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Patent, Trademark, Copyright and Trade Secret Cases

Stephen McJohn *

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The following are notable intellectual property decisions in 2010 in the United States. Viewed across doctrinal lines, some interesting threads emerge.

The scope of protection was at issue in each area. *Bilski* marked a shift from using technical tests for patent subject matter to relying on the basic exclusions against patents on laws of nature, physical phenomena, or abstract ideas. *Molecular Pathology* called into question the

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many thousands of issued patents on human genes. In trademark, the issue of which uses may be potentially infringing remains unsettled. *Golan v. Holder* addressed the constitutional limits on the scope of copyright. Several copyright cases analyzed fair use, that elusive boundary around copyright scope. Trade secret protection was held applicable to the concept for a product and to high-frequency trading software.

The issue of secondary liability remains widely litigated, as rights holders seek both deep pocket defendants and a means to cut off individual infringers. The courts applied slightly different standards as to the state of mind required for secondary liability. YouTube was held not liable for its users commonly uploading copyright-infringing videos, provided YouTube responded to knowledge of specific infringements.\(^1\) eBay was likewise not liable for sales of counterfeit tradmarked goods, unless it had knowledge of particular infringing listings. But in patent (in a case involving importation of goods), deliberate indifference to the risk of patent infringement was held sufficient by the Federal Circuit – a ruling that the Supreme Court has taken on review.

Many of the cases involved disputes between hiring and hired parties, over the ownership of intellectual property rights. The Supreme Court took a case on whether professors or universities may assign rights to federally funded inventions. *Büchel* addressed whether an artist may prevent a museum from showing an unfinished commissioned work. *Gaylord* addressed whether a party that commissions a work, but does not obtain the copyright, may use fair use to exploit derivative works. *JustMed* held that a start-up company may claim ownership over employee’s creation under the work-made-for-hire doctrine, even where the start-up has failed to observe the normal formalities of employee/employer relations. Most of the trade secret cases

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\(^1\) *MDY Industries v. Blizzard Entertainment* held that there was no secondary liability for providing software that enabled users to make use of video game software beyond their licensed use.
involved employees. *Bimbo Bakeries* upheld an injunction against hiring a competitor’s employee, where it was likely that the employee would use trade secrets in his new position. A competitor may reverse engineer a competitor’s product. But *Faiveley* held that you cannot use the competitor’s employees to do it. The parties often agree on who will own information produced by the employee. The question in *Mattel* was whether an assignment of “inventions” covered the idea for a product.

A number of cases concerned the relationship between intangible rights and physical works. *Solo Cup* addressed the extent of liability for inaccurately marking a product as patented. *Ariad* analyzed just how an applicant must show possession of an invention in order to entitled to a patent. *Intervet* analyzed whether the scope of a biotech patent is limited to a sample that the inventor submitted to show possession of the invention. *AuTomotive* decided whether the owner of genuine Volkswagen badges could affix them to other cars sold. *Jay Franco* held that the shape of a round beach towel could not be protected as a trademark. *Vernor* concerned whether someone that bought restricted copies of software could sell them on eBay.\(^2\)

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\(^2\) One issue not decided in 2010 was whether a copyright owner can control gray market goods – goods made outside the United States with permission of the copyright owner, but imported without permission. The Supreme Court took cert. in the case, but split 4-4 and so issued no decision. See *Costco Wholesale Corp. v. Omega*, No. 08-1423 (December 13, 2010).
The Supreme Court, for the first time in decades, addressed the boundaries of patentable subject matter. The specific question was whether a general process for using commodity exchange transactions to hedge risks fell within patentable subject matter. The more general question was, what standard governs the patentability of processes. *Bilski* rejected a rigid test formulated by the Federal Circuit, under which a process was only patentable if it was tied to a particular machine or transformed an article. That test, if narrowly applied, could have barred many patents on business methods, software, and biotech processes (such as diagnostic methods). *Bilski* rejected the machine-or-transformation test, along with earlier courts have formulated, such as the *State Street* useful-concrete-tangible test, the rule against patenting “mental steps,” or the applied-algorithm test. *Bilski* did not, however, formulate a new test for patentable subject matter, rather leaving standing only the long-standing rule that bars patents for laws of nature, physical phenomena, or abstract ideas.

*Bilski* also specifically declined to adopt a categorical exclusion for patents on business methods. Had *Bilski* held that business methods were not patentable, that would have required

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3 See In re Bilski, 545 F.3d 943 (Fed. Cir. 2008).
6 See In re Freeman, 573 F.2d 1237 (CCPA 1978)(formulating test known as the Freeman-Walter-Abele test). For Professor Dratler’s thorough critique of the tests, see JAY DRATLER, JR. AND STEPHEN M. MCJOHN, INTELLECTUAL PROPERTY LAW: COMMERCIAL CREATIVE AND INDUSTRIAL PROPERTY § 2.03 (2010).
courts to define just what a “business method” is – something neither courts nor commentators have achieved, despite much discussion of the whether business methods should be patentable. After Bilski, patent law takes an approach similar to copyright law, with respect to subject matter. Ideas are not copyrightable. That deceptively simple rule really states a broad policy, which cases have applied differently in different areas, ranging from literature to computer software. Copyright has managed to adapt to several generations of new technology by holding that ideas are not copyrightable, but the expression of an idea is. Bilski indicates a similar approach in patent law. Bilski would seem to move away from attempt to define patent subject matter with various technical tests. Bilski instead leaves a broad rule against patents that claim laws of nature, physical phenomena, or abstract ideas, but leaving open patent protection on applications of laws of nature, physical phenomena, or abstract ideas.


Molecular Pathology reopens the question of the patentability of genes. As noted in Bilski, courts have long denied patent protection for natural phenomena. That would seem to bar patents on genes that exist in nature. But the Federal Circuit has repeatedly upheld the validity of gene patents. The USPTO has issued many thousands of patents on genes, on the theory that by isolating the gene, the inventor has identified something that is different from the gene as it exists in nature.

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8 See, e.g., In re Deuel, 51 F.3d 1552 (Fed. Cir. 1995). Notably, the Federal Circuit has repeatedly upheld gene patents in cases like Deuel, but without directly addressing the threshold issue of subject matter.
Molecular Pathology, however, rejected this reasoning, holding that isolated DNA is not
“markedly different” from the gene, encoded in DNA as it appears in nature. The court
invalidated patents held by Myriad Genetics on two genes related to breast and ovarian cancer,
along with Myriad’s patents on methods to detect cancer by analyzing and comparing a person’s
dNA. Molecular Pathology presents a conflict between two deep policies: the policy of
providing an incentive for socially valuable innovations (such as discovering genes linked to
disease) and the policies of leaving nature phenomena open to scientific research and preventing
ownership of natural phenomena – especially acute where the ownership is of human genes. In
that vein, Molecular Pathology presents a difficult distinction between discovering natural
phenomena and inventions that apply that knowledge.

