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Top Tens in 2014:

Patent, Trademark, Copyright and Trade Secret Cases

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Stephen McJohn *

The Supreme Court decided more patent in 2014 cases than any previous year.¹ It lowered the standard for awarding fees in patent cases,² clarified that the patent holder carries the burden of showing infringement even in declaratory judgment actions,³ lowered the standard for

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¹ At least, going back to 1952. See Supreme Court Patent Cases, Written Description, <http://writtendescription.blogspot.com/p/patents-scotus.html>

² Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749 (U.S. 2014); Highmark Inc. v. Allcare Health Mgmt. Sys. 134 S. Ct. 1744 (U.S. 2014).

³ Medtronic, Inc. v. Mirowski Family Ventures, LLC, 134 S. Ct. 843 (U.S. 2014).

invalidating patent claims as vague,⁴ and rejected the theory that infringement may occur by simply adding the actions of separate parties.⁵ The most important case, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*⁶ announced a test for patentable subject matter, especially for software and business method inventions, that was considerably more restrictive than case law to date.

Meanwhile, the most notable case in copyright seemed to go in the opposite direction, raising the level of copyright protection for software, perhaps even creating a split in the circuits. In *Oracle Am., Inc. v. Google Inc.*⁷, the Federal Circuit held that the application programming interfaces of the Java programming language were copyrightable expression, as opposed to noncopyrightable functional matter. The Supreme Court held that rebroadcast of television programs infringed the *public* performance right, even where done using technology that effectively gave each viewer a personal antenna.⁸ The Court also rejected the application of laches in copyright cases, permitting litigation of long-standing infringement.⁹

Other cases provided important precedent on evergreen issues in intellectual property law. *Cambridge Univ. Press v. Patton*¹⁰ reversed a safe harbor approach to the application of fair use to university coursebooks. *Garcia v. Google, Inc.*¹¹ raised the possibility that anyone who contributes to a work, such as an actor in a film, may have their own separate copyright. Trademark cases addressed such questions as who may bring a false advertising case, when matter is functional, when trademarks become generic or are otherwise abandoned, when others may use a mark to describe things, and when a mark may be cancelled as disparaging of a group

⁴ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (U.S.2014).

⁵ *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014).

⁶ 134 S. Ct. 2347 (2014).

⁷ 2014 U.S. App. LEXIS 8744 (Fed. Cir. May 9, 2014).

⁸ *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014).

⁹ *Petrella v. MGM*, 134 S. Ct. 1962 (U.S. 2014).

¹⁰ 769 F.3d 1232 (11th Cir. 2014). See also DanNabel, Top 10 Fair Use Cases of 2014, <http://blog.ericgoldman.org/archives/2015/01/top-10-fair-use-cases-of-2014-guest-blog-post.htm>.

¹¹ 766 F.3d 929 (9th Cir. 2014), rehearing en banc granted, No. 12-57302, (Ninth Cir. November 12, 2014).

of people. In trade secret, the Third Circuit avoided the surprisingly important issue of liability for account slurping. Other cases dealt with the interfaces between trade secret and contract and between trade secret and patent. Courts also dealt with the balance between disclosing information to potential partners and maintaining sufficient security measures to qualify for trade secret protection.

Patent

Alice Corp. Pty. Ltd. v. CLS Bank Int'l¹²



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Alice will likely finally set the test for patentable subject matter. Patent subject matter does not include abstract ideas, laws of nature or natural phenomena.¹⁴ After leaving those exclusions undefined for decades, the Court in recent years held in *Bilski*¹⁵ that a method of hedging risk was an unpatentable abstract idea, in *Mayo*¹⁶ that a diagnostic method that simply adjusted dosages of a drug based on blood test results was an unpatentable claim to a natural law, and in *Myriad*¹⁷ that human DNA is an unpatentable natural phenomenon. Those cases clarified the murky case law, but left important questions open, such as whether the three exceptions were to be analyzed similarly, and how they applied to software patents. The Court reached those

¹² 134 S. Ct. 2347 (2014).

¹³ The illustrations in this article from *Alice's Adventures in Wonderland* and *Through the Looking Glass* are by John Tenniel. See, e.g. <http://www.alice-in-wonderland.net/alice2a.html>

¹⁴ See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014).

¹⁵ 134 S. Ct. at

¹⁶ 134 S. Ct. at

¹⁷ 134 S. Ct. at

questions in 2014 in *Alice*, which addressed the patentability of “a computer-implemented scheme for mitigating “settlement risk” (i.e., the risk that only one party to a financial transaction will pay what it owes) by using a third-party intermediary.”¹⁸

Alice held that the underlying policy for all three exclusions was the risk that a patent would pre-empt a basic tool of scientific and technological work. Monopolization of such tools would impede rather than promote innovation, and so inhibit further discovery.¹⁹ The *Alice* court also recognized that “[a]t the same time, we tread carefully in construing this exclusionary principle lest it swallow all of patent law. At some level, “all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.”²⁰ An invention is not rendered ineligible for patent simply because it involves an abstract concept. “[A]pplication[s]” of such concepts ““to a new and useful end,”” we have said, remain eligible for patent protection.”²¹

To balance those concerns, the *Alice* court held that a single test, drawn from *Mayo*, was the framework to analyze patentable subject matter under all three exceptions:

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts. If so, we then ask, “[w]hat else is there in the claims before us?” To answer that question, we consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application. We have described step two of this analysis as a search for an ““inventive concept””—i.e., an element or combination of

¹⁸ 134 S. Ct. at

¹⁹ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014)(citing *Bilski*, *Mayo*, and *Myriad*)

²⁰ 134 S. Ct. at

²¹ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (U.S. 2014) (citations omitted).

elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”²²

Applying the first part of the test, “[l]ike the risk hedging in *Bilski*, the concept of intermediated settlement is ““a fundamental economic practice long prevalent in our system of commerce.””²³ In this respect, the Court broadened the issue of subject matter to encompass considerations of novelty and nonobviousness.²⁴ Whether something is an abstract idea could now depend not just on the idea, but whether it was well-known.

Turning to the second step, the *Alice* Court held that “the claims at issue are drawn to the abstract idea of intermediated settlement, and that merely requiring generic computer implementation fails to transform that abstract idea into a patent- eligible invention.”²⁵ Although the decision nowhere used the word “software,” this analysis has broad implications for software patents. Simply incorporating a computer in the invention will not make an idea patentable. The Court did give some guidance as to what would make computer-related inventions patentable: “The method claims do not, for example, purport to improve the functioning of the computer itself. . . . Nor do they effect an improvement in any other technology or technical field.”²⁶

After *Alice*, the framework for addressing patentable subject matter is the two-step test from *Mayo*. The content of those steps remains to be filled in. *Alice* did not, for example, attempt to define “abstract idea.” At some level, every invention must rest on one or more abstract ideas.

The second step likewise has considerable play to it. It suggests that a method may be patentable

²² *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014) (citations to *Mayo* omitted).

²³ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2356 (U.S. 2014) (citation to *Bilski* omitted).

²⁴ On the topic of nonobviousness: *Bristol-Meyers Squibb Co. v. Teva Pharmaceuticals USA, Inc.*, 752 F. 3d 967 (Fed. Cir. 2014) was seen by some as making it easier to find pharmaceutical inventions obvious, by raising the higher standard for unexpected results that indicate a chemical compound is nonobvious. See Gitrada Harmon, *Obviousness Analysis For New Chemical Compounds* (2014), draft on file with author.

²⁵ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (U.S. 2014).

²⁶ *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2359 (2014)(quotation and citation omitted)

if it improves the functioning of a computer or effects an improvement in some technical field. A broad reading would be that any improvement in software would improve how a computer works. A narrower reading could try to limit patents to software that was intended to make the computer itself work better, as opposed to accomplish a particular task faster (or more reliably, or more securely, . . .) but there is no bright line distinction between the two. Likewise, “technical field” is not a clear boundary. But the underlying policy – avoiding preemption of building blocks of science and technology – may provide sufficient guidance. In copyright law, a similar test – the elusive distinction between noncopyrightable ideas and copyrightable expression – that serves simply to clarify the policy issues, has served dutifully for decades.²⁷

The Federal Circuit soon implemented the holding in *Alice*, holding claims on delivering advertising with online video content to be outside patent subject matter, claims that the Federal Circuit had twice previously held to be within patentable subject matter.²⁸ So the Federal Circuit case law has assuredly taken a new direction in the wake of *Alice*. But before the year was out the Federal Circuit upheld a patent on a software process for maintaining the look and feel of a web site, meaning perhaps that sufficiently specific software patents will survive the *Alice* test.²⁹ In addition, as technology heads toward the Internet of Things, where online software will likely control many physical devices, many software inventions may be concrete enough to pass *Alice*.

*Nautilus, Inc. v. Biosig Instruments, Inc.*³⁰

²⁷ See Stephen McJohn, Scary Patents, 7 Northwestern Journal of Technology and Intellectual Property 343 (2009).

²⁸ *Ultramercial, Inc. v. Hulu, LLC*, 2014 U.S. App. LEXIS 21633 (Fed. Cir. Nov. 14, 2014)

²⁹ *DDR Holdings, LLC v. Hotels.com, L.P.*, No. 2013-1505 (Fed. Cir. December 5, 2014).

³⁰ 134 S. Ct. 2120 (U.S.2014).

Nautilus concerned a patent on a heart monitor, elements of the claim including electrodes with a “spaced relationship” with one another. The issue was whether the term “spaced relationship” was so vague as to render the patent claim invalid.

