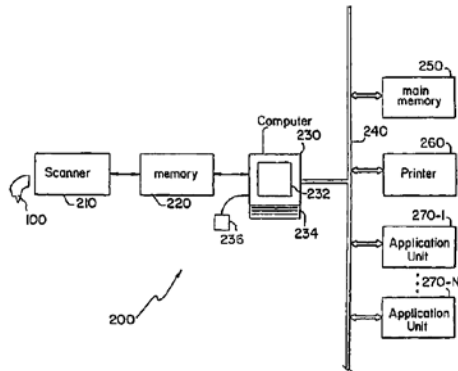
⁹ See *Boston Scientific Corp. v. Johnson & Johnson*, Fed. Cir., No. 2010-1230, 6/7/11).



¹⁰ See *Billups-Rothenberg Inc. v. Associated Regional and University Pathologists Inc.*, Fed. Cir., No. 2010-1401, 4/29/11). See also Jason Rantanen, *Billups-Rothenberg v. ARUP: The Dangers of Filing Too Early...Or Too Late*, Patently-O, www.patentlyo.com (May 3, 2011)(showing how races to develop a new technology may lead to inventors filing too soon (because they cannot yet sufficiently describe the invention) or too late (because others have gained patent rights or publicly disclosed the invention, making it unpatentable)).

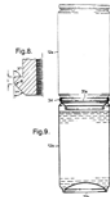
By contrast, a patent for an improved form of soda can survived an invalidity challenge, even though it did not address all the technical challenged described in the application.¹¹

Eon-Net L.P. v. Flagstar Bancorp, 653 F.3d 1314 (Fed. Cir., 2011).

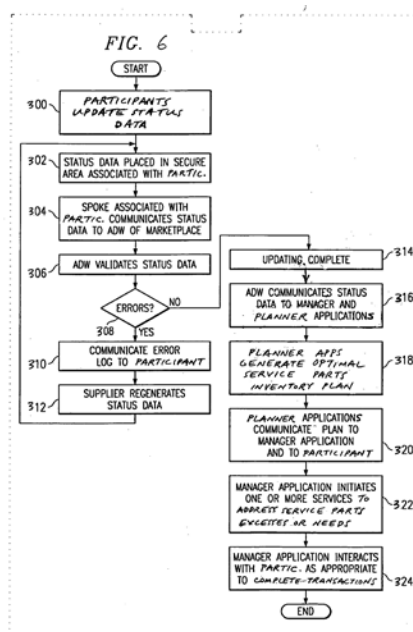


The Federal Circuit affirmed sanctions for baseless patent litigation. Eon-Net filed a baseless case, failed to make a reasonable pre-suit investigation, destroyed evidence before filing the suit and engaged in obstructive conduct during the case. The court also took into account that the party was simply seeking licensing revenue and was not an active participant in the market – because such a party would be affected by the uncertainties of litigation. The court also noted that Eon-Net had filed numerous suits and settled for small fractions of the likely cost of litigation, indicating that it might have little confidence in the validity of the claims. *Eon-Net* makes it a little more risky to enforce patents beyond their scope.

¹¹ See *Crown Packaging Technology Inc. v. Ball Metal Beverage Container Corp.*, Fed. Cir., No.



In re Aoyama, No. 2010-1552 (Fed. Cir., 2011); Typhoon Touch Techs., Inc. v. Dell, Inc., No. 2009-1589 (Fed. Cir. Nov. 4, 2011); Star Scientific Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357 (Fed. Cir. 2011)

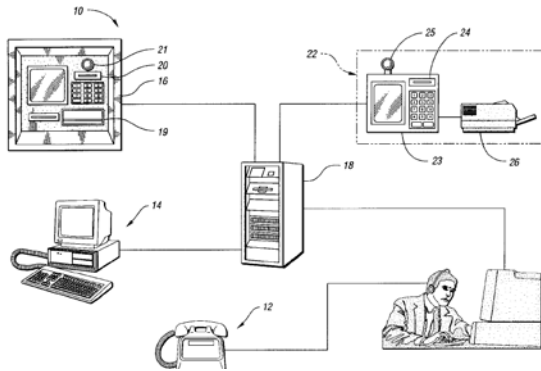


The claims of a patent define the scope of the rights in the invention. If the claims are indefinite, they fail to give others notice of what products or processes would infringe the patent. Software patents have often been criticized as having claims that are too abstract, that could read on software far from the actual invention.¹² *Aoyamama* invalidated a software patent, for failing to provide sufficient description of the claimed invention. Specifically, a flow chart that described part of the process at a high level did not provide sufficient structure to describe the means included in the patent claim. By contrast, *Typhoon Touch* held a claim for a portable, keyboardless, computer provided sufficient structure, where the algorithm for the claimed method was described in prose in the written description. Along those lines, in *Star Scientific*, a patent on a process for curing tobacco was not indefinite, even though it did not provide numerical values for several variables used in the process. Rather, because tobacco curing is “more of an art than a science,” the court reasoned that one skilled in the art would have sufficient information to implement the method.

¹² See generally, James Bessen & Michael Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators At Risk* (Princeton U. Press. 2008).

**Western Union Co. v. MoneyGram Payment Systems Inc., 626 F.3d 1361 (Fed. Cir., 2011);
Innovation Toys LLC v. MGA Entertainment Inc., 637 F.3d 1314 (Fed. Cir., 2011).**

A claimed invention is not patentable if it was obvious in light of the prior art – existing relevant known technology. Much technology is being adapted for online use. *Western Union* held it obvious to simply adapt funds transfer system using telephones and faxes to an internet implementation. *Innovation* looked in the opposite direction. In defining the relevant technology to assess the obvious of a board game, electronic versions of similar games were held to be analogous technology, included within the obviousness analysis.



Uniloc USA v. Microsoft Corp., 632 F.3d 1292 (Fed. Cir. 2011).

The Federal Circuit in *Unilox* rejected the 25 percent “rule of thumb,” as a presumptive measure of the percentage of an infringer's profits to be awarded as damage, as “a fundamentally flawed tool.” Especially in computer technology, where a product may touch on thousands of patents, rules geared toward the actual damages work better than automatic rules.

Patent pending

Mayo Collaborative Servs. v. Prometheus Labs., Inc., cert. granted, 131 S. Ct. 3027 (2011), took the following question on review:

“Whether 35 U.S.C. § 101 is satisfied by a patent claim that covers observed correlations between blood test results and patient health, so that the claim effectively preempts all uses of the naturally occurring correlations, simply because well-known methods used to administer prescription drugs and test blood may involve ‘transformations’ of body chemistry.”