The appeal is pending before the Federal Circuit. The importance of the case may be
difficult to assess. Patents on single genes may be less important that had been believed only
years ago. Even though the human genome has been sequenced, few diseases or conditions have
been linked to single genes. Rather, many genes are usually involved, which may diminish the
importance of any single gene patent.9


As Bilski shows, one hazard of patents (especially software and business method
patents), is that they may be too abstract, giving patents on idea as opposed to an application of
an idea. A similar problem is that even where an application is claimed, the abstract words to
claim processes may be hard to interpret, and could be read more broadly than the actual

9 See Personalized Medicine in the Genomic Era, Scientific American (June 24, 2010).
invention.\textsuperscript{10} \textit{Bid for Position} illustrates that much may turn on interpretation of particular patent claims. The court held that Google's AdWords system did not infringe patent claims on a method for continuous online auctioning of “priority position” for advertisers. Read broadly, the claim could have given patent protection over online auctions of advertising. The court construed it to apply only to auctions similar to those described in the written description portion of the patent application. \textit{Bilski} addressed a momentous question – what is the extent of patentable subject matter. But in practical terms, cases like \textit{Bid for Position} may play a more important role. Few patents fall at the borders of patentable subject matter – but because every patent claim is unique, interpretation of claims plays the workhorse role in determining what is actually patented.\textsuperscript{11}


The utility requirement is another front on the battle against patenting ideas. \textit{Bilski} dealt with the issue of a broad patent claim on an abstract idea. The utility requirement – the requirement that the applicant show the invention has a specific, existing usefulness – prevents ideas from being patented before application to an invention. \textit{Janssen Pharmaceutica} shows that the utility requirement still has bite, especially in the area of pharmaceuticals. The court held invalid a patent on a method of treatment (by administering a drug) for Alzheimer’s disease. The patent failed to meet the utility requirement because, at the time of filing the patent application,

\textsuperscript{10} See generally, James Bessen & Michael Meurer, Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators At Risk 199, 256 (Princeton U. Press. 2008)(discussing hazards of “abstract patent claims” in software and business method patents, which may “cover unknown territory, claiming technologies that are unknown at the time the patent is filed and that might change over time, especially in the fast-moving fields of technology”).

\textsuperscript{11} Intervet Inc. v. Merial Ltd., 617 F.3d 1282 (Fed. Cir. 2010), addressed the relationship between disclosure of the invention and the interpretation of biotech claims. The court held that the claims to a porcine circovirus should not be limited to the specific type of virus deposited as a sample.
the applicant did not show efficacy of the drug, through either neither in vitro test results nor animal test results. The court also rejected the argument that utility could be shown by “analytic reasoning.”

_Janssen_ could be coupled with _ALZA Corp. v. Andrx Pharmaceuticals LLC_. The court invalidated a broad patent claim on a method for using a drug to treat attention deficit and hyperactivity disorder. The patent application did not meet the enablement requirement, which requires the applicant to disclose how to make and use the full scope of the claimed invention. The application did not properly disclose the method of ascertaining dosage in the manner necessary to support the broadly method. In short, the enablement requirement guards against parties claiming more broadly than the invention they have disclosed. It likewise guards against patenting ideas, because it requires a broad claim to be supported by description of how to fully make and use the invention.

_Janssen_ and _ALZA_, taken together, show what may really be at stake in cases like _Bilski_ and _Molecular Pathology_. If genes are patentable, such patents must still meet the utility and enablement requirements. Thousands of patents on isolated genes exist, but some applicants may not have shown a specific practical utility at the time of the application. If they did, the claims would still be limited to the scope of the useful invention disclosed. Contrariwise, if patent claims on isolated genes are held invalid, the patentees in many cases will have other claims to fall back on. Useful inventions based on those genes would still be patentable. So, in many cases, the controversies about the scope of patent subject matter do not determine the scope of what specific inventions may be patented.

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603 F.3d 935 (Fed. Cir. 2010).
5. Princo Corp. v. International Trade Com'n, 616 F.3d 1318 (Fed. Cir. 2010)(en banc)

*Princo* is an important case with respect to the ability a patent holder has to impose restrictions on its licensing practices that may impact competition. Anti-trust law provides remedies where a patent holder misuses market power or attempts to monopolize a market in prohibited ways. But most patents do not provide monopoly power, rather at best give exclusive rights to one product or service that competes against others. A long-standing issue has been, when does anti-competitive behavior become patent misuse? In *Princo*, the en banc Federal Circuit made it difficult to show patent misuse. The court held misuse inapplicable to a patent pool license program for an industry standard for compact disk technology. In general terms, the court held that when a patentee offers to license a patent, the patentee does not misuse that patent by inducing a third party not to license its separate, competitive technology. *Princo* gives latitude to patent holders to leverage their exclusive rights into other markets – somewhat in tension with the first sale cases discussed below.

6. Pequignot v. Solo Cup Co., 608 F.3d 1356 (Fed. Cir. 2010)

*Solo Cup* greatly reduced the potential liability for false patent marking. Sellers like to include patent numbers on products and packaging. “U.S. Patent Number 4,404,078” on the package of, say, a shoe horn, may suggest to potential buyers that it is a true invention. An inventor is entitled to patent any new and nonobvious invention. It need not be superior to existing products, particularly effective, or even safe. But the patent marking on a package nevertheless may suggest to consumer that the item is better than competing products and
somehow sanctioned by the U.S. government. It also discourages competitors from copying the product. Manufacturers, however, sometimes include inaccurate patent marking. The patent may have expired (often, no one has the job of reviewing old packaging for whether the patents are still in effect), the seven-digit number may be wrong, or the patent may not actually apply to the product, perhaps because of miscommunication between the seller’s legal and marketing people.

The Federal Circuit had scared sellers in 2009 by interpreting the false marking provision in the patent statute to reckon statutory damages per item sold, as opposed to per violation.13 Like the report of a gold strike, the case sparked a cottage industry of false marking suits. A juicy target was the Solo Plastic Cup company. Solo makes and sells billions of plastic cups. In that low margin business, Solo decided not to spend the money to change its manufacturing molds when its patents expired. As it knowingly sold falsely marked cups, it risked a gigantic award. A few cents per cup adds up, if multiplied by millions. The Federal Circuit, however, held that the false marking statute applies liability only when the defendant acts with intent to deceive the public. Solo acted to save manufacturing costs, not to deceive the public, and so escaped liability. Manufacturers breathed a sigh of relief.