Patent claims, especially in software patents, have been criticized as too vague to provide proper notice of the scope of the claimed invention.³¹ An inventor must submit claims “*particularly pointing out and distinctly claiming* the subject matter which the applicant regards as [the] invention.”³² The Federal Circuit’s test on the issue was relatively patentee-friendly, holding that a claim was only invalid for vagueness if it was “insolubly ambiguous.” If any clear interpretation of the claim could be reached, it survived. As in *Alice*, the Supreme Court in *Nautilus* sought to balance competing policies: “The definiteness requirement, so understood, mandates clarity, while recognizing that absolute precision is unattainable.”³³ The Court formulated a test to reconcile those interests: “Cognizant of the competing concerns, we read § 112, ¶2 to require that a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”³⁴

Commentators noted that *Nautilus* might fail its own test: the test requires “reasonable certainty”, a case-specific test that may not yield reasonably certain results. Patent claim interpretation is notoriously difficult, because patents rely on technical language and are drafted with many goals

³¹ See generally James Bessen and Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, And Lawyers Put Innovators At Risk* (2008).

³² *Nautilus* at 2124, quoting 35 U. S. C. § 112, ¶2 (2006 ed.) (emphasis added by *Nautilus*).

³³ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014)

³⁴ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (U.S. 2014)

in mind (including obfuscation³⁵). Every patent claim should be unique, because it should claim a unique invention. To determine whether a word or phrase can be understood with “reasonable certainty” in a *sui generis* document may often be elusive.

Williamson v. Citrix Online, LLC³⁶



Clear patent claims are difficult to draft, as *Nautilus* reflects. The Patent Act offers various tools to deal with that, including means-plus-function claims. Section 112 allows an inventor, rather than listing every element of structure in the invention, to simply describe an element as a means to accomplish a task. The patent claim is then interpreted to cover the means

³⁵ Stephen McJohn, Patents: Hiding From History, 24 Santa Clara Computer and High Technology Law Journal 961 (2008).

³⁶ 770 F.3d 1371 (Fed. Cir. 2014).

that the inventor discloses in the description of the invention. That makes claim drafting easier – but limits the breadth of the patent claim, because it is limited to the means described. A product very similar to the inventor’s product, but which uses a different means for that one element, will not infringe. So applicants often avoid means plus function claims to avoid narrower protection. The Federal Circuit has reached inconsistent conclusions as to whether expert testimony is necessary to show a lack of structure in the means-plus-function analysis.³⁷ The Federal Circuit has also held that the necessary structure, for a computer-related invention such as smartphone technology, may be found looking to a broad array of sources in the specification, such as “an outline of an algorithm, a flowchart, or a specific set of instructions or rules.”³⁸

Whether a claim is in means-plus-function form (meaning it is limited to the particular means described in the application) depends on how the claim is interpreted. The issue can determine an infringement case. In *Williamson*, the issue was whether the word “module” referred to structure (in which the claim would be broad, covering any product with the other elements and structure that might fit within the term “module”), or whether “module” referred to a means for accomplishing a function, meaning the claim would read only on products that contained the same means described in the patent (or if the patent did not describe a means, that the claim would be invalid as vague). The majority held that “module” did connote hardware or software structure, and was not merely a “nonce” word that needed specific definition of structure from the written description of the invention.

³⁷ *Elcommerce.com, Inc. v. SAP AG*, 745 F.3d 490 (Fed. Cir. 2014).

³⁸ *Apple Inc. v. Motorola, Inc.*, 2014 U.S. App. LEXIS 7757 (Fed. Cir. Apr. 25, 2014).

As the case reflects, a split has developed within the Federal Circuit on the proper approach to determine if a claim is a means-plus-function claim.³⁹ Once again, the issue has particular import for software patents, which often include elements in functional form.⁴⁰ Whether that element is treated as means-plus-function can determine the breadth and validity of the claim.

*Limelight Networks, Inc. v. Akamai Techs., Inc.*⁴¹

Patent claims are often quite complex. In order to infringe a claim, all elements of the claim must be met. In some cases, different people perform different steps of a patented process. Akamai's patent covered a method of delivering electronic data over a content delivery network, including the step of tagging the data. Limelight allegedly performed most of the steps, but had its customers tag the data.''' (CDN). The question in *Akamai* was whether that constituted infringement, if all steps were performed but not all steps performed by the same person. Specifically, secondary liability requires that there be infringement. Could there be induced infringement if no single actor infringed? The Federal Circuit had held that there could be induced infringement, on the theory that the party induced infringement in effect, by causing all steps for infringement to be performed. The Supreme Court rejected this theory, reasoning that

³⁹ See Jason Rantanen, *Williamson v. Citrix: Means-plus-function, presumptions, and "nonce" words*, Patently-O (December 3, 2014), <http://patentlyo.com/patent/2014/12/williamson-function-presumptions.html>. A similar and unsettled issue with mechanical inventions is whether the phrase "adapted to" refers to structure capable of or specifically intended to serve the relevant purpose. See John Harmon, *What does Functional Claim Language Require?* (2014)(copy on file with author), discussing line of cases leading to *In re Giannelli*, 739 F.3d 1375 (Fed. Cir. 2014).

⁴⁰ See Mark A. Lemley, *Software Patents and the Return of Functional Claiming*, 2013 Wis. L. Rev. 905.

⁴¹ 134 S. Ct. 2111 (2014)

there could not be secondary infringement without a direct infringer. In short, The Supreme Court rejected that theory of “divided infringement.”⁴²

Notably, the Federal Circuit case law could still reach essentially the same result if it rejects its earlier holding in *Muniauction, Inc. v. Thomson Corp.*⁴³ The Supreme Court in *Akamai* noted that the Federal Circuit had taken a very narrow view joint infringement, in contrast to its broad view of divided infringement. In *Muniauction*, the Federal Circuit had limited the application of joint infringement to where the two parties acted in a principle agency relationship or have contractual obligations. If joint infringement were viewed more pragmatically, such as where a software company directs a customer to perform certain steps, then joint infringement would apply to cases facts like *Akamai*. The Federal Circuit may revisit *Muniauction* in light of *Akamai*. This has considerable practical implications for licensing agreements. In litigation practice, parties may rely more on clauses and licensing to show joint infringement. In transactional practice, parties may craft agreements to avoid it.⁴⁴

Octane Fitness, LLC v. ICON Health & Fitness, Inc.,⁴⁵ *Highmark Inc. v. Allcare Health Mgmt. Sys*⁴⁶

⁴² The briefs in *Akamai* raised a remarkable argument, suggesting that the Federal Circuit approach would encourage parties to draft patent claims in the passive voice, allowing for an infringement if anyone anywhere, in aggregate, performed the steps of a patented process. See, e.g., Reply Brief for Petitioners, *Akamai Technologies, Inc. And The Massachusetts Institute Of Technology*, at 21 www.americanbar.org/content/dam/aba/publications/supreme_court_preview/briefs-v3/12-786_pet_reply.authcheckdam.pdf. Such a claim drafting technique was termed the “aggressive passive voice” by participants at the Fourth IP Scholars’ Roundtable: Intellectual Property on the Ground, University of New Hampshire School of Law, November 21–22, 2014.

⁴³ 532 F.3d 1318(Fed. Cir.2008).

⁴⁴ See Jean-Paul Ciardullo Cynthia J. Rigsby, After the Supreme Court's Limelight Decision, Attention May Shift to Contract Analysis in Patent Cases, <http://www.iplitigationcurrent.com/page/3/> (2 JULY 2014)

⁴⁵ 134 S. Ct. 1749 (U.S. 2014).

⁴⁶ 134 S. Ct. 1744 (U.S. 2014).



Octane Fitness made it easier for district courts to award attorney’s fees to successful parties in patent litigation. The Supreme Court rejected the Federal Circuit’s test for the award of attorney’s fees under the patent statute, 35 U. S. C. § 285. The Federal Circuit defined an “exceptional case” as one which either involves “material inappropriate conduct” or is both “objectively baseless” and “brought in subjective bad faith.”⁴⁷ The Court characterized the Federal Circuit’s test as rigid and unnecessarily narrow. Rather, the Court held, “an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” The court is to consider the totality of the circumstances, permitting a much broader approach than the Federal Circuit had permitted.

A companion case, *Highmark*, also made it more likely that a trial court’s award of attorney’s fees would survive. The Supreme Court overturned Federal Circuit precedent

⁴⁷ *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005).

reviewing such decisions *de novo*, holding instead that a district court decision to award attorney's fees is subject to review only as to whether it was an abuse of discretion.

The two cases change the dynamics of patent enforcement. They make it riskier to seek enforcement of a questionable patent. By the same token, it makes it riskier to resist enforcement of a valid patent. The cases strengthen the position of those resisting dubious patents, as long as they can be confident.

Medtronic, Inc. v. Mirowski Family Ventures, LLC⁴⁸

Several years back, *MedImmune*⁴⁹ lowered the standard for bringing declaratory judgment actions in patent cases. *MedImmune* made it easier to challenge patents. The case left several questions open, including who would have the burden of proof. If a patent holder sues for infringement, the patent holder has the burden of showing infringement. If, instead, an alleged infringer sues, seeking a declaratory judgment that it is not infringing, does it bear the burden of showing noninfringement? *Medtronic* held that the burden of showing infringement rests on the patent holder. Any other rule would create a possible inconsistency in determinations, as well as a possible chill against parties subjected to likely invalid intellectual property rights. The Court reasoned that the licensee may have initiated the suit, but the patent holder likely has more access to the relevant evidence with respect to validity. *Medtronic* removes a significant obstacle to challenging patents. If the burden of proof of noninfringement were on the party bringing a declaratory judgment action, that would make parties less likely to file suit to challenge patents.

Apple Inc. v. Motorola, Inc.,

⁴⁸ 134 S. Ct. 843 (U.S. 2014).

⁴⁹ 549 U.S. 118 (2007).