Hyatt v. Kappos, cert. granted, 131 S. Ct. 3064 (2011)(whether patent applicant, appealing denial of patent, may introduce new evidence in district court)

Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S, cert. granted, 131 S. Ct. 3057 (2011)(whether generic drug manufacturer may file counterclaim seeking correction of patent information)

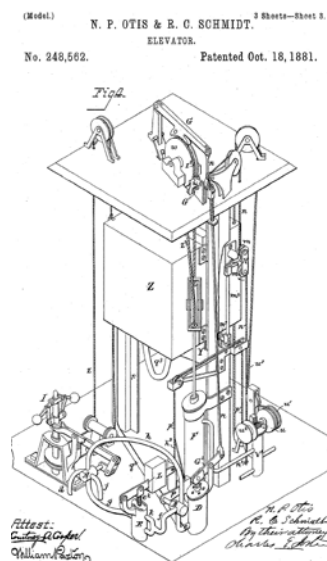
Pending en banc before Federal Circuit:

Akamai Technologies v. Limelight Networks, and McKesson Technologies v. Epic Systems Corp. (whether actions of multiple parties, taken together, may infringe patent)

Trademark

Trademark cases tested the borders of trademark protection – distinctiveness, functionality, along with the interplay between trademark law and other areas of the law, such as the First Amendment, products liability, and internet domain name ownership.

Lou and others v. Otis Elevator Company, 77 Mass. App. Ct. 571 (2010)



Lou and other v. Otis Elevator is not strictly a trademark law case, nor was it decided in 2011. But it reminds trademark owners and plaintiff's lawyers of a doctrine with considerable practical importance, under which trademark licensors may be liable for defective products sold by licensees. Under the "apparent manufacturer" doctrine, the trademark owner may be liable for injuries caused by good bearing its licensed mark, provided it participated substantially in the design, manufacture or distribution of the products. Otis Elevator Company was liable for injuries caused by an escalator made by an overseas joint venture, where Otis Elevator provided its marks and technology under a license. In an era when licensing transactions are increasingly common, trademark owners frequently rely on manufacturers who can produce the goods at lower costs, sometimes in other jurisdictions. Trademark owners should know that a licensing transaction is not one way, simply an agreement that brings in revenue. It also brings in legal risks analogous to those that the trademark owner would have if it manufactured the goods itself – legal risks created by products liability, breach of warranty, and consumer protection law. In short, a trademark owner is not able to simply take the benefits of commercializing a symbol on which consumers rely, without taking responsibility for how that symbol is used to communicate with consumers.

Eva's Bridal Ltd. v. Halanick Enterprises Inc., 639 F.3d 788 (7th Cir., 2011).



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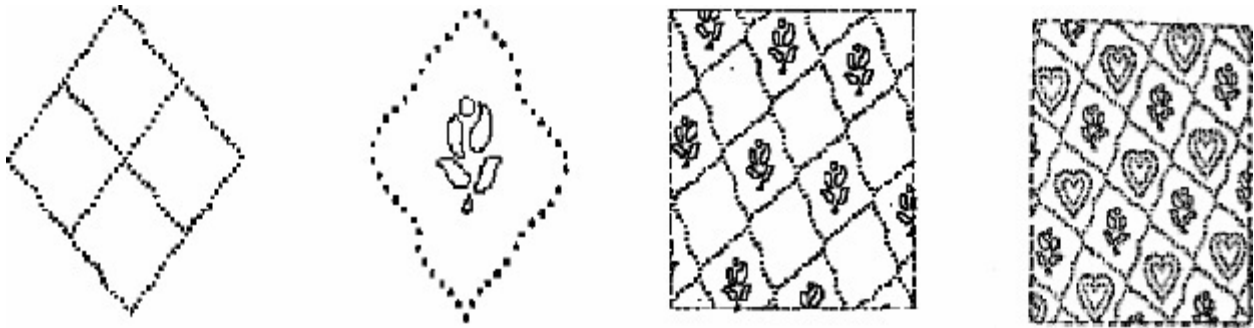
A trademark is a symbol that distinguishes one source of good and services. A trademark owner may license use of the mark to others, but must maintain some control over the use of the mark. Otherwise, the symbol will not act as a source-identifier. Courts have been extremely forgiving, however, in analyzing whether a trademark holder has abandoned the mark by failing to control its use. *Eva's Bridal* represents a rare decision finding abandonment. The licensor exercised no control at all over how the licensee used the mark. The licensor did not control the marketing of goods, or appearance of the retail operation. Accordingly, the trademark owner could not recover unpaid licensing royalties.

Fair Isaac Corp. v. Experian Information Solutions Inc., 650 F.3d 1139 (8th Cir., 2011).

A symbol that merely describes goods or services is not protectible as a trademark. Because it is merely descriptive, prospective buyers may not regard it as a source-identifying symbol. More importantly, if one competitor held a trademark on a merely descriptive term, that would limit the ability of other competitors to describe their wares to prospective buyers. The store of potential trademark symbols is infinite, so there is little cost in denying trademark protection to merely descriptive symbols. *Fair Isaac* held that “300-850” was merely descriptive of the relevant credit-scoring business, and therefore was not protectable as a mark.

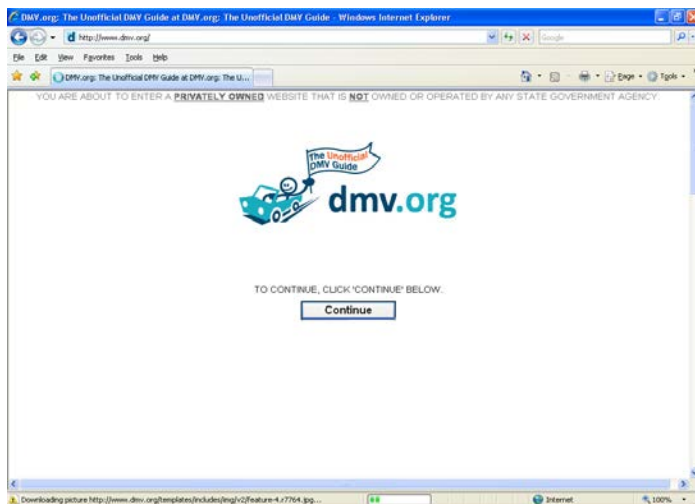
¹³ Peasant Wedding Procession, Peter Brueghel The Younger (1564-1637)

Georgia-Pacific Consumer Products L.P. v. Kimberly-Clark Corp., 647 F.3d 723 (7th Cir., 2011).



Even a distinctive symbol may not be a trademark, if it is functional. This rule polices the boundary between trademark and patent. Functional matter may be protected only subject to patent's high requirements for protection and limited duration. *Georgia-Pacific* held that a “quilted diamond design” used toilet paper was functional. In reaching that decision, the court relied on several related patents held by the trademark owner, which discussed the functional advantages of the design: “Thus, reading the language of the patents, we find that the ‘central advance’ claimed in the utility patents is embossing a quilt-like diamond lattice filled with signature designs that improves (perceived) softness and bulk, and reduces nesting and ridging,”

TrafficSchool.com Inc. v. Edriver Inc., 653 F.3d 820 (9th Cir., 2011).



TrafficSchool.com represents an increasing attention among courts to the restrictions on free speech arising from remedies for intellectual property infringement. Courts in copyright cases have become less ready to grant injunctions against infringers, where damages are available to redress harms, because of the speech-inhibiting effect of injunctions. In *TrafficSchool.com*, the trial court had ordered a web site to display a disclaimer to all users. The appellate court directed the trial court to properly consider the burden on speech.