SEB addressed a question of, what state of mind is necessary for secondary liability, which the Supreme Court will review next year. Specifically, when may a party be liable for the infringement of others? Federal Circuit case law had suggested that a party could be liable for

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13 See In Forest Group Inc. v. Bon Tool Co., 590 F3d 1295 (Fed. Cir. 2009).
inducing infringement only where “he or she knew of the patent.”\textsuperscript{14} In \textit{SEB}, the defendant did not specifically know of the patent in question. Rather, it copied the features of a deep fryer. Knowing that there were numerous patents on products in that market, the defendant deliberately avoided analyzing whether that particular product was patented. The Federal Circuit held that such “deliberate indifference of a known risk” was sufficient. The \textit{SEB} case will provide the Supreme Court an opportunity to expand on the standards for secondary infringement that it explored in copyright, in \textit{Grokster}.\textsuperscript{15}

\textit{SEB} also addressed a key issue on the intersection between commercial law and patent law. Patent law is territorial. If a product is patented in the US, its sale abroad does not infringe the US patent. If a seller ships goods from China, does that infringe? The seller in \textit{SEB} argued that there was no infringement by shipping goods from China, because the goods were shipped “FOB China” – meaning that the seller’s obligations under the sales law were fulfilled once the goods were shipped. But the court looked past the formalities of the Uniform Commercial Code to the practical reality, which was that the seller had shipped goods to a buyer in the US.

8. Ariad Pharms., Inc. v. Eli Lilly & Co., 598 F.3d 1336 (Fed. Cir. 2010)(en banc)

\textit{Ariad} addressed the question, how does an inventor show that she has sufficient possession of the invention to be entitled to a patent? The concept of possession lies deep in property law. Possession governed claims of ownership of a wild fox in \textit{Pierson v. Post} the first case in many property courses. To get a patent, an inventor must submit an application

\footnotesize{\textsuperscript{14} DSU Med. Corp. v. JMS Co., 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc).  
\textsuperscript{15} See Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S. 913, 935, 125 S. Ct. 2764, 162 L. Ed. 2d 781 (2005).}
describing the invention and enabling others to use it. The Federal Circuit has held this to be two requirements: enablement, which requires the inventor to disclose to others how to make and use the invention, and written description, which requires the inventor to show that she had “possession” of the invention when she filed her application. Some have argued that this reads two requirements where the statute has one, and smuggles in a property law concept that the statute does not require. The Federal Circuit, sitting en banc in Ariad, affirmed that the written description requirement is separate from the enablement requirement. This has considerable practical impact in areas like biotech and chemistry, where an inventor may be able to make a useful invention before she has determined just how to describe what it is. Under Ariad, she must wait to file until she can provide conceptual proof of “possession.” Delay can cost money, and even cost patent rights, such as if publications or other products in the area make the invention nonpatentable.


Patent law is federal law. Commercial law is generally state law, governed by various state’s adoption of the Uniform Commercial Code. Where the two bodies of law overlap, there can be uncertainty as to which governs. Sky Technologies addressed a key issue in the intersection between intellectual property and commercial law. Possession had played a comical role in In re Coldwave Systems.16 A lender had not filed to perfect its security interest in a patent given as collateral for a loan. The creditor creatively, if vainly, argued that it need not file, because it had possession of the patent certificate, just as a pawnshop perfects by possession of

the jewelry in its safe. Coldwave reflects a great uncertainty in the intersection between commercial law and intellectual property. Courts have struggled to rule whether a creditor should file in the federal office (the USPTO or the Copyright Office) or in the relevant state Uniform Commercial Code filing system.17

Sky Technologies addressed a related uncertainty: whether federal law or state law governs the procedure for sale of the collateral, if the lender forecloses and sells the patent. The Federal Circuit held that state law governs. That meant that state foreclosure law could apply, and the patent sold subject to the same procedures and protections that govern other types of collateral. Intellectual property is the subject of many finance transactions, from loans to joint ventures to securitization and beyond. The simple and clear approach taken by Sky Technologies (treating intellectual property like any collateral) will facilitate those transactions.


Crocs provides considerable guidance on the question, how much inventive spark is required to get a patent in this high-tech age. Nonobviousness is the central requirement for patent protection. An applicant is not entitled to a patent if the claimed invention would have been obvious to one working in the relevant field, in light of all work in the field. In KSR,18 the Supreme Court set a new, more flexible standard. Previously, courts had held that an invention would be nonobvious unless there was a specific item with “teaching, suggestion or motivation” for making the invention. KSR rejected that rigid test, giving the USPTO and courts more

17 See In re Cybernetic Services, Inc., 252 F.3d 1039, 1045 (9th Cir. 2001)(holding security interest in patents perfected by state law filing); In re Peregrine Entertainment, Ltd., 116 B.R. 194, 199-200 (C.D. Cal., 1990)(holding federal filing required for copyrights).
latitude in deciding if an invention was obvious. *KSR* allowed courts to look not just to specific work in the field, but also to market conditions, the path of technological development, and even common sense, in assessing if an innovation was predictable.

There were a good number of obviousness cases in 2010, as courts adjust to the change in approach. *Crocs* is included simply as an example of the practical approach courts are taking. Even a very low-tech invention may still be held nonobvious, and so patentable. The use of foam straps was held to be a patentable invention, largely because previous work in the field “taught away” from foam straps. Straps had been used on shoes, and foam had been used in shoes, but the inelastic nature of foam made it seem unsuitable as a strap material. So although *KSR* has given courts and the USPTO more flexibility to deny patents, simple but genuine innovations may still qualify for protection.

**Patent Pending**

Three patent cases are pending before the Supreme Court:

Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems Inc., 583 F.3d 832 (Fed. Cir., 2009), cert. granted, 178 L. Ed. 2d 368 (2010)(whether university inventors may assign rights to federally funded inventions)
SEB (T-Fal) v. Montgomery Ward & Co., 594 F.3d 1360 (Fed. Cir. 2010), cert. granted, 178 L. Ed. 2d 286 (2010)(whether “deliberate indifference” to existence of patent sufficient for secondary liability)

i4i LP v. Microsoft Corp., 598 F.3d 831 (Fed. Cir. 2010), cert. granted., no. 10-290 (2010)(whether presumption of patent validity applies, where patent office did not consider the relevant prior art)

The Federal Circuit has *en banc* decisions pending in two cases with broad applicability:

Therasense, Inc. et al. v. Becton, Dickinson & Co. et al., 374 Fed. Appx. 35 (Fed. Cir. 2010)(on when inequitable conduct in obtaining a patent may make the patent unenforceable)

TiVo v. EchoStar, 376 Fed. Appx. 21 (Fed. Cir. 2010)(on when civil contempt proceedings or infringement proceedings should apply, where a modified product is used after an injunction against infringement)

1. **American Needle** addressed the issue, to what extent competitors may band together in using trademarks to exclude other potential competitors. As *Princo* shows in the patent context, intellectual property policy often requires weighing exclusive rights against market forces. *Princo* involved the limits on agreements a patent holder could make with others that might restrict competition. **American Needle** analyzed the question of when a rights holder is, for anti-trust purposes, negotiating with others or with itself. The question was whether the teams of the National Football League were single entity, or competitors, potentially liable under anti-trust laws for concerted action in trademark licensing. The Court held that even if the teams have to cooperate to produce football games, “the teams compete with one another, not only on the playing field, but to attract fans, for gate receipts and for contracts with managerial and playing personnel.”¹⁹ For competitors to band together the control the market for licensing their trademarks therefore was a potential anti-trust violation. The ruling has considerable impact beyond sports licensing. In many industries, competitors have to cooperate, such as forming committees to set industry technology standards. **American Needle** may play a role in separating permissible cooperation from exclusionary practices.

