Top Tens in 2012: Patent, Trademark, Copyright and Trade Secret Cases

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Top Tens in 2012:

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In 2012, the Supreme Court cut back on the scope of patent subject matter in Prometheus, while according Congress great latitude in extending copyright protection in Golan. Prometheus was one of a number of cases in which the concept of functionality cut across the various areas of intellectual property. Prometheus cut back on patents on innovations that were not sufficiently functional, because they effectively claimed a law of nature. The Federal Circuit, in Myriad Genetics, by contrast, held isolated genes patentable (and the Supreme Court has decided to hear that case). The strongest rationale may be that isolated genes play different functions than their counterpart in nature. CLS Bank International held a computer-implemented invention patentable because its abstractness was not “manifestly evident”: a presumption of functionality that the court soon decided to revisit en banc. Design patents have become more prominent, giving protection to ornamental aspects of functional products.¹

By contrast, in copyright, the copyright in the code that implements the programming language Java was held not to extend to the code’s functional interfaces with other software, such as the Android operating system. Courts also recognize that software can vary in its mix of

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functionality and creative expression. Video games were compared to dramatic works and received a higher level of protection than more utilitarian software.

In trademark, the distinction between functional aspects and symbolic ones arose in litigation involving such diverse stuff as traction hoists, keyword searching, red-soled shoes and orange feeding tubes. Courts also looked at the related issues of what constituted use of a trademark, and what uses are constitutionally protected.

Several cases explored the boundaries of trade secret protection. Courts read two federal statutes, the Computer Fraud and Abuse Act and the National Stolen Property Act, to provide less protection for trade secrets than earlier cases have, possibly setting the issue for Supreme Court review. Nondisclosure agreements were likewise held to provide less protection for claimed trade secrets than some precedent would suggest. The potential information covered by trade secrets, by contrast, was held broad enough to cover information not used by a business and public information that had been compiled and widely distributed. Courts also explored the requirement of use for liability, requiring a substantial showing of use, beyond access.
Patents

From Procrustes to Prometheus: Mayo Collaborative Services v. Prometheus Laboratories, Inc.2

Calvin: I’ll probably go into genetic engineering and create new life forms.
Hobbes: You want to play God?
Calvin: Not exactly. God never patented his stuff.

Bill Watterson, Calvin and Hobbes

Promethium, element number 61 on the periodic table, could have been patented when first synthesized in 1946. Patents were awarded to Glenn Seaborg on americium and curium in 1964, from a 1946 application held secret due to its relevance to nuclear science. Perhaps during the Cold War the United States PTO was amenable to patent applications from the United States Atomic Energy Commission. Under Prometheus, however, promethium would now seem unpatentable.


Electronic copy available at: https://ssrn.com/abstract=2186675
What’s patentable? The Supreme Court has returned to that question in recent terms, after several decades. Diamond v. Chakrabarty had held in 1980 that a living thing may be patentable, a genetically engineered oil-eating microorganism. The Court emphasized that three categories were not patentable: “the laws of nature, physical phenomena, and abstract ideas.” Einstein’s $e=mc^2$, the double helix structure of DNA, and Picasso’s Cubism are outside patentable subject matter. But the boundaries between those categories and patentable inventions have long been unclear.

Gottschalk v. Benson, held that a method of converting binary-coded number to pure binary numbers was an unpatentable abstract idea: “Here the ‘process’ claim is so abstract and sweeping as to cover both known and unknown uses of the BCD to pure binary conversion. The end use may (1) vary from the operation of a train to verification of drivers’ licenses to researching the law books for precedents and (2) be performed through any existing machinery or future-devised machinery or without any apparatus.” Patents should not apply to such “basic tools of scientific and technological work.” Parker v. Flook, held that a method for calculating an updated alarm limit was likewise unpatentable, as merely “a claim for an improved method of calculation.” Diamond v. Diehr, by contrast, held patentable the application of an algorithm: the process of constantly measuring certain temperatures and calculating the time to terminate a rubber-curing curing process.

From 1982 until 2010, the Supreme Court issued no decisions on patentable subject matter. The Federal Circuit, the court which hears patent appeals, tried various Procrustean beds in struggling to formulate a predictable test, with such formulations as whether an algorithm is “applied in any manner to physical elements or process steps” and requirements of a physical application, or steps in addition to the algorithm, or a physical transformation. The court briefly took a more pragmatic approach, simply requiring a “useful, concrete and tangible result,” before adopting the test that a process invention must involve a machine or cause a physical transformation.

The Supreme Court returned to the issue in 2010, holding unpatentable a general method of hedging risk by using derivatives to shift risk from risk averse to risk-preferring parties. The Court, in Bilski v. Kappos, eschewed the attempts to find a clear test, emphasizing again the abstract nature of the claimed invention. Meanwhile, Congress put one species of living things off-limits, banning any patent “encompassing a human.”