Apple Inc. v. Motorola, among other things, makes it more difficult for a party holding the patent on industry standards to prevent others from using those standards, even where no license agreement is in effect. A party with such a standard essential patent may have agreed in general to license it to others in the industry under reasonable and nondiscriminatory terms. There may be considerable disagreement however about what terms are reasonable. Until other parties have obtained such a license, the patent holder might seek an injunction to prevent them using the relevant technology. *Motorola*, however, held that an injunction may not necessarily be awarded in such a case. One factor for injunctive relief is whether a sufficient remedy is available through damages. The court held that damages may be sufficient, making an injunction unavailable, because the right to pay royalties and use the technology has been established by agreement.⁵⁰ The holding may cut two ways with respect to standard-setting patents. Where a party has agreed to contribute a standard-setting patent, others may use the standard knowing that they will be likely subject only to damages for a reasonable royalty, as opposed to an injunction against use. That may speed licensing transactions. But the holding may delay the initial contribution, because a party with a potential standard patent will know that once it agrees to contribute the patent, it will no longer have control over whether others use the technology.

*Jaffé v. Samsung Elecs. Co.*⁵¹

Qimonda AG, a German semiconductor manufacturer, had patent cross licenses with many of its competitors. In industries like electronics, such licenses allow parties to have a truce

⁵⁰ See 2014 U.S. App. LEXIS 7757 (Fed. Cir. Apr. 25, 2014).

⁵¹ 737 F.3d 14 (4th Cir. 2013).

with respect to patents. Qimonda filed bankruptcy and ceased operations, so no longer needed the protection of the cross licenses. Rather, it terminated the licenses under German bankruptcy law, to renegotiate licenses under which it would instead receive royalty payments.

Qimonda filed a chapter 15 bankruptcy proceeding in the United States, to do the same with its American licenses. The representative “committed to re-license Qimonda's patent portfolio to the Licensees at a reasonable and nondiscriminatory ("RAND") royalty.”⁵² Chapter 15 of the Bankruptcy Code allows the representative of a foreign bankruptcy proceeding to file an ancillary proceeding in the United States. It also allows broad recognition of orders entered in the foreign bankruptcy proceeding. But the recognition is subject to certain safeguards. The US bankruptcy court may refuse to apply the foreign order if “the action would be manifestly contrary to the public policy of the United States.”⁵³ In addition, the court must ensure that “the interests of the creditors and other interested entities, including the debtor, are sufficiently protected.”⁵⁴

US bankruptcy law provides special protection for intellectual property licensees. Even where a bankrupt licensor rejects the license in bankruptcy, the licensee may continue to use the rights, provided it performs its obligations under the license. German bankruptcy law, by contrast, allows a licensor to simply terminate a license. *Jaffe* addressed a question with little precedent, given that Chapter 15 is relatively new: how extensive are the limits to recognizing foreign rules within US bankruptcy proceedings? In particular, is the standard relatively high (rejecting only foreign orders that are “manifestly contrary to the public policy of the United States”) or also broadly protective (requiring general protection of all interested parties)? *Jaffe*

⁵² Id. at 21.

⁵³ 11 U.S.C. § 1506.

⁵⁴ 11 U.S.C. § 1522(a).

blended the standards somewhat. It upheld refusal to terminate the licenses, because termination would adversely affect the licensees (by denying them the protection normally afforded under US law), which in turn would affect public policy, because harm to the licensees might “slow the pace of innovation in the United States, to the detriment of the U.S. economy.”⁵⁵

Tyco Healthcare Group Lp & Mallinckrodt v. Mut. Pharm. Co.⁵⁶; DSM Desotech Inc. v. 3D Systems Corp.⁵⁷



Antitrust liability will normally not lie for filing a patent infringement suit against a competitor, under the doctrine of "Noerr-Pennington immunity."⁵⁸ But that immunity will not

⁵⁵ 737 F.3d 14 at 32.

⁵⁶ 2014 U.S. App. LEXIS 15096 (Fed. Cir. Aug. 6, 2014)

⁵⁷ 749 F.3d 1332 (Fed. Cir. 2014).

obtain if the litigation is a sham, meaning baseless litigation brought simply to harm competition.⁵⁹ *Tyco* addressed two issues with respect to that interplay between the exclusionary power of a patent and anti-trust law's limits on exclusionary conduct that harms competition. First, the court held that liability for fraudulent procurement of patents could apply where a party does not fraudulently obtain patents, but acquired them with and has the requisite knowledge, but that the necessary knowledge was not shown in that case.⁶⁰ It also held that litigation to enforce of the patents was not baseless as matter of law, because the patent owner proposed a factually plausible theory of infringement.

But success in patent litigation did not terminate the dispute. The patent owner had also filed a petition with the Food and Drug Administration to prevent the generic maker from marketing its version of the drug. The patent owner argued that the sham exception to immunity was limited to litigation in court. Even though the A patent suit that was manifestly contrary to governing science would be baseless.⁶¹ The appellate court held, however, that the sham exception could also apply in administrative proceedings.

DSM Desotech Inc. v. 3D Systems is significant for antitrust law on developing technologies. Desotech alleged that 3d Systems tried to monopolize the market for replacement resin cartridges for the 3D printer by using technological locks to prevent the use of cartridges of its competitors. The court held that Desotech did not show a distinct market for

⁵⁸ See *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers of Am. v. Pennington*, 381 U.S. 657, (1965).

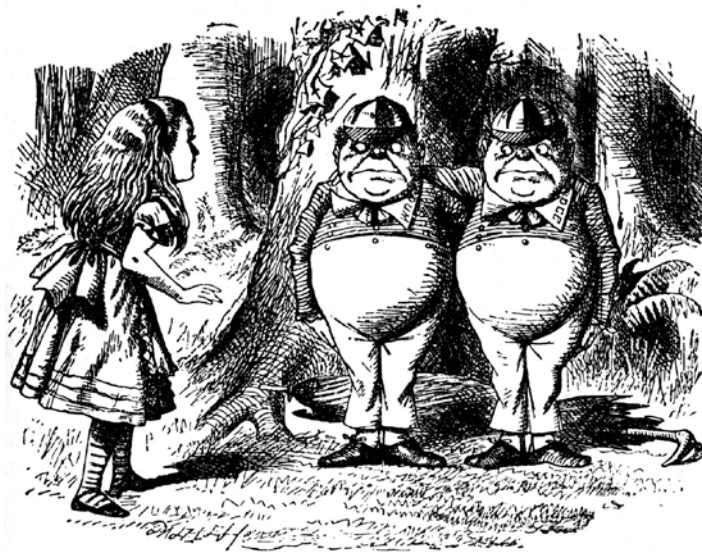
⁵⁹ See *Proff'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993)

⁶⁰ *Tyco Healthcare Group Lp & Mallinckrodt v. Mut. Pharm. Co.*, 2014 U.S. App. LEXIS 15096 (Fed. Cir. Aug. 6, 2014)

⁶¹ *Tyco Healthcare Group Lp & Mallinckrodt v. Mut. Pharm. Co.*, 2014 U.S. App. LEXIS 15096 (Fed. Cir. Aug. 6, 2014).

stereolithography 3D printers and their resin (of which 3D Systems sold the majority), where other technologies might serve as substitutes.

In re Roslin Inst. (Edinburgh)⁶²



In *Myriad*, the Court held that human DNA was not patentable. Even if the inventor had succeeded in isolating and purifying the DNA, it was still a product of nature not within patentable subject matter. But the Court held that cDNA, a molecule made by taking only the portions of human DNA that code for a gene, was patentable because it was not a natural phenomenon. After *Myriad*, an important question remains: how different must an invention be from a naturally occurring phenomenon to qualify for patent protection? The issue has great

⁶² 2014 U.S. App. LEXIS 8647 (Fed. Cir. May 8, 2014).

practical importance, because many inventions are made by modifying naturally occurring substances.

In re Roslin Institute addressed the issue, as applied to a famous sheep. Patents related to the famous cloned sheep Dolly were held invalid, for failure to claim sufficient differences between the sheep providing the source of the cloned cells and the resulting cloned animal. The patentee pointed to differences between a clone and a natural version of an organism, but failed to show that the patent claims included those characteristics.

Trademark

Lexmark Int'l, Inc. v. Static Control Components, Inc.⁶³

Within the federal trademark statute is a cause of action much broader than trademark infringement: false advertising. Section 43(a) of the Lanham Act imposes liability on anyone who “in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities.”⁶⁴ Not everyone aggrieved by false advertising, however, can sue under this provision. Lexmark sells printers and toner cartridges for them. Lexmark seeks the re-use of its cartridges with microchips used for verification. Static Control sells microchips which allow competitors of Lexmark to refurbish and resell Lexmark cartridges. Static control alleged that Lexmark issued false advertising to the effect it was illegal to use static controls microchips. Reasoning that the provision was intended to protect against unfair competition, most courts had limited standing to competitors. There this approach, static control lacked standing to sue Lexmark for false advertising.

The Supreme Court took a slightly broader view. The statute allows a suit by “any person who believes that he or she is or is likely to be damaged by such act.” The court did not read the language would allow anyone to sue for false advertising. Rather, the Court limited standing to those with interests “within the zone of interests protected by the law invoked.”⁶⁵ For false advertising, that would be required that “a plaintiff must allege an injury to a commercial interest

⁶³ 134 S. Ct. 1377 (2014).

⁶⁴ 15 U.S.C. §1125(a).

⁶⁵ Lexmark at 1388, quoting *Allen v. Wright*, 468 U.S. 737, 751 (1984).

in reputation or sales” and “economic or reputational injury flowing directly from the deception.”⁶⁶ That would not include consumers or business misled by false advertising into buying goods or services, or parties indirectly harmed by false advertising, such as suppliers of a company whose sales plummeted due to falsities. But it did include Static Control. Lexmark’s false advertising allegedly stated that Static’s Control’s products were illegal, harming Static Control’s sales.

Ferring Pharmaceuticals v. Watson Pharmaceuticals⁶⁷



The Supreme Court in *eBay*⁶⁸ altered the general approach of automatically granting injunctions once infringement was shown in patent cases. Courts have not automatically extended that holding to trademark actions. There are some arguments that injunctions should be more readily granted in trademark actions. Patent cases often involve large damage, but trademark actions less so. Trademark infringement requires showing the use of a symbol that is likely to cause confusion or deception. Injury to reputation may not be as readily remedied with monetary damages. Similarly, some courts have applied a presumption of automatic harm in

⁶⁶ Lexmark at 1390, 1391.