¹⁹ American Needle, 130 S.Ct. at 2212
2. Sensient Technologies Corp. v. SensoryEffects Flavor Co., 613 F.3d 754 (8th Cir. 2010)

*Sensient* continues the efforts of courts to define which categories of uses of a trademark may potentially infringe. Trademarks are part of the basic vocabulary of a commercial society. There is no trademark infringement without use, in commerce, of the mark or a similar symbol. But courts have differed on what constitutes “use” of a mark. Use of the mark only infringes if there is a likelihood of confusion. But the likelihood of confusion is a multi-factor determination, which makes it hard to predict whether particular uses infringe. So the initial question may be, what constitutes a use of the mark, for the purposes of trademark law. Is a mark “used” every time it is mentioned, quoted, referred to, listed, or otherwise employed? Or does “use” have a narrower meaning in trademark law, referring to only use of the mark as a trademark?

*Rescuecom Corp. v. Google, Inc.*, 20 had held that sale of trademarks in keyword advertising was use of the mark, for the purposes of trademark law. The appellate court remanded the case, for determination of whether the use was likely to cause confusion, and therefore infringed. By contrast, *Sensient Technologies* held that use of a competitor’s mark in news releases and (non-sales) presentations was not a use in commerce. So the question of whether there was likelihood of confusion was not reached. The boundaries of trademark protection remain unsettled. The question remains, how courts will draw the boundaries: by defining categories that fall inside or outside “use” of the mark, or by relying on the old standby, whether there is a likelihood of confusion.

3. Tiffany v. eBay, 600 F.3d 93 (2nd Cir. 2010)

20 562 F.3d 123 (2d Cir. 2009).
Secondary liability is of primary importance in applying intellectual property to internet issues. Infringers may be numerous and hard to track down. But thousands of infringers may use a single online service provider, such as YouTube or eBay. So online service providers make a juicy target for rights holders. The Second Circuit, however, held that eBay was not liable for users' sales of knockoff Tiffany products. It held that for “contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”21 This echoes the approach taken in copyright, in the Viacom case discussed below. Tiffany marks a convergence in the standards governing internet service providers, whether their customers upload videos or auction knock-offs.


Gucci provides a nice contrast to Tiffany. Credit card processors, as financial institutions, are also attractive defendants. To get paid, infringers need to use a payment system. The issue was of liability for processing credit card transactions for online merchants that sold knockoffs of Gucci products. Simply processing credit card transactions would not give rise to liability. But a credit card processor would be liable if it knowingly served high risk clients and helped them

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21 Tiffany v. eBay, 600 F.3d 93, 107 (2nd Cir. 2010).
to infringe, such as by suggesting that purchasers must check a box recognizing that they were buying replicas, in order to reduce the number of returns.

5. Toyota Motor Sales U.S.A. Inc. v. Tabari, 610 F.3d 1171 (9th Cir. 2010) and DSPT International Inc. v. Nahum, No. 08-55062 (9th Cir. 2010).

_Toyota Motor Sales_ and _DSPT International_ provide guidance on the issue, when use of a domain name is in bad faith. The Internet has opened up many vistas for uses of trademarks, whether by mark owners to market their wares, or for others to communicate (in ways good and bad) with others interested in the relevant product or services. The Anti-Cybersquatting Act specifically regulates one category of use, by prohibiting bad faith use of another’s mark in a domain name. The statute takes its name from an early practice of simply registering a mark as a domain name (say, Microsoft.com) before the mark owner became web savvy enough to register the domain name, then “squatting” on the domain until the mark owner ransomed it. Practices have become more complex, requiring courts to sift out bad faith from bona fide uses. _Toyota Motor Sales_ held that an automobile broker’s use of “Lexus” in its domain name was not bad faith. The relevant domains were buy-a-lexus.com and buyorleaselexus.com. The broker was not a Toyota dealer, but dealt in Toyotas along with other automobiles. Although the broker used Toyota’s mark, it used it in a legitimate manner to describe its goods.

Good faith use of a domain name can become bad faith. In _DSPT_, an employee of a clothing merchant registered a domain name, www.eq-Italy.com, for the company. The company used the site with increasing success over the years. The employee and the company then parted ways. Not long after, any visitor to www.eq-Italy.com saw only a notice referring
“all fashion related questions” to the employee’s email address. The employee demanded a considerable sum to hand over the domain. The Ninth Circuit held that the employee used the domain in bad faith. He had registered it in good faith, and had never used it to deceive potential customers. But bad faith goes beyond such classic cybersquatting, to encompass other abusive practices. Toyota and DSPT together provide considerable guidance on how courts will unpack the broad standard of “bad faith.”

6. Au-Tomotive Gold, Inc. v. Volkswagen of Am., 603 F.3d 1133 (9th Cir. 2010)

Under first sale (also known as exhaustion), the buyer of an authorized product may use it. But first sale has definite limits. In Au-Tomotive Gold, defendants bought genuine Volkswagen badges, and put them on cars not produced by Volkswagen. First sale does not authorize such a use, and there was the requisite likelihood of confusion for infringement. Consumers could be confused, thinking that the cars were produced by or endorsed by Volkswagen. Au-Tomotive Gold shows that ownership of an object does not mean that the object is free of the ownership of others.


Georgia-Pacific provided another angle on whether trademarked products may be mixed with other goods. Georgia Pacific sold a touch-less paper-towel dispenser, trademarked “enMotion.” Georgia Pacific also sold paper towels to fit the dispenser. The defendant sold replacement
paper towels that fit the dispenser. Unlike *Au-Tomotive Gold*, there was no showing of likelihood of confusion. Evidence of industry practices showed that it was common practice to use substitute paper towels. There was no showing that bathroom consumers were likely to be confused about the source of the towels.

*Georgia-Pacific* is different from *Au-Tomotive Gold* in a more fundamental way. Finding infringement in *Au-Tomotive Gold* prevented the use of a mark on goods from a different source. Volkswagen’s mark could not be used on other cars. But finding infringement in *Georgia-Pacific* would have prevented the use of a mark on a separate market for goods. By selling paper towel dispensers, Georgia Pacific would have the exclusive market for towels for the dispenser. *Georgia-Pacific* shows that the trademark owner has limited control over authorized products that have left her hands. As long as they are not used in a manner that is likely to confuse the relevant consumer, the trademark owner does not have the right to prevent uses that may hurt in the marketplace.