Network Automation Inc. v. Advanced Systems Concepts Inc., 638 F.3d 1137 (9th Cir., 2011).

Trademark law has proven quite resilient, using long-established doctrine to handle the novel fact patterns generated by online communication and technology. *Network Automation* shows that the same basic concerns arise online as in Reality. The mark holder had sued a competitor, for using its mark for keyword advertising with Google. An influential early case, *Brookfield Communications Inc. v. West Coast Entertainment Corp.*,¹⁴ had identified three factors as key in the internet context, for determining if there was the requisite likelihood of confusion for trademark infringement: how similar the marks were, how related the goods are, and whether both used the internet as a marketing channel. The trial court focused on those factors in finding infringement. The appellate court, however, held that the court should apply the same factors as in infringement cases generally, in a flexible manner.

Levi Strauss & Co. v. Abercrombie & Fitch Trading Co., 633 F.3d 1158 (9th Cir. 2011).



¹⁴ 174 F.3d 1036 (9th Cir. 1999).

After almost disappearing in wake of the *Moseley*¹⁵ case (in which the Supreme Court considerably narrowed its scope), the dilution cause of action has made a considerable comeback. Congress reacted to *Moseley* by lowering the proof requirement,¹⁶ and courts have broadly applied dilution. *Levi Strauss* continues that trend. In a change from previous dilution law, the court held that a junior mark need not be “identical or nearly identical” to the senior mark to give rise to dilution. The court reasoned that in amending the dilution statute to make proof of dilution easier, Congress also implicitly broadened dilution to reach marks that are not nearly identical to the plaintiff’s famous mark. Dilution, a broad protection given to famous marks, becomes a more useful tool. In practical terms, that means that businesses of every type may be well-advised to think thrice before using symbols that are at all similar to famous marks – a troubling effect on speech.

Newport News Holdings Corp. v. Virtual City Vision Inc., 650 F.3d 423 (4th Cir., 2011).

Often, a registered domain name is uncomfortably similar to a trademark. The trademark owner has two legal avenues: arbitration under the Uniform Domain Name Dispute Resolution Policy, seeking to have the domain handed over; and litigation under the Anti-Cybersquatting Protection Act, seeking the domain and a monetary award. There are many reasons a domain might resemble a trademark (coincidence, comment, parody, prior use . . .), so both procedures require the complainant to show bad faith. *Newport News* shows that the two are not mutually exclusive.

Newport News, a women’s clothing line, pursued an arbitration proceeding, seeking the domain, Newportnews.com, which was used for news in the Newport area. The arbitration panel found no bad faith, given the dissimilarity between the two markets (clothing and news). In following years, Newportnews.com, while offering to sell the domain to Newport News, shifted its focus from news to women’s clothing. The court found bad faith, and awarded damages and attorney’s fees. *Newport News* shows that winning the right to retain a domain does not give carte blanche for use of that domain.

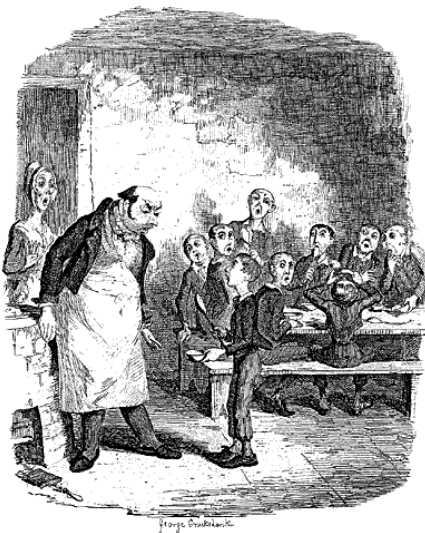
¹⁵ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

¹⁶ See Trademark Dilution Revision Act of 2006 (“TDRA”), 15 U.S.C. § 1125(c).

Copyright

Pending before the Supreme Court, *Golan v. Holder* addresses the constitutionality of the 1994 statute that restored copyright protection (and so took works out of the public domain) to foreign authors, who had lost their United States copyright due to failure to meet formality requirements or due to lack of copyright relations between their country and the United States (such as author like Prokoviev, in the Soviet Union).¹⁷ The lower courts issued numerous significant decisions, on such issues as the proper procedures to settle a dispute involving affecting almost every author and reader, the scope of fair use, to the assignment of rights to enforce alleged online infringement, the copyright holder's power to control copies it has distributed, the minimal requirements for copyright protection, and liability of websites for users' infringement.

Authors Guild v. Google Inc., 770 F.Supp.2d 666 (S.D.N.Y. 2011)



Judicial concern for orphan works barred a proposed settlement of the Google Books litigation. There's considerable uncertainty about the application of copyright to the planetary copying machine known as the internet. One way to resolve uncertainty is to settle a lawsuit. The question in the Google Books case was whether settlement of a class action could bind parties who had not joined the affected class. Google embarked on an ambitious effort to scan millions of book, working together with several university libraries. The Author's Guild filed a class action against Google, claiming that the wholesale copying of books without permission, and displaying snippets to those searching Google Books, was copyright infringement. Google responded that fair use applied. Before any decision on the merits, the parties reached a settlement. The agreement provided that Google could continue scanning books, sell subscriptions to the database of books, and earn advertising revenue in connection with searches of the database. A Books Rights Registry would be established to track use of works and provide royalties to copyright holders. Libraries, universities and other institutions could

¹⁷ cert. granted, 131 S.Ct. 1600 (2011).

subscribe for access to the digital library. Google agreed to pay some \$125 million toward establishing the framework. In return, authors would no longer be able to sue Google for infringement, unless they opted out of the agreement by 2012.

The court declined to approve the settlement, on several grounds. The agreement effectively settled the issue of orphan works, books whose copyright holder was not readily identified. This issue, the court reasoned, was one within the powers of Congress to address. The settlement, which would be binding on anyone who did not opt out, settled disputes far beyond the actual parties the litigation. In addition, the named parties were not representative of the class of authors and other copyright holders affected.

Cariou v. Prince, 98 U.S.P.Q.2D (BNA) 1318 (SDNY 2011).



Visual expression fits uneasily with law's verbal reasoning. Artist Richard Prince bought several copies of a book of photographs, *Yes, Rasta*. Prince mounted 41 of the photographs on backer board and painted over various portions. Prince displayed his works, collectively called *Canal Zone*. The gallery reproduced the works in an exhibition catalog that it sold. Several of the paintings sold, for a total well into the millions of dollars. Another gallery, which had been planning to show the original photographs, cancelled its exhibition. The second gallery feared the perception that it would be trying to piggy back on the use of the photos by Prince, a well-known appropriation artist.

The court rejected Prince's fair use defense. The use was commercial, yielding substantial sales. It was held only minimally transformative. *Canal Zone* did not comment on or criticize *Yes, Rasta* (unlike a parody), but rather used the photos as raw material. The cancellation of the exhibition of the photographs showed market harm, along with the demonstrated potential for derivative works.¹⁸

¹⁸ Fair use is an issue in many a copyright case, but not patent – yet. See Strandburg, Patent Fair Use 2.0, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1835007, forthcoming U.Cal Irvine Law Review (2012).