⁶⁷ 765 F.3d 205 (3d Cir. 2014).

⁶⁸ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006),

false advertising cases, on the theory that a “misleading comparison to a specific competing product necessarily diminishes that product's value in the minds of the consumer.”⁶⁹

Ferring Pharmaceuticals rejected that presumption. The court noted that some courts have extended the *eBay* analysis to copyright cases and trademark cases under the Lanham Act. It reasoned the *eBay* was based not on the special characteristics of patents, but rather on general principles of equity that govern when the powerful remedy of an injunction should be imposed. Before ordering a defendant to shut down a line of business, a court should normally require actual, not merely presumed, harm. If harm is indeed so likely to occur in a false advertising case, then by the same token it should be straightforward for the plaintiff to show that harm in the case. In the case at bar, the court further held, there was not a sufficient showing of irreparable harm. The alleged false statements about a pharmaceutical were made in a webcast to medical professionals. The statements were no longer available and there was no evidence that they would actually affect whether doctors prescribed and patients used the pharmaceutical.

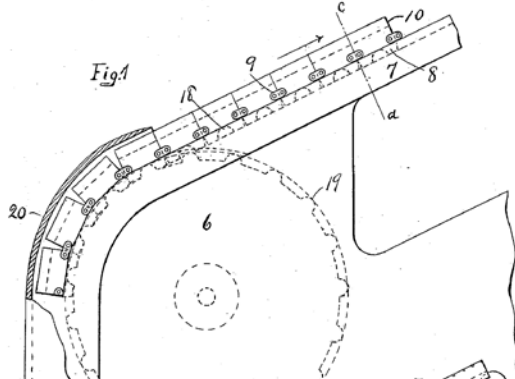
Elliot v. Google Inc.⁷⁰

⁶⁹ *Ferring Pharms.* at 211, quoting *McNeilab, Inc. v. Am. Home Prods. Corp.*, 848 F.2d 34, 38 (2d Cir. 1988).

⁷⁰ No. 2:12-cv-01072-SMM (D. Ariz., Sept. 10, 2014).

(No Model.)

J. W. RENO.
ENDLESS CONVEYOR OR ELEVATOR.
No. 470,918. Patented Mar. 15, 1892.



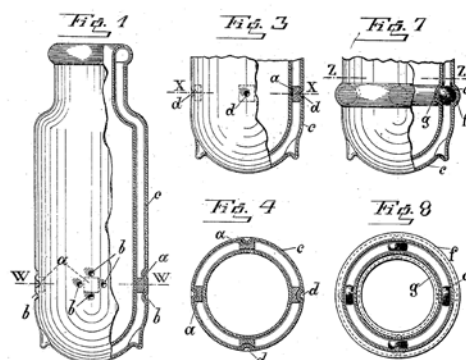
Escalator patent

No. 872,795.

PATENTED DEC. 3, 1907.

R. BURGER.
DOUBLE WALLED VESSEL WITH A SPACE FOR A VACUUM
BETWEEN THE WALLS.
APPLICATION FILED OCT. 22, 1904.

2 SHEETS—SHEET 1.



Thermos by another name

Aspirin, Cellophane, Dry ice, Escalator, Laundromat, Mimeograph, Pilates, Thermos, Trampoline and Zipper all began as brand names and ended as generic names for a product. In some cases, the product was patented, so only the patentee could sell it, making the patentee's name especially likely for public adoption. "Thermos," from Thermos Corp., is easier to say than "Double walled vessel with a space for a vacuum between the walls." A trademark that becomes generic, the very name for the product or service, is no longer a trademark. Rather, anyone can use the term to market their product. In the internet world, some brands go quickly from nothing to world-famous. How hazardous is that for their legal status?

Elliot v. Google addressed the question with today's foremost example. People refer to "googling" for information, whether the search engine used is Google, Bing, Baidu, or something else. Has GOOGLE become generic, meaning it is no longer a valid mark? The court said no. "As one scholar has stated, 'top-of-mind use of a trademark in its verb form, far from indicating the mark's generic status, may well indicate the enduring fame of the brand.' Laura A. Heymann, *The Grammar of Trademarks*, 14 Lewis & Clark L. Rev. 1313, 1348 (2010)."

Blackhorse v. Pro-Football, Inc.⁷¹

Trademark law also differs from patent and copyright in denying coverage on moral grounds. The Lanham Act denies registration to a mark that consists “of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute”⁷² Whether registration of the “Washington Redskins” mark should be cancelled as being disparaging of Native Americans has been the subject of long-running litigation. A proceeding begun in 1992 before the US Patent and Trademark Office led to a cancellation, which was overturned in 2009 on the grounds of laches, on the theory that the plaintiffs had waited too long after registration of the mark in 1967.⁷³

In *Blackhorse*, a new proceeding was brought by plaintiffs too young to have filed any sooner. The TTAB held that the various trademark registrations used by the Washington Redskins “must be cancelled because they were disparaging to Native Americans at the respective times they were registered, in violation of Section 2(a) of the Trademark Act of 1946, 15 U.S.C. § 1052(a).” The practical effects of the decision are limited. It may also spend years on appeal. Even if upheld, the decision simply cancels the federal registration of the mark, as opposed to ending ownership of the mark itself. The mark may still continue as an unregistered mark, but whether it can be successfully enforced would depend on yet more litigation. It may well be that social developments outside the legal system may bypass the courts.

⁷¹ No. 92046185 (T.T.A.B. June 18, 2014). See also *In re Geller*, 751 F.3d 1355 (Fed. Cir.2014) (“Stop the Islamization of America” not registrable mark, as disparaging to a substantial composite of American Muslims).

⁷² 15 U.S. Code § 1052(a).

⁷³ *Pro-Football, Inc. v. Harjo*, 415 F.3d 44 (D.C. Cir. 2005).

Specht v. Google, Inc.

Trademark rights (again in distinction to patent and copyright) depend on use. Continued rights require continued use. A dot-com company used the mark “Android Data” for e-commerce software but stopped operating in 2002. Some brand owners that discontinue a product keep the trademark rights by continuing minimal use of the mark in commerce. But the dot.com did not take that course. By ceasing use with intent not to use the mark anymore, it abandoned the mark. When Google later on made “Android” a famous signifier for a smartphone operating system, the former owner of Android could not prevent Google obtaining the rights in the mark.⁷⁴ The case suggests that parties that discontinue products may be well advised to follow the practice of continuing using the marks if they might have commercial value. Zombie marks may return to life.

Gutter Topper Ltd. v. Sigman & Sigman Gutters, Inc.⁷⁵

Relatively unsettled is whether liability for intellectual property infringement may be discharged in bankruptcy.⁷⁶ Bankruptcy discharge of debts will not apply to liability “for willful

⁷⁴ 747 F.3d 929 (7th Cir. Ill. 2014). See also “Ultimate Fan” service mark for promotional contests abandoned, owner held no contests for seventeen years; *Dragon Bleu v. VENM, LLC*, Opp. No. 91212231 (T.T.A.B., Dec. 1, 2014)(holding that, for purposes of USPTO proceedings, three year period for abandoning registered mark begins only after registration).

⁷⁵ 2014 U.S. Dist. LEXIS 162034 (S.D. Ohio Nov. 18, 2014),

⁷⁶ A matter of considerable interest to some individuals. See e.g., *Sony BMG Music Entm't v. Tenenbaum*, 719 F.3d 67 (1st Cir. Mass. 2013)(\$675,000 statutory damages award for willful copyright infringement, by downloading 30 songs, did not violate due process). See also *Elf-Man, Llc V. C.G. Chinque Albright, et al.*, NO: 13-CV-0115-TOR (E.D. Wash. October 31, 2014)(suggesting large statutory damage awards for copyright infringement could be excessive punishment in violation of Eighth Amendment).

and malicious injury by the debtor to another entity or to the property of another entity.”⁷⁷ *Gutter Topping* shows there may be interplay between awards of attorney’s fees and whether the liability is dischargeable. The court applied Sixth Circuit precedent requiring that attorney’s fees may be awarded in trademark cases where “the infringement was malicious, fraudulent, willful, or deliberate.”⁷⁸ The defendant used the plaintiff’s mark after the licensing agreement had ended, for products clearly not within the scope of any permission granted, and even after the infringement suit had begun. The court held the conduct to be “willful and malicious” for the purpose of awarding attorney’s fees. The court also noted that “willful and malicious” was the standard for denying bankruptcy discharge, although the court was careful not to opine on the question of dischargeability, which would be addressed separately in the debtor’s bankruptcy proceeding.

*Speare Tools, Inc. v. Klein Tools, Inc.*⁷⁹; *T-Mobile US, Inc. v. Aio Wireless LLC*⁸⁰

⁷⁷ Section 523(a)(6); See *In re Barboza*, 545 F.3d 702 (9th Cir. 2009)(holding that willfulness requirement means that discharge barred only if infringement is deliberate or intentional, not reckless)

⁷⁸ 2014 U.S. Dist. LEXIS 162034 at 8, quoting *Eagles, Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 728 (6th Cir. 2004) (quoting *Hindu Incense v. Meadows*, 692 F.2d 1048, 1051 (6th Cir. 1982)).

⁷⁹ 2014 U.S. Dist. LEXIS 162171 (E.D. Wis. Nov. 18, 2014)

⁸⁰ Case No. H-13-2478 (S.D. Tex. January 22, 2014).