8. VISA International Service Ass'n v. JSL Corp., 610 F.3d 1088 (9th Cir. 2010)

The use of the mark eVisa for an English language tutoring service would not infringe the famous mark Visa for credit card services. The marks are pretty similar, but the services are so different that there would not be the requisite likelihood of confusion. But famous marks have protection against not just infringement, but dilution. Dilution became almost impossible to show (in a case where there was not infringement as well), under the Supreme Court’s 2004 *Moseley* decision, which interpreted the statute to require a showing that the defendant’s use actually decreased the distinctive power of the famous mark. Congress subsequently amended the statute...
to require only a likelihood of dilution, and dilution has become resurgent. Charbucks diluted Starbucks (despite far different graphics);\(^{22}\) the The Other Red Meat, for salmon, diluted The Other White Meat, used by the Pork Board;\(^{23}\) and SEE IT SAY IT used by a mom and pop therapeutic products company diluted Mattel’s popular SEE’N’SAY game.\(^{24}\) Commentators have questioned the broadening of dilution. Marks like Charbucks and The Other Red Meat might actually reinforce the distinctiveness of their famous targets, by reinforcing the mark. But courts have interpreted dilution broadly. Given that the typical dilution defendant is generally a small business facing up to a famous adversary (by the definition of the cause of action), this trend of cases may cause considerable caution in treading anywhere near the commercial footprints of giants.

9. Jay Franco & Sons Inc. v. Franek, 615 F.3d 855 (7th Cir. 2010)

*Jay Franco* emphasizes the boundaries between trademark and copyright. The round design of a beach towel cannot be trademarked. The circular shape is functional, because a round towel will work differently than a towel of a different shape. A seller that wishes to have exclusive rights in functional elements must invent and patent them – and the round beach towel would hardly be a novel invention. Trademark cannot be used to get such quasi-patent protection. As the court put it, one cannot get “a trademark on the circle.”\(^{25}\)

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\(^{22}\) Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97 (2d Cir. 2009).


\(^{24}\) Super Duper, Inc. v. Mattel, Inc., 382 Fed. Appx. 308 (4th Cir. 2010).

\(^{25}\) See also Specialized Seating, Inc. v. Greenwich Indus., L.P., 616 F.3d 722 (7th Cir. 2010)(decided the same day, holding that the design for an x-frame folding chair is functional, and so not protectable as a mark). See also Rosetta Stone Ltd. v. Google Inc., No. 1:09cv736 (GBL/TCB) (E.D. Va. 2010)(holding that Google was not liable for using trademarks in key word advertising, because the marks serve “an essential indexing function”).
FreecycleSunnyvale v. Freecycle Network, No. 08-16382 (9th Cir. 2010)

FreecycleSunnyvale is a rare case holding that a mark holder failed to sufficiently control use of the mark, and therefore lost trademark protection. Trademark protection, unlike copyright and patent, requires the holder to control the use of the mark. A trademark serves to distinguish one source of goods or services from other sources. If the mark holder allows others freely to use the mark, then the mark does not serve to identify a source, and so is not a valid mark. Courts, however, generally apply a relatively lax standard. As long as a mark holder retains some ability to control use of the mark, the mark remains valid, even if license widely to others.

In FreecycleSunnyvale, the mark holder did not even exercise that level of control. The court held that the licensor engaged in “naked licensing,” thereby abandoning the mark. The court held that the licensor did not retain express contractual control or actual control over its licensees’ quality control measures, and was unreasonable in relying on the licensee's quality control measures. By licensing the mark without retaining control over its use, the mark owner surrendered its right to exclude others from using the mark. FreecycleSunnyvale reminds mark owners not to take on the benefits of licensing the mark without retaining some control over their licensee’s use of the mark.
Copyright


   Reed Elsevier addressed a long-standing issue: whether registration of a copyright is a jurisdictional requirement to bring an infringement action – or just a requirement. The distinction has great weight. If a requirement is jurisdictional, then failure to meet the requirement means that the action must be dismissed – even if the case is on appeal when the issue is first raised. It also means that parties (as in Reed Elsevier) who have not registered their works may not be parties to a lawsuit. That could considerably complicate resolution of issues that involve large number of copyrights, where some are registered and others are not.

   The copyright statute provides that a copyright owner must register the copyright before bringing an action for infringement. The statute is not clear on whether that requirement is jurisdictional (meaning no infringement action may be brought without registration) or could be excused in some cases. In Reed Elsevier, the Supreme Court held that the provision was not jurisdictional. Therefore, a federal district court had jurisdiction over class action brought by freelance authors claiming infringement by the Google Book Project, even though not all the allegedly infringed works were registered. The Court, however, acknowledged that the statute generally requires registration before litigation, suggesting that the requirement will be relaxed only in unusual cases. Reed Elsevier, then, continues the general rule requiring litigation, but will

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allow exceptions where other policies are at work. This will enable courts to resolve otherwise nonjudiciable complex copyright issues.

2. **Golan v. Holder, 609 F.3d 1076 (10th Cir. 2010)**

*Golan* addressed the possible limits of copyright law. In 1998, Congress added 20 years to the term of existing copyrights. The Supreme Court rejected two constitutional challenges to the statute. The Court held that Congress had not exceeded its power to grant copyrights for “limited Times” in order to “promote the Progress of Science.” Nor had Congress violated the First Amendment. Rather, First Amendment scrutiny would not apply where Congress had not “altered the traditional contours of copyright.” Simply extending the term of copyright, in this view, fit within the traditional copyright scheme.

In *Golan*, a non-traditional expansion of copyright did arise. *Golan* addressed the constitutionality of the restoration provisions, which were enacted when the United States finally joined Berne Convention. Unlike extending the term of existing copyrights, the restoration provisions actually grant copyright to works that had been in the public domain. The restoration provisions restore copyright protection to foreign works that fell into public domain in the U.S. for failure to meet formality requirements, such as the requirement of a copyright notice. Because that takes works out of the public domain, the question arose whether it violated the First Amendment. *Golan* held the statute passed First Amendment muster, because it was narrowly tailored to serve substantial governmental interests. After *Golan*, Congress retains very broad power to legislate with respect to copyright – even where the legislation is quite different.
from what copyright law has done in the past, and where it creates conflict with expressive interests.