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3  447 U.S. 303, 305 (1980).
5  409 U.S. 63 (1972).
6  Id., 409 U.S. at 67.
7  Id., 409 U.S. at 67.
8  437 U.S. 584 (1978).
9  Id., 437 U.S. at 585-86.
11  In re Bilski, 545 F.3d 943, 958-59 (Fed. Cir. 2008), citing test formulated in In re Freeman, 573 F.2d 1237 (CCPA 1978); In re Walter, 618 F.2d 758 (CCPA 1980); and In re Abele, 684 F.2d 902, 05-07 (CCPA 1982).
13  Id. at 33 F.3d at 1544.
15  [America Invents Act]
In 2012, the Supreme Court addressed the exclusion for laws of nature in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* 16 The claim there was a diagnostic method, essentially administering a drug, testing the blood levels of metabolites associated with the drug, and adjusting the dosage levels accordingly. The Court held the claim beyond patentable subject matter: “The question before us is whether the claims do significantly more than simply describe these natural relations. To put the matter more precisely, do the patent claims add enough to their statements of the correlations to allow the processes they describe to qualify as patent-eligible processes that apply natural laws? We believe that the answer to this question is no.” 17 The Court reasoned that the “administering” step simply referred to the relevant audience, doctors treating patients; the “wherein” clauses simply told the doctor the relevant natural laws, and the “determining” step told the doctor to determine the level of the relevant metabolites in the blood, through whatever process the doctor or the laboratory wished to use. Accordingly, the claim included only a law of nature, combined with “well-understood, routine, conventional activity previously engaged in by scientists who work in the field.” 18

Looking to policy reasons, the Court further rejected a number of arguments. Considering the steps as an ordered combination added nothing to the laws of nature. Considering its precedents, the Court saw no support for the proposition that adding conventional steps to a law of nature brought the claim within statutory subject matter. The policy of favoring innovation was outweighed by the policy against inhibiting further research by others, by granting a monopoly on a law of nature. The fact that the law of nature at issue was very narrow likewise did not make it patentable. In biotech and other fields in which such abstract patents have issued, many patents are now open to question.

*Prometheus* leaves several questions. Just what constitutes a “law of nature” is unclear. The “law” in *Prometheus* was rather pragmatic, that certain patients responded best to certain dosages of a type of drug. Understood broadly, that would raise many questions with respect to pharmaceutical patents – and any process patent that sought improved results. Also left unsettled is whether the *Prometheus* approach applies also to the exclusions for abstract ideas and phenomena of nature – an issue the Federal Circuit soon addressed in.

**Association for Molecular Pathology v. U.S. Patent and Trademark Office** 19

By decoding the entire genomes of 1,795 Icelanders, DeCode Genetics found a rare genetic mutation that provides protection against Alzheimer’s disease. 20 Can Decode patent the gene? Many policy issues exist beyond the patent doctrine analysis. Gene patents seem to grant ownership over the code of life, but barring gene patents could cause some to keep valuable information a trade secret. 21 The Supreme Court will soon give guidance.

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19  689 F.3d 1303 (Fed. Cir. 2012).
21  Not that patents always promote making technology public: for example, patent licenses with restrictive clauses could result in patents being tools for limiting, as opposed to publishing, technology. See Dan Cahoy, Joel
Courts have been inventor friendly in drawing the line between products of nature and things made by humans. Stumble across a grizzly bear and your body will produce plenty of adrenaline. But adrenaline was patented. The form in which it appears in the body is a nonpatentable product of nature. An isolated and purified form of adrenaline, however, was considered something different: for “every practical purpose a new thing commercially and therapeutically.” Likewise, Merck Pharmaceutical patented vitamin B12 – in its isolated and purified state.

A big question after Prometheus is, whether genes are patentable.

U.S. Patent 5,747,282 (17Q-linked breast and ovarian cancer susceptibility gene)

Human genes are not patentable. Not in the form in which they appear in the body, the Federal Circuit had held before Prometheus, because that is a nonpatentable product of nature. But the court held a patent may issue (like adrenaline and VitaminB12) for genes that have been


identified, in the form of isolated DNA. After *Prometheus*, the Supreme Court remanded the gene case to the Federal Circuit for another look. The Federal Circuit, after due consideration, kept to its position. The majority reasoned that *Prometheus* applied only to the exclusion for laws of nature, not the exclusions for natural phenomena and abstract ideas. The Supreme Court took the case later in the year and may issue its decision in 2013.\(^{23}\)

Judge Moore’s concurrence gave a different reason to reach the same result. Judge Moore reasoned that “the *Prometheus* discussion of laws of nature (process claims) clearly ought to apply equally to manifestations of nature (composition claims).” But she further reasoned that at least some isolated DNA claims were more than claims on natural phenomena: “Unlike *Prometheus*, the claims to short isolated strands of DNA are not directed to the relationship between the mutation and cancer, but rather to a new tool that can be used to determine if that relationship exists. The short isolated DNA sequences have markedly different properties which are directly responsible for their new and significant utility.” This analysis introduces the concept of utility into patentable subject matter (which some regard as separate issues), but could provide a distinguishing principle.