Speare Tools sold its adjustable hole saw in clear plastic packages. When competitors adopted similar packaging, Speare Tools claimed infringement of trade dress. Functional matter is not protectable as a trademark. Speare Tools argued that use of clear plastic packaging was not functional, because there were many other options open for competitors to package their tools. The court took a broader view of functionality, relying on the Supreme Court's statement in *TrafFix* that a design feature is functional if it is "essential to the use or purpose of the article or if it affects the cost or quality of the article."⁸¹ The court also declined to limit the broad view of functionality to product design, as opposed to product packaging. The snug, see-through plastic packaging was functional in several ways:

- (1) cheaper to produce (because of the use of minimal packaging); (2) stronger (because of the stepped sides on the blister package); (3) more appealing to consumers (by reducing cost, revealing the parts of the product at the point of sale, and including photos

⁸¹ Id. at 9, quoting *TrafFix*, 532 U.S. at 32.

and instructions showing how the product is used); and (4) more appealing to retailers (because of the added strength, lower cost, nesting capability of the blister packages, and the use of information provided to consumers at the point of sale).⁸²

The case makes an interesting contrast to the *Oracle v. Google* holding on functionality in copyright law, discussed below.

T-Mobile was successful in claiming trademark protection in the color magenta, specifically the shade Pantone Process Magenta. The court held that “Aio’s use of large blocks or swaths of Pantone 676C in its marketing and store design is confusingly similar to, and infringing of, T-Mobile’s use of large blocks or swaths of Pantone Process Magenta in its marketing and store design.” Courts have been reluctant to take colors off the palette of competition, but will do so for a color sufficiently distinctive, commercially and visually.⁸³

Sandybeachgifts.com v. Amazon.com, Inc.; ⁸⁴ *Ohio State Univ. v. Skreened Ltd.*⁸⁵

Sandybeachgifts and *Skreened* bookend the scope of liability for retail web site owners for their merchants’ sale of infringing products. In the former case, Amazon.com was not liable for infringement by associates in Amazon’s marketing program. The associates were independent businesses that allowed Amazon sales through their own sites. Amazon could

⁸² Id. at 16.

⁸³ Compare *Orange Personal Communications Services Limited v. Administración General del Estado and Jazz Telecom, SAU*, Tribunal Supremo, Ruling STS 5725/2013 (Sala de lo Contencioso, , December 2, 2013)(Spanish Supreme Court holds that telecom Orange SA cannot prevent competitors from using the color orange).

⁸⁴ 2014 U.S. App. LEXIS 16794 (9th Cir. Wash. Aug. 29, 2014)

⁸⁵ 2014 U.S. Dist. LEXIS 54201 (S.D. Ohio 2014)

terminate the sellers' participation in the program, but did not share ownership or have operational control over the sellers.



By contrast, in *Skreened*, a T-shirt printing site argued that it was not liable for selling shirts bearing counterfeit trademarks, because the designs had been uploaded by customers. Defendants argued that they should not be liable, because they at least attempted to avoid infringement, by instituting an “autohold” process when they received complaints from trademark owners. Despite the half-hearted attempted to avoid infringement, defendants printed numerous infringing shirts. The cost of avoiding infringement was no defense: “there is no exception in trademark law for infringers who take an ostrich approach to policing their business activities and complying with the law.”

Airs Aromatics, LLC v. Victoria's Secret Stores Brand Mgmt.⁸⁶ ; La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.⁸⁷

The Supreme Court's decision in *MedImmune* lowered barriers to challenging the validity of intellectual property. The Court held that a party could bring a declaratory judgment action provided there was an actual controversy, rejecting cases requiring a higher standard. *Airs Aromatic* rejected an attempt to further lower the standard in trademark cases.

The trademark statute allows courts to cancel a mark for invalidity. The court noted the trademark *Airs Aromatic* statute provides that "cancellation is available in 'any action involving a registered mark.'" ⁸⁸ That language does not provided independent jurisdiction for an action to cancel a mark. Rather, it provides a possible remedy in an action involving a mark, where the court already has jurisdiction, such as an infringement or declaratory judgment action. Converting every statutory provision that gives powers to a court into a jurisdictional provision would greatly multiply the routes to federal jurisdiction. It would also negate the limits on jurisdiction. Moreover, a party seeking cancellation may already file a cancellation proceeding in the US Patent and Trademark office, an appropriate venue to begin consideration of whether that office should cancel a mark.

By the same token, the same Circuit ruled in *La Quinta Worldwide* that the statutory requirement that infringing use of a trademark be a "use in commerce" was not a jurisdictional requirement. The trademark statute provides that trademark infringement is a "use in commerce" of a symbol confusingly similar to a mark may infringe.⁸⁹ But the relevant provisions provide a

⁸⁶ 744 F.3d 595 (9th Cir. 2014)

⁸⁷ 762 F.3d 867 (9th Cir. 2014)

⁸⁸ Id. at ___, quoting 15 U.S.C. § 1119.

⁸⁹ 15 USCS §§ 1114, 1125.

cause of action, rather than jurisdiction to hear the case. Rather, the jurisdictional provision of the trademark statute provides broad jurisdiction over cases arising under the statute.⁹⁰

Flying Pigs, LLC v. RRAJ Franchising, LLC,⁹¹

Flying Pigs sought to enforce an equitable lien for failure to pay rent by foreclosing on federally registered trademarks. The Fourth Circuit held that a federal court did not have jurisdiction to hear the case. Although a federally registered trademark was involved, the action was not brought under the federal trademark statute and raised no question of federal law. There is considerable uncertainty about whether federal or state law governs the requirements of notice when making a loan using intellectual property as collateral. If *Flying Pigs* is followed, at least that uncertainty will not extend to the other end of the transaction, which law governs when the creditor seeks to sell the collateral upon default by the debtor.

*Webceleb, Inc. v. Procter & Gamble Co.*⁹²

Webceleb reinforces a point that evidently needs to be repeated.⁹³ A trademark owner does not own the word, rather only the right to prevent confusingly similar uses with respect to sales of goods or services. The defendants used “Favorite Web Celeb” as the category in an awards show and on a related web site. Unbeknownst to them, WEBCELEB was a registered mark. But those uses of a similar phrase would not confuse any potential consumer about the

⁹⁰ See 15 U.S.C. § 1121(a). The court relied on the distinction between elements of a claim and jurisdictional requirements, stressed in *Arbaugh v. Y & H Corp.*, 546 U.S. 500 (2006).

⁹¹ 757 F.3d 177 (4th Cir. 2014).

⁹² 554 Fed. Appx. 606 (9th Cir. 2014).

⁹³ On overenforcement of trademark generally, see Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 Wis. L. Rev. 625 (2011).

source of relevant goods or services. A trademark, unlike a patent or copyright, does not bestow a broad set of exclusive rights in the relevant information.

Copyright

Oracle Am., Inc. v. Google Inc.⁹⁴



Even as *Alice* put the validity of many software patents in question, *Oracle v. Google* supports thicker copyright protection to software than leading cases. Copyright protects only creative expression, not functional matter.⁹⁵ Software qualifies for copyright protection, as a literary work⁹⁶, but the trend of authority had been to give thin protection. *Oracle* potentially reverses that trend, creating a split in approach between the circuit courts.⁹⁷

⁹⁴ 2014 U.S. App. LEXIS 8744 (Fed. Cir. May 9, 2014).

⁹⁵ 17 U.S.C. § 103(b).

⁹⁶ 17 U.S.C. § 101.

⁹⁷ See *Oracle Am., Inc. v. Google Inc.*, 2014 U.S. App. LEXIS 8744 (Fed. Cir. May 9, 2014).

To enable Android, the operating system for smart phones, to run Java, Google copied many of Java's API's (application programming interfaces). Android copied the names and headers for the Java modules. For example, Google would copy the header "java.lang.Math.max," for a method that compares numbers. Google wrote its own code that does the comparison and returns a result. Java programmers could readily write apps for Android. This increased the number of software developers who could write Android apps, and would allow them to use some of the code they had written for other Java projects.

The issue was whether Google had copied protected creative expression, when it copied the names, organization of those names, and functionality of 37 out of 166 packages in the Java API. The Federal Circuit reasoned that Java's 'structure, sequence and organization' was protected by copyright. Because different names and organization could have been used for the API's, the names that were chosen represented creative expression, not just functional elements.

The Federal Circuit rejected application of the approach taken by the First Circuit in *Lotus v. Borland*. *Lotus* had held that the menu command structure for a spreadsheet was a noncopyrightable "method of operation." The menu command structure provided commands for spreadsheet users, such as Print, Copy, Subtract, and arranged them in a hierarchy. By copying that hierarchy, the defendant enabled the plaintiff's former users to readily use defendants' spreadsheet software – not unlike Java developers in *Oracle*. This holding that the menu hierarchy was an uncopyrightable method of operation was rejected by *Oracle*, in favor of using the more detailed abstraction-comparison-filtration analysis.⁹⁸

How wide the circuit split is remains to be determined. The Federal Circuit did not conclude that Google necessarily infringed the copyright in Java. Rather, it remanded the case on the issues of whether Google's copying was permitted in order to copy nonprotected functional

⁹⁸ See *Oracle Am., Inc. v. Google Inc.*, 2014 U.S. App. LEXIS 8744 (Fed. Cir. May 9, 2014).

expression and whether Google was protected by fair use. So the Federal Circuit and First Circuit reached slightly different conclusions that had large impact for litigation of software copyright cases. The First Circuit, by holding that interface specifications were not protected, as a method of operation, simplifies the analysis. The Federal Circuit requires more steps in the litigation: first determining whether there are separate creative elements in interfaces, and then seeing whether copying of any protected expression is permitted under various doctrines, such as copying to implement functionality or copying permitted under fair use. The application of those doctrines, in turn, will introduce a number of legal and factual issues not required under the First Circuit approach in *Lotus*. Fair use, for example, requires consideration of four factors, much more broad than considering simply the issue of functionality.

For now, *Oracle* casts a shadow on the practice of copying interfaces. The WINE project, for example, is a free software project that allows users to run Windows programs on Linux systems. WINE relies on using Windows applications programming interfaces. It could be susceptible to infringement claims if courts read software copyright broadly.