Viacom is a key case on whether internet service providers must monitor their customers for copyright infringement. Internet service providers are not liable for infringement by their customers, provided they have a program to attend to alleged infringement. The standards required of such programs have been disputed. Viacom argued that YouTube should not have immunity, where YouTube failed to take down infringing videos, despite its knowledge of widespread infringement on the site. The court, however, read the provision more narrowly, holding it sufficient that a service provider responds to “knowledge of specific and identifiable infringements of particular individual items,” not just general knowledge of infringement. Because of the widespread allegations of internet copyright infringement, Viacom has considerable impact, because it does not require internet service providers to actively seek out and take down infringing material, rather requires them to respond when they gain knowledge.

4. Vernor v. Autodesk, Inc., 621 F.3d 1102 (9th Cir. 2010)

Vernor bought copies of AutoCAD, sophisticated computer-aided design software, and sold them on eBay. Autodesk object, on the grounds that such sales infringed its exclusive right to distribute copies of the software to the public. After the copyright owner distributes copies for
a price, how much control can it retain over the copies? First sale\textsuperscript{27} balances the new owner’s rights in the object against the copyright owner’s interests. If I buy a book, first sale allows me to sell it or display it, the copyright owner’s exclusive rights to distribute or display the work notwithstanding. Software companies typically attempt to avoid first sale, by characterizing the transaction simply as a license to use the software, as opposed to a sale of the software. \textit{Vernor} upheld this argument, holding that there was no sale of the software. The court looked the three factors in deciding whether a “software user is a licensee, rather than an owner of a copy. First, we consider whether the copyright owner specifies that a user is granted a license. Second, we consider whether the copyright owner significantly restricts the user's ability to transfer the software. Finally, we consider whether the copyright owner imposes notable use restrictions.”\textsuperscript{28}

All three factors, in the court’s view, indicated a license rather than a sale. Autodesk’s license stated that the transaction was a license, not a sale of the software and that Autodesk retained title to the software. There were transfer restrictions: the license was nontransferable without Autodesk's written consent, and could not be transferred outside the Western Hemisphere. There were use restrictions: it prohibited use outside the Western Hemisphere; prohibited modifying, translating, or reverse-engineering the software, prohibited removing trademarks or copy protection devices. In short, \textit{Vernor} appears to hold that a software transaction characterized as a license will be treated only as a license, if the seller so chooses and provides significant restrictive clauses.

That analysis is notably different from sales law. Where a party delivers goods for a price and the other party is entitled to keep them as long as the price is paid – that is a sale, regardless of what the parties call it. \textit{Vernor} takes the opposite approach with software, essentially making

\textsuperscript{27} 17 U.S.C. § 109.

\textsuperscript{28} \textit{Vernor v. Autodesk, Inc.}, 621 F.3d 1102, 1111 (9th Cir. 2010).

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first sale an optional doctrine. But doing so avoids some complicated, yet necessary preemption issues: to what extent the parties can use state law contracts to contract around federal copyright law rules, such as first sale and fair use. In other words, even if the transaction was held to be a sale, there would remain the question of whether those clauses were effective against a transferee of the software. In any event, first sale is less relevant to many software transactions now, where licensees often no longer receive a copy of the software, rather use it online.


As Viacom shows, one way to address widespread infringement is to seek liability from the internet service providers used by the actual infringers. Another tactic is to seek big judgments against the actual infringers, in order to discourage others. Two district courts overturned big jury verdicts against music downloaders. Actual damages for downloading thirty songs might be thirty dollars. But the Copyright Act authorizes statutory damages in the range of $750 to $200,000 per work infringed Capitol Records used slightly different approach. The court remitted an award of $1.92 million down to $54,000. With remitter, the defendant can accept the revised award or go to trial again. On retrial, the next jury awarded $1.5 million. Sony used a different basis, holding that $675,000 in statutory damages for downloading 30 songs was unconstitutional, as contrary to due process. The court reduced the award to $67,500, following the $2,250 per song benchmark of Capitol Records. Whether these decisions are upheld on appeal will have considerable meaning for future actions against downloaders.

    Maverick Recording addresses another state of mind issue: under what circumstances a defendant’s lack of knowledge of copyright can reduce the damages awarded. In Maverick Recording, plaintiffs sought just the $750 minimum statutory damages per song downloaded. The defendant argued that her lack of knowledge of copyright law triggered the lower level of $200 applicable to an “innocent infringer,” one who “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright.” The innocent infringer defense is not available where a copyright notice appeared “on the published phonorecord or phonorecords to which a defendant in a copyright infringement suit had access.” Because copyright notices appeared on the CD’s the music companies sold to the public, the court reasoned, defendant had access to phonorecords with notice, and so could not claim the innocent infringer defense. The case presents a nice issue: whether the innocent infringer defense does not apply where the copyright owner puts copyright notices on distributed copies, or whether an innocent infringer may be one who had actual access to copies from another source.

7.    Massachusetts Museum of Contemporary Art Foundation Inc. v. Büchel, 593 F.3d 38 (1st Cir. 2010)

    Büchel provides guidance on the scope of protection under copyright law for an artist’s right to protect the integrity of her work. Copyright law in the United States, unlike many jurisdictions, provides little protection for “moral rights,” such as rights of attribution, and rights of integrity. But the Copyright Act does provide rights of integrity and attribution to works of
visual art. Büchel addressed how widely to define the protected class of works. An artist had worked on an installation in the Massachusetts Museum of Contemporary Art Foundation. In “Training Ground for Democracy,” visitors would play such roles as immigrants, activists, looters and judges, working their way through installations ranging from a movie theater to an aircraft fuselage. The artist and museum did not manage to finish the project together. When the museum proposed showing the unfinished work, the artist sued. The court held that moral rights do apply to unfinished works, and so the artist had the right to protect his rights of integrity and attribution. As art changes, Büchel may have considerable impact. Artists increasingly create works in collaboration with museums and other parties, and those collaborations do not always work out. Under Büchel, unfinished works will be provided protection. Büchel also represents a court willing to read the moral rights protections broadly, where courts in the United States have often been reluctant to import those policies.

8. Salinger v. Colting, 607 F. 3d 68 (2d Cir. 2010)

Büchel illustrates that copyright law in the United States explicitly provides moral rights only for works of visual arts. But the general exclusive rights of copyright do provide an author some protection for the integrity of the work. The exclusive right to prepare derivative works, for example, gives the author control over the forms into which her work will be adapted. Fair use may protect some adaptations, such as parodies that comment on the original work. But generally the author gets to decide the artistic fate of her work. Salinger, for example, held that it was not fair use, for an author to write a sequel to Catcher in the Rye. Fair use defies categorical rules.
But it permit generalizations, such as one inferred from *Salinger*: parodies are likely to be fair use; sequels are not.

*Salinger*’s fair use analysis fit comfortably within the existing case law. *Salinger*, however, departed from the beaten path on the issue of the proper remedy for copyright infringement. In intellectual property cases, courts once readily granted injunctions when infringement was shown. The Supreme Court, in *eBay v. MercExchange*, 29 however, held in a patent case that the usual equitable standards should apply. The Court held that “a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.” 30 Under *eBay*, if an alternative remedy such as damages is sufficient, then the infringer may continue infringing, but pay damages.