Righthaven LLC v. Democratic Underground LLC, 2011 WL 1457743 (D. Nev. April 14, 2011).



State law transactions, may not give federal rights. An assignment of rights to sue for copyright infringement, without conveyance of actual exclusive rights, does not give standing to sue for infringement. That rule makes it difficult to structure an entity that is solely in the business of enforcing copyright infringement. Copyright holders might be willing to sell their rights to sue for infringements (past and future) for either a specified payment or a percentage of the proceeds. That would allow the copyright holder to have income without playing the role of enforcer, which could be costly not just financially but to its reputation. But the copyright holder may be reluctant to transfer the entire copyright, or even the exclusive rights most likely to be infringed. That would take away its control over the exploitation of the work, and also bar certain forms of exploitation of the work. Rather, the parties would likely prefer to allocate the rights in a way aligned with their respective plans. The copyright holder would assign to the enforcement entity only the rights to enforce infringement (or specified categories of infringement), and the copyright holder would retain the exclusive rights generally. But that transaction would not give the enforcer sufficient rights to have standing in federal court to sue for infringement. Copyright's standing requirements can bar the effectiveness of state law contracts to assign rights. Righthaven purchased rights to sue for many alleged infringements, and filed hundreds of actions. A number of defendants settled. But once defendants started to resist, several courts held that Righthaven had not received transfer of sufficient rights to sue. Some courts awarded attorney's fees against Righthaven. At last report, one of Righthaven's major partners had terminated their agreement, stating on reflection, "It was a dumb idea."¹⁹

¹⁹ <http://arstechnica.com/tech-policy/news/2011/09/it-was-a-dumb-idea-newspaper-chain-fires-copyright-troll-righthaven.ars>.

Capitol Records Inc. v. MP3tunes LLC, No. 1:07-cv-09931-WHP-FM (S.D.N.Y. 2011).



20

From Amazon to Zshare, companies are increasingly offering cloud storage. A key question is whether the companies are liable for copyright infringement by their users. Internet service providers have statutory immunity for such liability (as “Information Residing on Systems or Networks at Direction of Users” or “Information Location Tools”). A service provider may only have immunity if it does not have actual knowledge of infringement, is not “aware of facts or circumstances from which infringing activity is apparent,” and responds expeditiously to take-down requests from copyright holders. The issue in *MP3* was whether a music locker service qualified. The service responded to most, but not all take-down notices. It also did not go beyond the specific infringing material identified in the notices, such as taking down all of a user’s files where some of the files were identified as infringing. Nor, where a file was identified as infringing in the locker of one user, did the service take the same file down for other users – even where the service actually stored just one copy of the file and made it available to multiple users, for purposes of efficient storage. The court reasoned that the Digital Millenium Copyright Act does not require such vigilant copyright monitoring as a condition for internet service provider liability.²¹

²⁰ Jan Vermeer, *View of Delft* (1632-1675).

²¹ Another court held that a storage locker service was not liable for direct copyright infringement, because its users, not the service, controlled the making of the copies. See *Disney Enterprises Inc. v. Hotfile Corp.*, S.D. Fla., No. 11-20427 (July 8, 2011).

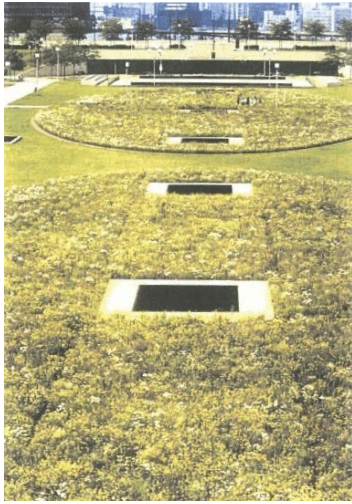
Barclays Capital Inc. v. Theflyonthewall.com Inc., 99 U.S.P.Q.2D (BNA) 1247 (2d Cir. 2011) and **Montz v. Pilgrim Films & Television Inc.**, 98 U.S.P.Q.2D (BNA) 1569 (9th Cir. 2011)(en banc).



The federal copyright statute prohibits some types of copying information and allows others. Some state laws likewise prohibit copying of information. To what extent does federal law preempt state law? The defendant in *Theflyonthewall.com* collected investment recommendations made by major financial institutions and published the information before the financial institutions themselves made them public. The recommendations were not protected under federal copyright law (being ideas, not creative expression), but could they be protected under state law? Federal copyright law allows copying of facts, nonoriginal expression, and other noncopyrightable elements. The New York state tort of misappropriation, however, imposes liability for copying some valuable information, in order to protect those who invest to produce valuable information. *Theflyonthewall.com* address the “ghostly presence” of *International News Service v. Associated Press*, 248 U.S. 215 (1918), under which misappropriation of “hot news” might supply a cause of action. The Second Circuit held that “hot news” might still survive where it was sufficiently different from the federal copyright law. But the tort would be very narrow. It would only apply where free-riding allowed a the defendant to produce a product in direct competition for lower cost. But the plaintiffs here were financial institutions, making the recommendations as part of a broader business providing financial services. They were not in *direct* competition with the seller of investment tips, nor would their entire business be at risk if the recommendations would be prematurely made public. Under *Theflyonthewall.com*, it will be difficult to impose liability simply for copying information (as opposed to using improper means to obtain information, which will still render liability under such theories as trade secret misappropriation or breach of contractual promises not to disclose information).

By contrast, *Pilgrim Films* affirmed the viability of another theory of liability for copying noncopyrightable ideas. Copyright would not protect the “idea for a television show that would follow a team of paranormal investigators conducting field investigations.” But, under California law, where a writer discloses a script idea to a producer, there may be an implied contract that the writer will be compensated if the idea is used. So NBC and others could be liable, if it were proved that they used the proffered idea for their reality series, *Ghost Hunters*. *Pilgrim Films* held that copyright did not preempt the state law claim because it had an “an added element: an agreement to pay for use of the disclosed ideas.”

Kelley v. Chicago Park District, 635 F.3d 290 (7th Cir. 2011).



Copyright applies only to the works of humans, not the work of nature (or of animals, such as a video made by a camera-stealing seagull or photos triggered by macaques monkeying with a camera). Copyright protection also requires that the work be fixed in tangible form. The fixation requirement is easily met for most works. Fixation is part of the process when a book is written, when a painting is painted, or when a photo is captured on film or a charge coupled device. But some works are more ephemeral. *Kelley* held that a “permanent Wild Flower Floral Display” was not copyrighted. The court, faintly echoing Chauncey Gardiner, held that the work was neither a work of human authorship nor fixed in tangible form: “A garden’s constituent elements are alive and inherently changeable, not fixed. Most of what we see and experience in a garden—the colors, shapes, textures, and scents of the plants—originates in nature, not in the mind of the gardener. At any given moment in time, a garden owes most of its form and appearance to natural forces, though the gardener who plants and tends it obviously assists.”²²

The case has potential applications in several directions. As the court noted, the garden was acknowledged as an art work by experts. So, especially with nontraditional forms, of art, there may increasingly be cases where art is not copyrighted. Fleetingness may be part of the art. The holding that the garden was not a work of human authorship also has potential application in much more technical spheres. We are living in a sort of pancopticon. Increasingly, everything that happens is captured by cameras or other devices.