ABC, Inc. v. Aereo, Inc.⁹⁹

Digital technologies rely on copying, so courts interpreting words in the copyright statute can have broad implications on technology. The second paragraph of the definition of “public performance” (called the “transmission clause”) was added to the copyright statute to cover rebroadcasting by cable companies. In early days, cable companies would capture broadcast

⁹⁹ 134 S. Ct. 2498 (2014).

television shows on antennas and rebroadcast the shows over their cable network. Courts had held that this was not a public performance and so the cable company did not need permission from the television show copyright holder. Those copyright holders promptly convinced Congress to include such rebroadcasting in their exclusive rights. [quote clause]

In 2008, the Second Circuit interpreted the clause narrowly. The Second Circuit¹⁰⁰ had held that there was no public performance, where customers of Cablevision used remote storage provided by Cablevision to record programs and watch them at their leisure. The court noted the broad scope of the transmission clause, applying where members of the public receive the transmission “in the same place or in separate places and at the same time or at different times.” But the clause applies only to members of the public “capable of receiving the performance.” Because the performance is the single copy transmitted, the court reasoned, only the single customer was capable of receiving it, meaning that it was not a public performance. Rather, many Cablevision customers could make private performances of the same program from their individual remote storage devices provided by Cablevision.

Aereo created a convoluted rebroadcasting system designed to piggyback on the *Cablevision* decision. *Aereo*’s system had thousands of tiny antennas, each coupled with a small storage device. An *Aereo* customer could control their antenna and storage to record programs or rebroadcast them to the customer. The Second Circuit again held that meant that each customer had a private performance, even if thousands of customers were watching the same broadcast show. The Supreme Court reversed, looking both to the broader language (“in the same place or in separate places and at the same time or at different times”) and to the purpose of the statute. In

¹⁰⁰ *Cartoon Network LP, LLP v. CSC Holdings, Inc.*, 536 F. 3d 121 (CA2 2008)

the Court's view, Aereo was doing the same sort of rebroadcasting that the definition was designed to target:

Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users' homes. By means of its technology (antennas, transcoders, and servers), Aereo's system "receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers." *Fortnightly*, 392 U. S., at 400, 88 S. Ct. 2084, 20 L. Ed. 2d 1176.'

The question after *Aereo* is how broadly it would apply. The Court took care not to cast a cloud on technological development, stating that it was not ruling on issues of cloud computing, remote storage DVRs, and other novel issues to arise in other cases.

*Petrella v. MGM*¹⁰¹

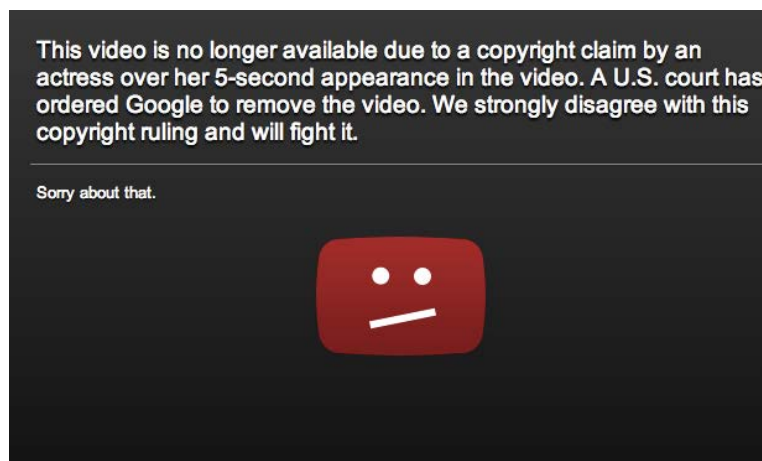
Petrella provides copyright owners some latitude in enforcement. Copyright has a three year statute of limitations.¹⁰² If a defendant continues to infringe, however, each new infringement is separate, starting a new three-year period. Where the 1980 film *Raging Bull* allegedly infringed a 1963 screenplay, an action was brought in 2009 seeking to recover for infringement (such as public performances) in 2006 and after. MGM sought the application of the equitable doctrine of laches, under which a defendant that unreasonably delays in enforcement may lose its right to damages. The Supreme Court held that where Congress has set a statutory time limit, there is no place for equity to add an additional time limit. The Court noted

¹⁰¹ 134 S. Ct. 1962 (U.S. 2014).

¹⁰² 17 U.S.C. § 507(b).

(among other reasons), that a contrary rule might create more copyright litigation, because copyright owners would fear losing their rights if they did not sue even for trivial infringement.

Garcia v. Google, Inc.¹⁰³



Cindy Lee Garcia played a minor role in a film with the working title “Desert Warrior.” After the project was abandoned, the pragmatic producer used the footage of her scenes in an anti-Islamic film titled “Innocence of Muslims,” dubbing lines over her performance.

The Ninth Circuit held that, although the director held the copyright in the film, Garcia might have a copyrightable interest in her performance. Copyright applies to an original work of authorship, fixed in a tangible medium.¹⁰⁴ The court made a convincing argument that Garcia made an original contribution, which requires some creativity: “But an actor does far more than speak words on a page; he must ‘live his part inwardly, and then . . . give to his experience an

¹⁰³ 766 F.3d 929 (9th Cir. 2014), rehearing en banc granted, No. 12-57302, (Ninth Cir. November 12, 2014).

¹⁰⁴ 17 U.S.C. § 103(a).

external embodiment.’ Constantin Stanislavski, *An Actor Prepares* 15, 219 (Elizabeth Reynolds Hapgood trans., 1936). That embodiment includes body language, facial expression, and reactions to other actors and elements of a scene. *Id.* at 218-219. Otherwise, ‘every shmuck . . . is an actor because everyone . . . knows how to read.’ Sanford Meisner & Dennis Longwell, *Sanford Meisner on Acting* 178 (1987).”

But the court did not explain how a performance would qualify as a work of authorship. This view seems to make a film an amalgamation of many works of authorship, as would be any other work with contributions from more than one person. That doctrinal innovation would have considerable practical consequences, making a potential author out of anyone with any input into a work, greatly increasing the need for negotiation and transaction costs.¹⁰⁵ Before the end of the year, the Ninth Circuit decided to rehear the case en banc. Perhaps the case will live on mainly in copyright law courses.

*Oracle Corp. v. SAP AG*¹⁰⁶

Reasonably royalties have long been a measure of damages in patent cases, but less frequently in copyright litigation. *Oracle* provides guidance on such awards. The court overturned a jury award of some \$1.2 billion, because Oracle’s evidence as to the value of damages flowing from copyright infringement by unauthorized use of software was speculative, with no showing of how much income SAP gained from the infringement. But the court showed several ways in which a plaintiff could show a reasonable royalty, which would be what the parties likely would have agreed on had they negotiated a license. First, the court rejected the

¹⁰⁵ See e.g., <http://blog.ericgoldman.org/archives/2014/02/in-its-innocence-of-muslims-ruling-the-ninth-circuit-is-guilty-of-judicial-activism-garcia-v-google.htm>. See also Rebecca Tushnet, March 17, 2014 My long, sad *Garcia v. Google* post, Rebecca Tushnet’s 43(B)log (March 17, 2014), <http://tushnet.blogspot.com/2014/03/my-long-sad-garcia-v-google-post.html>.

¹⁰⁶ 765 F.3d 1081 (9th Cir. Cal. 2014).

theory that there could be no hypothetical license because Oracle never licensed its software. The very point of figuring out a hypothetical license fee is that there was no actual transaction. Second, evidence of revenue from infringement should be more than simply projections of hoped-for income, that were not linked directly to the infringing activity. Likewise, the cost to plaintiff of granting a license could be shown more directly than simply how much it cost to acquire the entities that made the software, because the software could be licensed to multiple licensees. Lastly, actual licenses granted with respect to the subject matter would provide objective evidence to support the terms of a hypothetical license.

Authors Guild, Inc. v. HathiTrust¹⁰⁷

Does fair use protect the Google Book project? Google is attempting to scan the world's books, presently working with a number of libraries and Google's innovative scanning technology. *Authors Guild, Inc. v. HathiTrust* held that fair use protected unauthorized scanning and compiling of books into a searchable database. The case involved only a limited set of purposes, so is only preliminary to applying fair use to Google Books as a whole. Google scanned books from the collection of member libraries, such as universities. Any web user could search the database and receive results showing only books containing the search terms, along with page numbers (no snippets of text, unlike Google Books). Member libraries could use the database to enable readers with disabilities (such as blindness or inability to turn pages) to use adaptive technologies, such as software that magnified the text or read it aloud. Member libraries could also use electronic copies to replace lost originals. Fair use protected these limited uses.

¹⁰⁷ 755 F.3d 87(2d Cir. 2014). See also *Swatch Group Mgmt. Servs. v. Bloomberg L.P.*, 742 F.3d 17 (2d Cir. 2014)(Distributing a recording of a company's conference call with analysts disclosing earning was fair use).

The case leaves open broader questions, such as searches that return portions of texts and provide information used for commercial purposes, not to mention advertising revenue.

Cambridge Univ. Press v. Patton¹⁰⁸

Fair use is a bulwark of copyright law, but somewhat unpredictable, perhaps because the relevant rule is a four factor test with little guidance as to how to weigh the factors. The trial court in *Cambridge University Press* had introduced a little bright line guidance. For university copying for coursebooks, it had held that copying 10 percent of a work or just one chapter was presumptively fair use. The appellate court reversed that approach, holding that a case-by-case approach must be taken. In particular, the court also placed more weight on the market impact of the possible loss of licensing revenue, which could be realized through such means as the Copyright Clearance Center.