*Salinger* followed that reasoning in the copyright context. Under *Salinger*, an infringer may be permitted to continue its course of action, provided it can pay whatever damages will make the copyright holder whole. Copyright, however, can involve a different category of damages that patent and other cases. If copyright does protect the equivalent of moral rights for artists, then injunctions may be necessary in cases where the monetary damages are small, but injunctive relief is necessary to protect the author’s control over the integrity of the work. In turn, courts may also consider the expressive interest of the infringer in presenting another version of

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the work. *Salinger* opens up a means for infringers to avoid injunctions, but leaves many questions to be addressed on how to adapt the test to the specific context of copyright.

9. Gaylord v. United States, 595 F.3d 1364 (Fed. Cir. 2010)

   Fair use is key to copyright, because it provides a safety valve that prevents overformalistic application of the exclusive rights of a copyright holder, and also provides room for expressive use of works, that makes copyright compatible with the First Amendment.31 But fair use remains a difficulty rule to apply to any new set of facts, because of its multi-factor, case-specific analysis.

   The United States commissioned a sculpture for the Korean War Veterans Memorial. The sculptor adamantly retained the copyright. The U.S. subsequently put a picture of the sculpture on a postage stamp, and sold millions of copies. The image was used under a license agreement granting permission only from the photographer. The sculptor was not consulted. The Federal Circuit held that fair use did not authorize the U.S to use the image on the stamp without permission from the sculptor. Transformative works may receive special leeway under fair use, but the U.S. did little to transform the underlying work. The photographer simply made a very fine photograph of the sculpture in the snow. More important, the U.S. itself made no transformative use, simply choosing a work made by another. Nor did U.S. serve any other use favored by fair use, such as criticism or commentary. The purpose of the stamp, like the sculpture itself, was to commemorate the Korean War.

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The case is unusual among fair use cases, which usually involve someone using the work of a stranger. Here, the U.S. sought to use fair use to make a use that it could have bargained for in the original commission agreement. Fair use will rarely serve to allow one party to change the terms of a negotiated agreement. Gaylord may have broad applicability, because so many copyright cases involve disputes between parties to a cooperative relationship gone litigious.


One reason that fair use remains an unsettle doctrine is that is must constantly adapt to new types of infringement cases. Righthaven has a Tolkien-esque name, but is a business built on the convergence between copyright and the internet, that world-wide machine for making and distributing copies. Righthaven identifies web sites that have posted material copied from other sites. It purchases the rights to the copied material, and sues for infringement. The question raised is one endemic on the web: what is the scope of fair use? Righthaven v. Realty One Group held that it was fair use, where a real estate company copied some eight sentences from a newspaper article. The court gave great weight to the factual nature of the text. Factual works have much thinner protection than creative works, because facts themselves are not copyrighted. Another strong factor was that the copying was not a market substitute for the originals. In fact, the copier linked to the original story, so may have actually increased its readership.
These two matters concern the interpretation of the anti-circumvention provisions, which give legal protection to anti-copying and anti-access technology on copyrighted works. The first matter could be styled as *Apple v. Jailbreakers*. The Librarian of Congress authorized “jailbreaking” of smartphones, bypassing access measures on the phone to allow them to run applications (“apps,” in common parlance) that have not been authorized by the phone’s maker. So, for example, iPhone users may now enable their phones to use applications not authorized by Apple. The Librarian reasoned: “The fact that the person engaging in jailbreaking is doing so in order to use Apple’s firmware on the device that it was designed to operate, which the jailbreaking user owns, and to use it for precisely the purpose for which it was designed (but for the fact that it has been modified to run applications not approved by Apple) favors a finding that the purpose and character of the use is innocuous at worst and beneficial at best.” The reasoning was also supported by the statutory exemption for reverse engineering, as well as the general copyright policy in favor of reverse engineering and against allowing copyright to limit functional features of works.

The exemption, by itself, helps only the rather technologically sophisticated phone owner. The exemption, by itself, authorizes the phone’s owner to open it to other applications,
but does not authorize anyone else to perform that work for the phone owner. Someone that owns a smartphone may jailbreak it, but the exemption does not authorize others to offer their services or software to jailbreak phones. But it may be the case that courts would interpret the anti-trafficking provisions not to prohibit the offering of jailbreaking services or software, given the trend among some courts to hold that only circumvention that supports copyright infringement is prohibited (and therefore the offering of anti-circumvention services that do not lead to copyright infringement is not prohibited). Notably, however, MDY Industries v. Blizzard Entertainment explicitly rejected that trend, holding that the provisions create a new anti-circumvention right, distinct from copyright infringement. MDY creates a distinct split among the circuits on how broadly the anti-circumvention provisions apply.

See Chamberlain Group, Inc. v. Skylink Techs., Inc., 381 F.3d 1178, 1203 (Fed. Cir. 2004); Storage Tech. Corp. v. Custom Hardware Eng'g Consulting, Inc., 421 F.3d 1307 (Fed. Cir. 2005). See also MGE UPS Sys. v. GE Consumer & Indus. Inc., 96 U.S.P.Q.2D (BNA) 1123 (5th Cir. 2010) (holding that there is anti-circumvention liability only where there is a showing that party engaged in circumvention, as opposed to used work after circumvention).

MDY Industries v. Blizzard Entertainment, quoting “Jay Dratler, Cyberlaw: Intellectual Prop. In the Digital Millennium, § 1.02 (2009) (stating that the DMCA’s “protection is also quite different from the traditional exclusive rights of the copyright holder . . . [where the] exclusive rights never implicated access to the work, as such”)."
Trade secret


*Contour Design* showed that trade secret protection may attach to information before it has yielded any income. Trade secrets are usually information used in making or selling: manufacturing processes, customer lists, chip designs, software. The value is shown by an existing market for the goods or services. *Contour Design* shows that protection may attach, however, early in the product cycle. A concept not yet made into a product (an ergonomic roller as alternative to computer mouse) had sufficient commercial value to be a trade secret. *Contour Design* gives some protection to start-ups and other entrepreneurial thinkers, providing legal protection for valuable ideas.

2. Bimbo Bakeries USA Inc. v. Botticella, 613 F.3d 102 (3d Cir. 2010).

*Bimbo Bakeries* represents an important expansion in the scope of trade secret protection. In recent years, some courts had adopted the doctrine of “inevitable disclosure,” enjoining a competitor from hiring a key employee where trade secrets would inevitably be used in the new position. *Bimbo Bakeries* lowered the bar, holding an injunction appropriate where .