²²

Id.

Innovation Ventures LLC d/b/a Living Essentials Ltd. v. N2G Distributing Inc., 779 F. Supp. 2d 671 (E.D. Mich., 2011); Nova Design Build Inc. v. Grace Hotels LLC, 99 U.S.P.Q.2D (BNA) 1469 (7th Cir., 2011).



Innovation Ventures held it was copyright infringement for a maker of energy drinks to copy the following warning from a competitor's bottle:

Contains about as much caffeine as a cup of coffee. Limit caffeine products to avoid nervousness, sleeplessness, and occasionally rapid heartbeat. You may experience a Niacin Flush (hot feeling, skin redness) that lasts a few minutes. This is caused by Niacin (Vitamin B3) increasing blood flow near the skin.

To qualify for copyright, a work need only reflect a “minimal spark of creativity.” The court held the warning met this standard: “Because the medical caution statements appearing on the energy shots have appreciable differences, and stylistic flourishes may be inserted in the statement, the medical caution label has the minimum level of originality necessary to warrant copyright protection as a matter of law.” Under such a case, many an email, tweet or Amazon review will be copyrighted.

By contrast, *Nova Design* held that insufficient creativity was shown. *Nova Design* held that the architectural work in that case, a design for Holiday Inn Express, did not meet that low standard. The plaintiff took an existing design and added “an extra floor, a larger meeting area, different closet and door placements in the rooms, and different pool, exercise, and laundry areas.” Those additional features had been requested by the defendant. Merely adding them to an existing design did not qualify for copyright.

One could imagine both of those cases decided the other way. The standard for copyright is hardly clear, and courts may differ on what will be considered to show a minimal spark of creativity.

UMG Recordings Inc. v. Augusto, 628 F.3d 1175 (9th Cir. 2011).



The copyright holder has the exclusive right to distribute copies of the work to the public. Only Disney can sell or lease copies of *The Lion King*. But the first sale doctrine provides an exception. Someone that owns a lawful copy of the *Lion King* can sell that particular copy. Likewise, first sale allows the sale of used books (and allows libraries to lend out the copyrighted books they own), allows Netflix to rent out copies of *The Lion King*, allows a collector to sell a copyrighted painting she bought. If you own that lawful copy, you can sell it, give it away, or rent it. Copyright holders, in order to maintain control over copies, often seek to make first sale inapplicable, by transferring copies without transferring ownership. Software is often transferred under a license. The customer agrees that she gets possession of the copy, and a license to use it, but not ownership of that copy. Although sales law might treat that transaction as a transfer of ownership (the substance of the transaction being, give me the money and you can keep the software), recent cases have given effect the terms of service's characterization of the transaction.

Another question is whether the copyright holder can unilaterally characterize the transfer. In *Augusto*, a music company mailed promotional CD's of copyrighted music, along with the legend, "This CD is the property of the record company and is licensed to the intended recipient for personal use only. Acceptance of this CD shall constitute an agreement to comply with the terms of the license. Resale or transfer of possession is not allowed and may be punishable under federal and state laws." There was no provision for response by the recipient, such as clicking to agree to the terms of use. The court held that, notwithstanding the legend, the recipients were owners of the copies. They had not agreed to the terms and so were not bound. Accordingly, they were not liable for copyright infringement when they sold them on eBay.

That modest ruling has a broad application. It means that copyright holders cannot unilaterally characterize the nature of a transfer of property, such as by the labels on the promotional compact discs. Rather, in order to make the terms effective, there must be a mechanism to obtain, at least indirectly, the agreement of the other party to the claimed terms, such as by use of click-wrap licenses, where the user must check a box agreeing to the license terms (including the characterization of the transaction as a license) before being authorized to use the licensed property. One sided claims are much less likely to be enforced.

Oracle USA Inc. v. SAP AG, No. 07-1658 (N.D. Cal., 2011); Sony BMG Music Entertainment v. Tenenbaum, 2011 WL 4133920 (1st. Cir. 2011).



Lost royalties are more often a measure of damages in patent cases than copyright case. *Oracle* provides guidance on how courts may address the issue in copyright. A jury awarded Oracle some \$1.3 billion as damages for copyright infringement. The trial court, however, overturned the damages award. The court reasoned that Oracle had not presented sufficient evidence on which to calculate the lost licensing revenue. Oracle was entitled to whatever licensing fee the parties would have agreed to in a hypothetical transaction, but “ offered no evidence of the type on which plaintiffs ordinarily rely to prove that they would have entered into such a license, such as past licensing history or a plaintiff’s previous licensing practices.” Oracle did not show “actual use of the copyrighted works, and objectively verifiable number of customers lost as a result.” Nor did Oracle show another basis for calculation, such as licensing practices by other companies in the industry. *Oracle*, however, provides guidance for future litigants, by showing the sort of evidence that will support a damages verdict.²³

Sony also involved a rejection of a damages award. The jury had awarded \$675,000 in statutory damages (\$22,500 per song) against the defendant for downloading and distributing thirty songs online. The trial court reduced the award to \$67,500 (a mere \$2,250 per song), on the grounds that the jury award was so excessive as to offend due process. The appellate court

²³ See also *Mirror Worlds LLC v. Apple Inc.*, E.D. Tex., No. 6:08-cv-00088-LED, 4/4/11)(court overturns \$625 million jury award against Apple for patent infringement, on ground that evidence did not support the verdict).

did not reject that reasoning. Rather, it held that, before using reducing a jury award as unconstitutional, the trial court should have fully considered the application of common law remittitur.

Marvel Worldwide Inc. v. Kirby, 777 F. Supp. 2d 720 (S.D.N.Y. 2011).



Termageddon is nigh. When revising the copyright statute in 1976, Congress provided for a new right of termination. If an author had made any grant of rights in her copyright, she could terminate it after 35 years. So if author sold the copyright to her book, or sold the movie rights to her short story, or signed over the publishing rights to her song, she could get it back after 35 years. The theory was to protect artists, who are likely to be less business savvy and more in need than the parties that buy rights. The new termination provision applied only prospectively, to grants in works that went into copyright after 1976. Termination rights arise after 35 years, so the first terminations will take effect in 2013, which is soon upon us. So holders of works from 1978 and on will soon face a possible wave of terminations each year. Music companies in particular must address the issue, because many works from around 1978 are commercially significant.