Klinger v. Conan Doyle Estate, Ltd.¹⁰⁹

Some Sherlock Holmes stories, published before 1922, are out of copyright. Later stories are still under copyright. Klinger began a project to write a sequel featuring Sherlock Holmes. After author Conan Doyle's estate threatened to sue for infringement, Klinger filed a declaratory judgment action. The estate argued that using Sherlock Holmes would copy creative expression from the later stories, because the complex character Sherlock Holmes changed over time. The

¹⁰⁸ 769 F.3d 1232 (11th Cir. 2014). See also DanNabel, Top 10 Fair Use Cases of 2014, <http://blog.ericgoldman.org/archives/2015/01/top-10-fair-use-cases-of-2014-guest-blog-post.htm>.

¹⁰⁹ 755 F.3d 496 (7th Cir. 2014).

Seventh Circuit held that second author could freely copy the character Sherlock Holmes from the public domain. Only if the estate could show specific copying of expression would there be infringement. The court rejected the argument that the later Sherlock Holmes could not be distinguished from earlier Sherlock Holmes. If there was no difference, then there would be no additional original expression to merit additional copyright protection.

Flo & Eddie, Inc. v. Sirius XM Radio, Inc.¹¹⁰



Sixties musicians Flo & Eddie of The Turtles keep on truckin'. The 1976 federal Copyright Act held that the public performance right in pre 1972 sound recordings (as opposed to the copyright in musical works) was not governed by federal law.¹¹¹ Decades later, two federal trial courts have held that pre 1972 sound recordings are recognized by state law copyright. If the decisions, in the key jurisdictions of California and New York, survive appeal,

¹¹⁰ 2014 U.S. Dist. LEXIS 139053 (C.D. Cal. Sept. 22, 2014) and 2014 U.S. Dist. LEXIS 166492 (S.D.N.Y. Nov. 14, 2014).

¹¹¹ See Lee Gesmer, The Kerfuffle Over Copyrights in Pre-1972 Sound Recordings, Mass IP Blog (Oct. 22, 2014), <http://masslawblog.com/copyright/the-kerfuffle-over-copyrights-in-pre-1972-sound-recordings/> (discussing practical impact of *Flo and Eddie* and possible judicial and legislative developments).

then broadcasters may have to pay for rights to play songs that they have long played for free (not to mention damages for recent use). Arranging such transactions may be cumbersome, because existing licensing statutory schemes apply only to works under federal copyright. Such recordings may also trigger liability for online services such as YouTube, because the immunity of online service providers under the DMCA arguably extends only to federal copyright. Flower power may disturb the establishment once again.

*Inhale, Inc. v. Starbuzz Tobacco, Inc.*¹¹²



¹¹² 739 F.3d 446 (9th Cir. 2014).

Inhale addressed the same general issue as *Oracle vs. Google*, the distinction between copyrightable expression and noncopyrightable functional matter. The product at issue was the design of a water pipe system for smoking. Broad copyright protection in product design would effectively give patent protection for an unpatented product. The shape of the hookah water container was not subject to copyright protection. Although the shape was distinctive and artistic, it did not have aesthetic elements that were separable from its function. If the shape of the water container were changed, it would work differently.

Inhale and *Oracle* involve quite different subject matter, software and a hookah water container, but the same issue, functionality. Under *Oracle*'s reasoning, perhaps *Inhale* would be decided differently, because there are many different shapes of water containers that would serve the same general function. Likewise, *Inhale*'s approach could yield a different result in *Oracle*: changing the API's would make the software function in a different way. The difficult question is whether the cases are legally inconsistent or simply governed by the difference in subject matter.

AF Holdings, LLC v. Doe¹¹³

Various enterprises seek to find a way to recover from alleged small scale copyright infringements. AF Holdings rejected an attempt to bring infringement actions *en masse*. The plaintiffs bought the copyright to a film and sued 1,058 anonymous defendants, identified only by IP address, alleging that each had downloaded the film using BitTorrent. Multiple defendants may be joined for actions "with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences."¹¹⁴ But, getting the film from different BitTorrent swarms

¹¹³ 752 F.3d 990 (D.C. Cir.2014),

¹¹⁴ Federal Rule Of Civil Procedure 20(a)(2)(A).

on dates months apart was not the same series of transactions, any more than “two individuals who play at the same blackjack table at different times.”¹¹⁵

Kienitz v. Sconnie Nation LLC ¹¹⁶



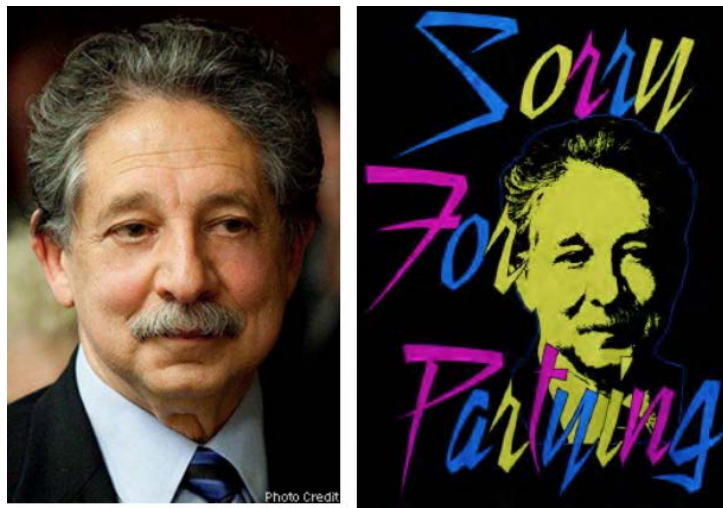
The Seventh Circuit held that it was fair use to use a photograph of a mayor, downloaded from the city’s website, to make a T-Shirt mocking the mayor. The key was that little of the creative expression of the original was used:

Defendants removed so much of the original that, as with the Cheshire Cat, only the smile remains. Defendants started with a low-resolution version posted on the City's website, so much of the original's detail never had a chance to reach the copy; the original's background is gone; its colors and shading are gone; the expression in Soglin's

¹¹⁵ 752 F.3d at

¹¹⁶ 766 F.3d 756 (7th Cir. 2014).

eyes can no longer be read; after the posterization (and reproduction by silk-screening), the effect of the lighting in the original is almost extinguished. What is left, besides a hint of Soglin's smile, is the outline of his face, which can't be copyrighted. Defendants could have achieved the same effect by starting with a snap-shot taken on the street.



The court's pragmatic approach varies from fair use case law in two significant ways. First, to make the T-Shirt, the defendants had to make copies along the way in the process of making the design. In other cases, such as reverse-engineering or data-base extraction, courts have considered whether such intermediate copies were infringing or were fair use (although it noted that a low-resolution copy was used). Second, the court did not look to whether the use was "transformative," a question that other courts give great weight in fair use. The court stated that it was "skeptical" of that approach, because it gives little weight to the list of factors in section 107 and because equating "transformative" with fair use threatens to do away with the copyright owner's exclusive right to make derivative works.

Trade Secret

Loftness Specialized Farm Equip., Inc. v. Twiestmeyer¹¹⁷

Contract law may provide an alternative or supplement to trade secret protection. Showing breach of a nondisclosure or noncompete agreement does not require as high a showing as misappropriating a trade secret. Breach of contract does not require the same elements as misappropriation and the information at issue need not be proved to be a trade secret. The contract at issue in *Loftness* defined protected information much more broadly than a trade secret (“[s]uch information that [T&A] considers to be proprietary and/or confidential”) and the acts that constituted breach likewise more broadly than the wrongful actions that would constitute misappropriation (promising not to use T&A’s “confidential information in any way that could be construed as being competitive of [T&A’s] business”). So the appellate court held it was error to grant summary judgment on the grounds that the defendant had not misappropriated a trade secret. Rather, the court remanded for the question of whether the defendant had breached its broader obligations under the contract.

¹¹⁷ 742 F.3d 845 (8th Cir. 2014). By contrast, where a party freely allows information to circulate without restrictions, a nondisclosure agreement with one party will not make the information a trade secret. See *nClosures Inc. v. Block & Co.*, 770 F.3d 598 (7th Cir. 2014).



Auernheimer promised to be key precedent for trade secret practice, but the court decided the case on other grounds. The Computer Fraud and Abuse Act ("CFAA")¹¹⁹ prohibits unauthorized access to computers. Courts have differed on how to construe unauthorized access. Suppose an employee uses her work computer to load up on valuable trade secrets from her employer's stock, then takes the information to a competitor or her own start-up. Some courts would hold this was not unauthorized access, because her employer gave her access to the files. Other courts hold it unauthorized, because she exceeded the scope of authorization given – her employer did not give her permission to take the trade secrets for her own purposes.

Auernheimer is not an employee case, but was widely watched on the issue of unauthorized use. *Auernheimer* exploited a security flaw to visit public AT&T web sites (by

¹¹⁸ 748 F.3d 525 (3d Cir. 2014).

¹¹⁹ 18 U.S.C. § 1030 et seq.

making it look as if he were using an iPad) and get email addresses of iPad users from AT&T. Unauthorized access? Auernheimer argued not, because he was visiting sites that were open to the public. The prosecution, successfully in the trial court, argued that it was, because Auernheimer's software was configured, in a broad and anthropomorphic sense, to deceive AT&T's web server, negating any authorization. On appeal, the Third Circuit did not reach this juicy issue, holding instead that the prosecution had been brought in the wrong district. Auernheimer acted in Fayetteville, Arkansas, accessing servers in Dallas, Texas and Atlanta, Georgia. The case was brought in New Jersey, which had no apparent connection to the case. The conviction was vacated, leaving the uncertainty around the CFAA unchanged.

Newell Rubbermaid, Inc. v. Storm¹²⁰

A contractual promise in an employment agreement not to compete may serve as a proxy for trade secret protection. Trade secret misappropriation by an employee may be very difficult to show. A promise not to work for competitors may reduce the chance that a former employee may use trade secrets – although such clauses must be limited to their reasonable scope, both to protect the employee's ability to work in the market and to foster the general policy of freedom of flow of experts and expertise.