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there is “sufficient likelihood, or substantial threat” that trade secrets will be disclosed or used. The rule requires no showing of misappropriation or intent to use trade secrets. In Bimbo Bakeries, the employee had repeatedly accessed confidential information shortly before leaving to join the competitor, showing his intent to use the information in his new position. His new position was substantially similar to his old one, meaning that the information (such as market information) would be valuable in that position. There was no showing that he had actually used the information for the competitor – and in fact at that time signed a statement that the competitor did not intend him to use any confidential information from his former employer. But given his recent efforts to access the information and likelihood he would use it in his new position, the court held a temporary injunction appropriate. Bimbo Bakeries shows that employees remain the most important data storage devices.

3. United States v. Aleynikov, No. 10 Cr. 96 (DLC), (S.D.N.Y., 2010).

Aleynikov held that a bank’s high-frequency trading software qualified as a trade secret, meaning that taking the software to a new employer violated the Economic Espionage Act. It was not necessary that the bank be marketing the software to others for it to be protected. Aleynikov reminds that intellectual property also may have strong protection under criminal laws.

4. Nationwide Mutual Insurance Co. v. Mortensen, 606 F.3d 22 (2d Cir. 2010)

Nationwide Mutual reflects the many ways in which intellectual property law adapts to new technologies – often by not extending protection. A trade secret must be information not
readily available to others. Compiling a valuable data base does not a trade secret make, where the same information is publicly available, albeit on paper. The data base in *Nationwide Mutual Insurance* was valuable to the business, especially because it was in electronic form. An electronic base is quicker to search, easier to organize, and can serve the business in many ways. The value to the business did not derive from the customer information being secret. To the contrary, the same information was available from public sources. Simply adapting old methods to new technologies does not vest them with legal protection.\(^\text{38}\)

5. *JustMed Inc. v. Byce*, 600 F.3d 1118 (9th Cir. 2010).

*JustMed* provided several examples of behavior concerning a trade secret that the court deemed inappropriate, but not misappropriation. A disgruntled employee deleted copies of the source code of the company’s crown jewel software; deposited portions of the software as part of an attempt to register the software’s copyright; and threatened to withhold the software from the company. Misappropriation, however, requires wrongful acquisition, use, or disclosure of the trade secret. Deleting it, withholding it, and submitting partial copies in confidence to the Copyright Office fall outside those categories.

*JustMed* also had an important holding on a related copyright issue. Just whose code was it anyway? The software developer, after all, was accused of trade secret misappropriation for taking code that he himself had written. If he was the author of the code, he would hold the copyright in the code. Under the work-made-for-hire doctrine, however, if he wrote the code as

\(^{38}\) Similar issues arise in patent law. See *Western Union Co. v. MoneyGram Payment Systems Inc.*, No. 2010-1080 (Fed. Cir., 2010)(holding that a claimed invention was obvious, and so not patentable, where it consisted simply of replacing telephone and fax methods with an internet method)
an employee, the employer would be deemed to be the author. So the key question was, whether
he was working as an employee or an independent contractor.

Several factors weighed toward independent contractor status. He worked at home, not at
the office. He set his own hours and had great freedom in setting his working conditions. He did
not receive a salary, rather was paid in stock. The company did not list him as an employee for tax
purposes or employee benefits. Under older case law, those factors would have been decisive. In
particular, courts are very leery where a company fails to treat a person as an employee for tax
and other filing purposes, then claims the person as an employee, to claim ownership of the
copyright. But JustMed took a more practical approach, emphasizing that the dispute arose in a
small, start-up company. Just ventures often pay insufficient attention to formalities. The
software developer worked under the supervision and direction of the company; took on
additional tasks, that were assigned as to an employee, as opposed to the specific projects that an
independent contractor took on; and appeared to regard himself as an employee in his dealings
with the company.

6. R.C. Olmstead, Inc. v. CU Interface, LLC, 606 F.3d 262 (6th Cir. 2010)

In JustMed, the court gave leeway for the informal practices of a start-up company. But
informality may not be forgiven where it undercuts the relevant policy for protection. Trade
secret law helps those who help themselves. Valuable information, unknown to competitors who
could derive value from it, may not be a trade secret. To have the legal protection of trade secret
law, a party itself must take reasonable measures to keep the information secret. In R.C.
Olmstead, the court held that a user interface not a trade secret, because the claimant showed it

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to others without requiring a confidentiality agreement or imposing restrictions against third party access. To have trade secret protection, one cannot rely simply on the discretion of others. Legal and practical restrictions must be used, to trigger the additional protection of trade secret law.

7. MGE UPS Sys. v. GE Consumer & Indus. Inc., 96 U.S.P.Q.2D (BNA) 1123 (5th Cir. 2010)

As in patent and copyright, trade secret can present vexing questions about remedies. Showing that a competitor had access to trade secrets and sold a competing product is not enough to recover damages. Rather, the plaintiff must prove that sales were attributable to the use of the purloined information. Here, the competitor was able to use software because it had access to an external hardware security key (called a "dongle"). The competitor subsequently used the software in a product. Even if there was misappropriation, the trade secret holder failed to show that any particular profits were attributable to the misappropriation. Ideas may be a key asset in the information age, but to recover for misappropriation of that information will require hard market evidence.


Intel was not liable for trade secret misappropriation for using code that was created using trade secrets, where code supplied to Intel did not contain the trade secret information. This case emphasizes the limited nature of trade secret protection. A party that misappropriates
information may be liable, but subsequent good faith parties that use the information are not. If a trade secret is wrongfully published, for example, it nevertheless becomes information free for anyone to use.

9. Mattel Inc. v. MGA Entertainment Inc., 616 F.3d 904 (9th Cir. 2010).

An idea is not protected by copyright or patent. Rather, a party must rely on trade secret law and contracts for legal protection. As with other forms of intellectual property, care must be taken when drafting contracts. Mattel held that an assignment of “inventions” in an employment contract may not include an assignment of ideas. The employer would thus not have the rights to control product ideas of an employee, once the employee had moved to another company. The stakes may be considerable. In Mattel, the question involved the idea of Bratz dolls, a product which produced many millions in revenue.

10. Faiveley Transport Malmo Ab, v WABTEC Corporation, 559 F.3d 110 (2nd Cir. 2009)

Faiveley is a 2009 case, with a lesson worth stretching the calendar a little. If Inventor has a patent on brakes for subway trains, no one can make or use such brakes without a license. But if inventor has no patent and relies on trade secret protection, someone else may use reverse engineering. The competitor may not get the information by bribing employees or other industrial espionage, but may examine the product and figure out how it was made. That is what the competitor attempted in Faiveley. But attempts to reverse engineer the brake design were unsuccessful. The competitor then enlisted help from an employee of the brake maker, one who
had frequent access to drawings of the brakes. Not surprisingly, the competitor managed to copy the brakes. *Faiveley* held that this was not permitted reverse engineering, this was prohibited misappropriation of a trade secret.