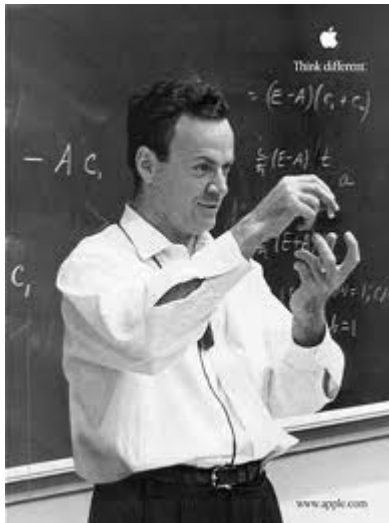
Termination rights do not apply to works made for hire. In addition, if the grant was made by joint authors, a majority of the grantors must join in the termination. So an issue in many cases will be, whether the work was an individual work (where termination applies), joint work (multiple grantors must join), or work made for hire (termination not applicable). This may require resolving questions of fact based on works created in 1978. A work made for hire is one made by an employee, as opposed to a freelancer. In making this distinction, the court must look to multiple factors. So courts may be asked to determine the precise working arrangement of rock bands working in the 1970's, where the memories of key witnesses are likely to be affected by narcissism, narcotics, or necromancy (especially in the case of drummers, per Spinal Tap).²⁴

²⁴ Where an artist succeeds in gaining back the copyright in musical work and the sound recording, there may be an obstacle to exploiting it. The music company will still own the master recording. See Mike Madison, Termination Rights and Master Recordings, madisonian.net (August 18th, 2011)(suggesting the possible applicability of “an implied easement of necessity”).

These many possible “work-made-for hire?” disputes are prefigured by *Marvel Worldwide*. The case involved another right of termination introduced by the 1976. The Act added 19 years to the copyrights in pre1978 works (lengthening the total term from 56 to 75 years). The author of such a work, even if she had transferred interest in the copyright, could get the benefit of the extra 20 years by terminating the transfer. As with the other termination right, it does not apply to works made for hire. Jack Kirby sought to regain the copyrights in works created around 1960, such as the X-Men, the Avengers, Iron Man, and the Incredible Hulk. The court held, however, that the works were works-made-for-hire and so there was no termination right.

The test for whether a work is made for hire is different for works governed by the 1909 and 1976 Act. The former asks (at least in the Second Circuit) only if it was created at the instance and expense of the hiring party, whereas the test for more recent works uses a multi-factor test drawn from agency law. But the case gives a nice example of how large commercial and artistic stakes may turn on the details of working arrangements long in the past.

Apple Inc. v. Psystar Corp., 658 F.3d 1150 (9th Cir. 2011).



Apples come in many varieties, Yeovil Sour to Peasgood's Nonsuch, but not Apple. Apple's software licenses do not allow the usage of Snow Leopard on non-Apple computers. Psystar builds and sells computers that run Apple's software for Macs. Psystar bought a copy of the Mac operating system, Mac OS X Snow Leopard. Psystar then added a bootloader and kernel extension, so the software would run on nonApple computers. Psystar then loaded the adapted Snow Leopard on the computers built by Psystar and sold them, as Open Computers (OpenMacs, until Apple objected on trademark grounds). With each computer, Psystar included an unopened copy of Snow Leopard, purchased from Apple. Apple sues for copyright infringement, because Psystar has made copies of Snow Leopard, adapted it, and distributed copies to the public. Even though Psystar has purchased a copy of Snow Leopard for each computer it sells, its actions violate the Snow Leopard license, which limits the use of Snow Leopard to Apple computers. Psystar raises the defense of copyright misuse, arguing that Apple cannot hinder competitors by limiting the use of copies it has sold. The court held that Apple had not misused its copyright. The court first held that Apple had not sold copies of Snow Leopard, merely had licensed them,

so its license terms were valid restrictions. The court next concluded that, unlike the cases where misuse had been applied, Apple did not attempt to “stifle” competition: “Apple’s SLA does not restrict competitors’ ability to develop their own software, nor does it preclude customers from using non-Apple components with Apple computers. Instead, Apple’s SLA merely restricts the use of Apple’s own software to its own hardware. . . . Psystar produces its own computer hardware and it is free to develop its own computer software.” The court’s analysis seemed to consider other factors: Apple might have valid reasons to seek to control the quality of computers using Apple’s software, and Apple does not have market power in the market for personal computers. Along with the first sale cases involving software licenses, *Apple* gives considerable leeway to copyright holders in placing restrictions on the use of their works, provided that buyers agree to those restrictions.

Trade secret

Trade secret cases reflected its interplay with patent law. An inventor may patent the invention (which requires publication of the information) or keep it a trade secret (which requires preventing publication). That boundary, cases show, is porous. The cases also reflect the increasing international flow of goods and information.

TianRui Group Co. v. International Trade Commission, No. 2010-1395 (Fed. Cir., 2011).



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TianRui may have the effect of extending the reach of trade secret law internationally. If someone uses information outside the United States, that will not violate trade secret law in the United States. But, under *TianRui*, the trade secret holder may be able to block importation of goods made using the trade secret. The International Trade Commission has authority over “[u]nfair methods of competition and unfair acts in the importation of articles . . . into the United States.”²⁶ *TianRui* interpreted the provision to mean that the “Commission has authority to investigate and grant relief based in part on extraterritorial conduct insofar as it is necessary to protect domestic industries from injuries arising out of unfair competition in the domestic marketplace.” In short, the ITC may block importation of goods produced using the trade secrets of a domestic business, even if the misappropriation and use of the trade secret occurred outside the United States.

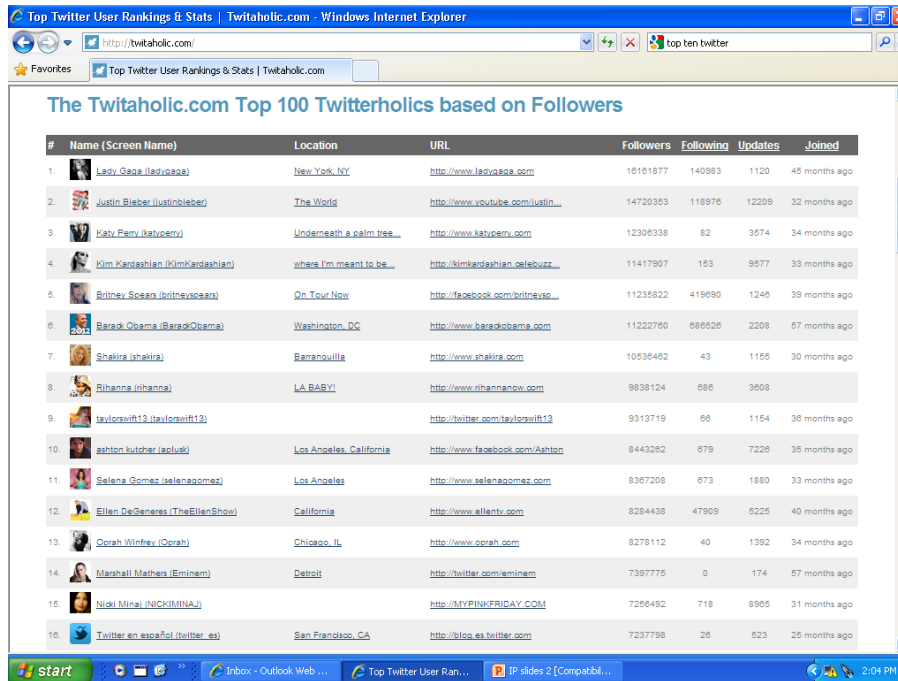
²⁵ Listening Before Radar, <http://www.retronaut.co/2011/07/listening-before-radar/>
²⁶ 19 U.S.C. § 1337 (a)(1)(A).

