Covenants not to compete are enforced only to a reasonable scope, because of the limitation on the employee. But that does not make them any more difficult (in jurisdictions that enforce them) to agree to than other clauses. A restrictive covenant in a clickwrap employment agreement was enforceable, even where changes in employment terms were not made conspicuous. Rather, the terms fell within the reasonable expectations of the parties, despite the

¹²⁰ 2014 Del. Ch. LEXIS 45 (Del. Ch. Mar. 27, 2014).

fact the employee did not read the agreement before agreeing.¹²¹ Even the most formalistic contract doctrines from pen and paper times did not require proof that a party had read all provisions of a contract before being bound by them. That approach is more efficient than a regime that would require parties to spend time and resources reading (and documenting that reading) for every provision in a contract.

Core Labs. LP v. Spectrum Tracer Servs., L.L.C.¹²²

In trade secret law, even post *eBay*, a showing of misappropriation may almost automatically lead to an injunction: when “a defendant possesses trade secrets and is in a position to use them, harm to the trade secret owner may be presumed.”¹²³ The same overall framework for granting an injunction governs, but the requirement of irreparable harm is more easily met. Trade secret poses different risks than patent, copyright, and trademark. Not only is it misappropriation to use trade secret information wrongfully, it is wrongful simply to acquire the information. If the information becomes public, it will no longer be a trade secret. Courts readily grant injunctions to protect trade secrets, where wrongful behavior obtains. In *Core Labs*, former employees of the plaintiff took a secret software application and associated customer information to a start-up competitor, saving the cost of developing such information themselves and providing a market advantage.

¹²¹ Newell Rubbermaid, Inc. v. Storm, 2014 Del. Ch. LEXIS 45 (Del. Ch. Mar. 27, 2014)

¹²² 532 Fed. Appx. 904 (Fed. Cir. 2013) Where defendant used plaintiff’s trade secret fracking software, there was irreparable harm and an injunction would apply).

¹²³ Id. at 909, quoting IAC, Ltd. v. Bell Helicopter Textron, Inc., 160 S.W.3d 191, 200 (Tex. App. 2005).

Wang v. Palo Alto Networks, Inc.¹²⁴ ABB Turbo Sys. AG v. TurboUSA, Inc.¹²⁵

Trade secret and patent law interact in many ways. An inventor may choose between keeping in invention secret and publishing it to get a patent. A patentee may use patent law to protect an invention, but also use trade secret processes in connection with practicing the invention, to have two lines of defenses against copiers.

Wang v. Palo Alto Networks involved a less common intersection. Wang alleged that his business partner had wrongfully disclosed trade secret firewall technology to Palo Alto Networks. Wang did not sue until after several years after the alleged disclosure, but alleged that the statute of limitations had not run because he learned of the disclosure only by reading newspaper accounts of Palo Alto's initial public offering. But the information had been contained in published patent applications of Palo Alto, at a time when Wang was seeking his own patents. The court held that a trade secret owner was on constructive notice of other patent applications in the area of technology. Wang had the requisite notice to run afoul of the statute of limitations, which started running at that time.¹²⁶

In *ABB Turbo*, the alleged trade secret misappropriation likewise was long before the action was filed. ABB Turbo alleged that a former employee handed over envelopes of cash to ABB employees for confidential business information for decades. The information related to patents (which were also allegedly infringed). Unlike *Wang*, there was no public information available to the trade secret owner disclosing the information. The statute of limitations did not begin to run until ABB Turbo learned of the information sales.

¹²⁴ 2014 U.S. Dist. LEXIS 50737 (N.D. Cal. Apr. 11, 2014).

¹²⁵ No. 2014-1356 (Fed. Cir. Dec. 17, 2014)

¹²⁶ Wang v. Palo Alto Networks, Inc., 2014 U.S. Dist. LEXIS 50737 (N.D. Cal. Apr. 11, 2014)

Altavion, Inc. v. Konica Minolta Systems Laboratory, Inc.¹²⁷

The defendant in *Altavion* argued that there was a choice between trade secret and patent protection, at least for product design: “[g]eneralized ideas and inventions are protectable by patents and thus cannot be trade secrets.”¹²⁸ As discussed above, there is a boundary between copyright and patent: functional matter may be patentable, but is not subject to copyright. But trade secret and patent overlap in covering functional matter, such as product design. Rather, as the court emphasized, it is disclosure that separates trade secret from patent subject matter. Until disclosure, both may potentially cover valuable information: if “a patentable idea is kept secret, the idea itself can constitute information protectable by trade secret law.”¹²⁹

Nor had the plaintiff lost trade secret protection by disclosing its general idea for digital stamping technology to potential partners. It made its general idea public, but did not disclose its specific design implementation for the technology, which remained a trade secret. Keeping trade secret protection does not require absolute secrecy, even about the existence of the technology itself. Likewise, that design implementation would be disclosed when the product was sold to the public. But until that time, the implementation technology would be valuable because it had not been disclosed to others, and would remain a trade secret.

Bianco v. Globus Med., Inc.¹³⁰

¹²⁷ 226 Cal. App. 4th 26, 53 (Cal. App. 1st Dist. 2014).

¹²⁸ *Altavion, Inc. v. Konica Minolta Systems Laboratory, Inc.*, 226 Cal. App. 4th 26, 53 (Cal. App. 1st Dist. 2014)(quoting defendants’ brief)

¹²⁹ 226 Cal. App.4th at 55.

¹³⁰ 2014 U.S. Dist. LEXIS 151967(E.D. Tex. Oct. 27, 2014)

An idea for a product can be a trade secret. Misappropriation will lie, even if the defendant uses the idea for a different product than envisioned. A trade secret may have broader value than simply instructing how to make a particular product. It may have value in formulating other products as well. The fact that the defendant may have supplied additional value, such as research or market analysis, will not absolve the defendant of liability for wrongfully using the protected information.

Mandel v. Thrasher (In re Mandel)¹³¹

Intellectual property encourages innovation. Intellectual property litigation can likewise result in innovation. *Mandel v. Thrasher* rejected the creative theory that, where an executive stole trade secrets, he authorized their disclosure on the part of the company. If the disclosure was authorized, then there would be no liability for wrongful disclosure. Such a rule would swallow much of trade secret law with respect to employees, not to mention insulate fiduciaries from responsibility for breach of their duties.

The case also makes a holding similar to *Oracle v. SAP*, that an award of damages requires evidentiary support. The bankruptcy court held that the plaintiffs' expert testimony did not establish an amount of damages recoverable under either a "lost asset" or "lost profit" theory. The court nevertheless awarded the nice round amounts in damages of \$1,000,000 and \$400,000 to the respective plaintiffs, without any explanation. The appellate court remanded the case for the lower court to conduct an evidentiary hearing or explain the basis of its award.

¹³¹ 2014 U.S. App. LEXIS 15709(5th Cir. Tex.2014)

Boston Sci. Corp. v. Lee¹³²; *In re Valero Ref.-Tex.*, No. 01-14-00149-CV (Tex. App., August 21, 2014); *River Basin Res. Council v. Wyo. Oil & Gas Conservation Comm'n*,¹³³ *In re Microbilt Corp.*¹³⁴

These cases provide several variations on disclosure of trade secrets in litigation. *Boston Scientific* denied forensic imaging in discovery, where the laptop contained trade secrets not related to the litigation and less intrusive means had been rejected during discovery discussions. *Valero* denied discovery of trade secret financial records in tax collection litigation, without a showing of particularized need.

In *In re Microbilt*, Chex, a data provider, sued several of its resellers. In court filings, Chex included trade secrets, such as a customer list, provided to it by Microbilt under a confidentiality agreement. Microbilt's action against Chex for trade secret misappropriation, by wrongful disclosure, foundered on the absolute litigation privilege, which protects disclosures to courts.

*Hallmark Cards v. Monitor Clipper Partners*¹³⁵

Hallmark Cards provided confidential market research, in Powerpoint format, to consultant Monitor Company Group under a nondisclosure agreement. Monitor Company group nonetheless sent the information on to its affiliate Monitor Clipper Partners, a private equity firm, which used it to acquire and manage a competitor of Hallmark Cards. Monitor Clipper

¹³² 2014 U.S. Dist. LEXIS 107584 (N.D. Cal. Aug. 4, 2014).

¹³³ 2014 WY 37 (Wyo. 2014); Cynthia J. Rigsby, Trade Secret vs. Patent Protection: Consider FOIA or Public Records Requests, www.iplitigationcurrent.com (March 13, 2014).

¹³⁴ 2014 U.S. App. LEXIS 23212 (3d Cir. Dec. 10, 2014)

¹³⁵ 758 F.3d 1051 (8th Cir. 2014).

Partners argued that the information was not a trade secret, because Hallmark had made public general conclusions based on the research. But as the court concluded, the data was valuable as basis for analysis: other parties might have reached other conclusions from the data. Total secrecy is not a prerequisite for trade secret protection.

Purchasing Power, LLC v. Bluestem Brands, Inc.¹³⁶

Bluestem upholds the use of a clean room development in financial engineering, not unlike a clean room in software reverse engineering. As a step toward a possible merger, two retailers shared information under a non-disclosure agreement. The merger fell through. Bluestem Brands subsequently unveiled a payroll deduction plan to help buyers finance big purchases. Purchasing Power alleged the process was taken from information provided in confidence. Bluestem produced evidence that the process was developed independently by a team kept separate from those involved in the potential merger. Purchasing Power had no direct evidence that its information was used, only such “circumstantial” evidence as general similarities between the programs. The courts found no misappropriation. In the big picture, the case is helpful for trade secret owners. If independent development were not a defense in such settings, then parties might be more reluctant to enter into nondisclosure agreements, because they would lose the ability to develop information themselves that the other party already had.

¹³⁶ 22 F. Supp. 3d 1305 (N.D. Ga. 2014).