Taylor v. Babbitt, 2011 WL 159769 (D. D.C. 2011); Watkins v. Bureau of Customs and Border Protection, 2011 WL 1709852 (9th Cir. 2011).



Information loses its value as a trade secret if it becomes accessible to competitors. *Taylor v. Babbitt* showed that trade secret holders who have disclosed information to a government agency may be able to prevent its disclosure to the public, but only if timely action is taken to prevent disclosure. Parties subject to government regulation may have to submit valuable information. If others seek that information with Freedom of Information requests, the government may withhold “trade secrets and commercial or financial information obtained from a person and privileged or confidential.” 5 U.S.C. § 552(b)(4). Where design specifications, however, dating from the 1930’s, for the Fairchild F-45 airplane had been disclosed in decades past, the manufacturer was no longer able to prevent disclosure under the Freedom of Information Act. So an airplane enthusiast, who owned one of the few remaining Fairchild F-45’s, was entitled to obtain its design specifications. By contrast, in *Watkins*, a competitor was not entitled, under the Freedom of Information Act, to receive commercial information that a trademark owner disclosed to the customs bureau with respect to goods seized at ports of entry.

PhoneDog v. Kravitz, No. 11-3474 (N.D. Cal., November 11, 2011)



#	Name (Screen Name)	Location	URL	Followers	Following	Updates	Joined
1.	 Lady Gaga (ladygaga)	New York, NY	http://www.ladygaga.com	10161877	140983	1120	45 months ago
2.	 Justin Bieber (justinbieber)	The World	http://www.youtube.com/justin...	14720353	118976	12209	32 months ago
3.	 Katy Perry (katyperry)	Underneath a palm tree...	http://www.katyperry.com	12306338	82	3674	34 months ago
4.	 Kim Kardashian (KimKardashian)	where I'm meant to be...	http://kimkardashian.celebuzz...	11417907	153	9677	33 months ago
5.	 Britney Spears (britneyspears)	On Tour Now	http://facebook.com/britneyspears	11235822	419690	1246	39 months ago
6.	 Barack Obama (BarackObama)	Washington, DC	http://www.barackobama.com	11222760	686626	2208	67 months ago
7.	 Shakira (shakira)	Barranquilla	http://www.shakira.com	10536462	43	1155	30 months ago
8.	 Rihanna (rihanna)	LA BABY!	http://www.rihannanow.com	9838124	686	3608	
9.	 taylorwift13 (taylorwift13)		http://twitter.com/taylorwift13	9313719	66	1154	36 months ago
10.	 ashton kutcher (askutcher)	Los Angeles, California	http://www.facebook.com/Ashton	8443282	679	7226	35 months ago
11.	 Selena Gomez (selenagomez)	Los Angeles	http://www.selenagomez.com	8367208	673	1880	33 months ago
12.	 Ellen DeGeneres (TheEllenShow)	California	http://www.ellentv.com	8284438	47909	6225	40 months ago
13.	 Oprah Winfrey (Oprah)	Chicago, IL	http://www.oprah.com	8278112	40	1392	34 months ago
14.	 Marshall Mathers (Eminem)	Detroit	http://twitter.com/eminem	7397775	0	174	67 months ago
15.	 Nicki Minaj (NICKIMINAJ)		http://MYPINKFRIDAY.COM	7256462	718	8965	31 months ago
16.	 Twitter en español (twitter_es)	San Francisco, CA	http://blog.es.twitter.com	7237786	26	623	25 months ago

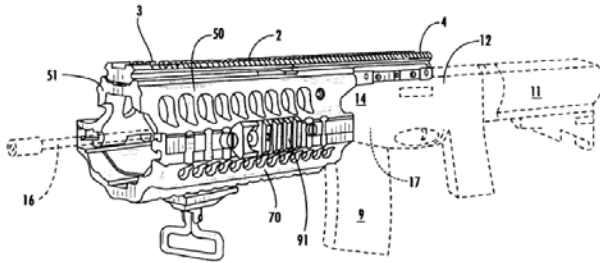
PhoneDog held that the password to a Twitter account, along with the list of followers, may be protected as trade secrets. An employee *Phonedog*, an “interactive mobile news and reviews web resource.” The employee had maintained the @*PhoneDog_Noah* account. Instead, he allegedly changed the handle to @noahkravitz and continued to use it, to the detriment of *PhoneDog*’s business. After *PhoneDog*, the court denied a motion to dismiss, pending further determination of whether the account and list of followers met the requirements for trade secret protection (value from secrecy, protected by reasonable security measures) and whether retention of the account and the list of followers constituted misappropriation.

Tewari De-Ox Systems Inc. v. Mountain States/Rosen LLC, 637 F.3d 604 (5th Cir., 2011)



An inventor must often choose, whether to patent her invention, which requires disclosing it to the public, or keeping it a trade secret, which has the risk that the information may become public. *Tewari De-Ox Systems* shows that an inventor may have it both ways, where there are related inventions. Tewari filed a patent application on a zero oxygen meat-packing method. Tewari disclosed to a potential partner know-how about implementing the method, subject to a non-disclosure agreement. The joint venture ran asunder, but the other party used the information from Tewari. Sued for trade secret misappropriation, the defendant argued²⁷ that all the information could be garnered from the published patent application. The court held, however, that even if the individual elements were public information, the knowledge of how to combine those elements could remain a protected trade secret.

Atlantic Research Marketing Systems v. Troy, No. 2011-1002 (Fed. Cir., October 6, 2011).



Atlantic Research presented a logic problem reminiscent of Raymond Smullyan, with considerable practical implications for the overlap between patent and trade secret protection.²⁹ Atlantic Research patented a free-floating handguard for military rifles, which allowed devices

²⁷ “a two-car Stock Yards train led by South Side Elevated car 157 passes over livestock pens near Exchange station in 1911” –Photo from Chicago Transit Authority Collection, <http://www.chicago-l.org/operations/lines/stockyards.html>

²⁸ U.S. Reissue Patent No. 39,465.

²⁹ See, e.g., Raymond Smullyan, *What Is the Name of This Book?* (1978).

like laser targeting systems to be attached to the rifle without the hazards of direct attachment to the rifle barrel. Atlantic Research sued a former employee, for selling a competing rifle, which featured a free-floating handguard with a single clamp. Atlantic Research claimed both patent infringement (on the theory that the single clamp handguard fell within the scope of its patent) and trade secret misappropriation (on the theory that the single clamp handguard was a trade secret, subject to the employee's nondisclosure agreement). In short, the Atlantic contended that it had published the single clamp invention, and that it had maintained the single clamp invention as a trade secret. The defendant made symmetrically inconsistent arguments, that the patent had disclosed the single clamp invention and that the patent failed to sufficiently disclose the single clamp invention. As the court wryly put it, "These conflicting positions left little room for either party to prevail on both claims." The court held that the invention was not sufficiently disclosed to be covered by the patent, but by the same token could qualify as a trade secret. The practical impact of the case is that it supports the use of both patent and trade secret protection for related technology.

Pacesetter Inc. v. Nervicon Co., Cal. Super. Ct., No. BC424443, jury award April 22, 2011.



This case provides an instructive example of jury dynamics. A sympathetic plaintiff (a division of St. Jude's Medical, Inc.) alleged that former employee had misappropriated trade secrets (technical information on an implantable medical device) and set up another company in China to take advantage of the huge potential market there. The defendants did not appear for trial. The plaintiff sought some \$1.2 billion in damages (comprising past, future and punitive damages). The jury, however, "We found the expert witness a little too conservative" and awarded \$2.4 billion in damages.

³⁰ Workshop of Simone Martini, *Saint Jude Thaddeus*, c. 1320. Tempera on panel, National Gallery of Art, Washington, D.C.

United States v. Nosal, 642 F.3d 781 No. 10-10038 (9th Cir., 2011), rehearing en banc granted October 27, 2011; Grant Manufacturing & Alloying Inc. v. McIlvain, No. 10-1029 (E.D. Pa., 2011).

Most trade secret cases involve employees. To wring value from information, the business must disclose it to the employees. Knowledge workers take their tools home with them at night, unlike a typical factory worker. Johnny Cash sang of taking an entire car home from the factory, one piece at a time. A software engineer might fit an company entire product line on a flash drive.

Trade secret law provides state law protection to information, provided the plaintiff can show the information is subject to reasonable security measures and is valuable because it is not available to competitors. In recent years, the federal Computer Fraud and Abuse Act has become an alternative theory for employers seeking to protect “proprietary” information. A CFAA claim can cover more fact patterns than trade secret law. The CFAA requires that the defendant accessed a computer³¹ without authority, causing damage. Use without authority covers hackers - but, broadly interpreted, covers employees using their work computers, but in a manner not permitted by the employer. So the CFAA can be read (courts have varied) to cover use of computers in a manner contrary to the employer’s interest – and needless to say, computer use is standard in almost every workplace today.³² In *Nosal*, employees accessed data on the corporate network, ignoring prominent warning that employee use and disclosure of information on the network was restricted. That sufficed to uphold criminal violations of the CFAA, as use that “exceeds authorized access.” The Ninth Circuit has granted rehearing en banc in the case, so its interpretation of the statute may change. By contrast, in *Grant Manufacturing*, an employee that changed customer records before leaving the company did not make illegal unauthorized access. Even if the damage breached the employee’s duties, his access was not unauthorized for purposes of CFAA liability. A key difference was that there were not the kind of clear policies and notices as in *Nosal*. So employers appear to have considerable legal protection, provided that computer usage policies are in place.

³¹ The class of protected computers is broad, including cell phones, so the reach of the CFAA is very broad. See *United States v. Kramer*, 631 F.3d 900 (8th Cir., 2011). Researchers are developing location based technology to prevent cell phones from transporting proprietary data. See Researchers Lock Down Android To Keep Data From Walking Out The Door, <http://arstechnica.com/business/news/2011/10/researchers-lock-down-android-to-keep-data-from-walking-out-the-door.ars> (October 17, 2011).

³² See generally Orin S. Kerr, Vagueness Challenges to the Computer Fraud and Abuse Act, 94 Minn.L. Rev. 1561 (2010).

Mobile Mark Inc. v. Pakosz, No. 11-2983 (N.D. Ill., 2011); Animators at Law Inc. v. Capital Legal Solutions LLC, No. 10-1341 (E.D. Va., 2011).



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There is Computer Fraud and Abuse Act liability only if there are sufficient damages. But the range of damages may be construed broadly. *Mobile Mark* held that the costs of investigating the unauthorized access to data, along with business losses such as lost sales opportunities, would meet the damages requirement. *Animators at Law* likewise held that the damages requirement could be met by fees paid for a analysis of a laptop computer, to see whether confidential files had been accessed (after an employee took and used the laptop upon departing the firm).

SyncSort Incorporated v. Innovative Routines, International, Inc., Civ. No. 04-3623 (WHW).

***** This video is not available due to a trade secret claim by [redacted] *****

Can a SyncSort UNIX command language remain a trade secret if its Reference Guide has been posted on an open web site? Yes, if it is taken down quickly enough, so that it does not become readily available to competitors.³⁴

Litigation Management Inc. v. Bourgeois, 2011 Ohio 2794 (Ohio Ct. App., 2011);

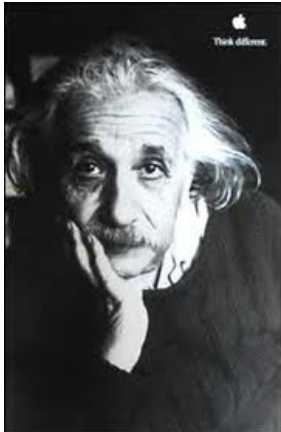
Courts are becoming slightly more reluctant to grant injunctions in intellectual property cases, after the Supreme Court's decision in *eBay*. *Litigation Management*, however, reversed the trial court's denial of an injunction. The appellate court held an injunction appropriate, in order for the plaintiff to recover the "kick-start" advantage a competitor gained by using the plaintiff's former employees, in violation of agreements of confidentiality and

³³ Miniature Pigeon Cameras, 1903, <http://www.retronaut.co/2011/09/dr-neubronners-miniature-pigeon-camera-1903/>.

³⁴ *Syncsort* relied on another brief posting case, *Silicon Image, Inc. v. Analogix Semiconductor, Inc.*, Civ. No. 07-00635 (N.D. Cal. Jan. 17, 2008).

agreements not to compete.³⁵ Monetary damages, the court held, would be too difficult to assess and may not adequately restore the plaintiff.

Ho v. Taflove, 648 F.3d 489 (7th Cir. 2011)



Ho v. Taflove illustrates that, in trade secret as in patent, scientists often do not have a legal claim for behavior that might violate academic principles. A physicist alleged that a colleague and a former graduate student of the plaintiff physicist misappropriated valuable information, namely a “4-level 2-electron atomic model with Pauli Exclusion Principle for simulating the dynamics of active media in a photonic device.” The trade secret claim did not succeed because the information was not secret, having been published in a conference proceeding and a master’s thesis. The plaintiff argued that misappropriation was applicable, because the defendant’s did not give proper attribution for the idea. Lack of attribution may constitute plagiarism or violate scientific ethics. But publicly available information is not a trade secret, irrespective if the defendant inaccurately claims to have originated the information.

³⁵ See also *Aspect Software, Inc. v. Barnett*, 787 F. Supp. 2d 118 (D. Mass. 2011)(where employee joined competitor in breach of covenant not to compete, injunction granted despite new employer’s good faith efforts to protect integrity of trade secret information); *IBM v. Visentin*, 11 Civ. 399 (LAP) (S.D.N.Y. Feb. 16, 2011), *aff’d*, No. 11-902-cv (2nd Cir. Nov.3, 2011)(Hewlett Packard not subject to injunction under inevitable disclosure doctrine, where it took steps to keep employee from working in areas he covered previously at IBM).