**CLS Bank International v. Alice Corp.,\(^{24}\)**

![Picasso, Three Musicians (1921): In Cubism, manifest abstraction.](https://ssrn.com/abstract=2186675)

After *Bilski*, a number of Federal Circuit cases have addressed whether particular computer-related claimed inventions are unpatentable abstract ideas. The claimed invention in *CLS Bank International* was “a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party so as to eliminate ‘settlement risk.’” One divided panel of the Federal Circuit ( parsing previous cases) held that for computer claims to be ineligible, “abstractness must exhibit itself ‘manifestly.’” It was not entirely clear that the claimed invention was an abstract idea, because it did include elements of implementation in hardware. That approach weighs heavily in favor of patentability. Patent claims are complex, and their nature may not be “manifestly evident” without considerable

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\(^{23}\) U.S., No. 12-398.

\(^{24}\) 685 F.3d 1341 (Fed. Cir. 2012), vacated and rehearing *en banc* granted, No. 2011-1301 (October 9, 2012).
analysis. Not long afterward, however, the Federal Circuit voted to rehear the case *en banc*, for a decision by all the active judges of the circuit.

**MySpace, Inc. v. Graphon Corp.**

Software patents can be a little scary. Software inventions are often claimed in broad terms. A patented innovation in accounting software could cover uses in many other areas. Some claims are too abstract to be patentable, such as the binary conversion claimed in *Benson*. *MySpace* illustrates that the very breadth of some software claims can doom them. GraphOn had successfully obtained licenses from a number of important technology companies for its social network patents. MySpace resisted, and obtained a ruling that the patents were invalid on the bases of anticipation and obviousness. The patent claimed a certain method involving a “database” for social networking. Because of the prior art, the claims would be invalid if the claim covered only a relational database, but invalid if they claimed a hierarchical database. The courts construed the claim broadly, and accordingly it was invalid as obvious in light of the prior art databases.

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25 672 F.3d 1250 (Fed. Cir. 2012).


28 See MySpace at __.
Eolas Technologies Inc. v. Adobe Systems Inc., 29

Eolas involves another key issue with respect to software patents. A patent should not issue if the invention was not truly new, or was obvious in light of the prior art (previous public technology in the field). Software prior art is notoriously difficult to locate compared to other fields. Software innovation is spread across almost all industries. Software is often not published, rather distributed only in machine code or used without distribution. Patents may issue on inventions that are, unbeknownst to the patent office, not new or nonobvious. Invalidating such patents may be difficult, especially because there is a presumption that an issued patent is valid (even where potentially invalidating prior art was not considered by the patent office). 30

Eolas held a patent that covered basic internet technology, the browser. A number of companies bought licenses from Eolas or settled litigation (most notably, Microsoft). In 2012, however, a jury found the patent invalid. Experts including Tim Berners Lee, the very inventor of the World Wide Web, had testified at trial that similar technology (such as the Viola browser) had been in public use before Eolas developed its browser. Eolas shows that if enough people become interested, invalidating prior art may turn up. Eolas also suggests that defendants with popular support may fare better even than defendants with deep pockets, because the network of support may throw a wider net to find previous work in the field.

29 No. 09cv446 (E. Dist. Tex. 2012).
When the USPTO denies a patent application, the applicant has a choice. She may appeal to the Federal Circuit, where the case is heard on the record. She may choose to appeal one level down, to a federal district court, which will hold a new proceeding, similar to a trial. The issue in *Kappos v. Hyatt* was, what evidence the applicant could introduce in the district court. The USPTO had argued that the applicant could not introduce matter that could have been presented to the USPTO. The Supreme Court, however, ruled that the applicant was not so limited, and could introduce any competent evidence. The court would then consider both the USPTO and applicant’s submission and make a *de novo* determination on the appeal. The USPTO had contended that a tighter standard was required to prevent applicants from gaming the system, by deliberately withholding evidence. The Court deemed it rather unlikely that applicants would conceal evidence that helped them, in order to present it in some future possible appeal. Note that hindering one’s own patent was for some a useful strategy until 1995. Until then, the patent term was 17 years from the date of issuance (as opposed to 20 years from the date of application), which meant that delay in the patenting process could lead to a longer patent term (so-called ‘submarine patenting’).
In re K-Dur Antitrust Litig.\textsuperscript{34}

When valuable pharmaceutical patents expire, generic manufacturers may sell the drug, usually leading to lower prices. The patent holder often sues the generic seller toward the end of the term, seeking to extend its period of exclusive sales. Sometimes those suits are settled in a way unusual in litigation: the plaintiff promises to pay the defendant (“reverse payment settlements”). Payments by a monopolist for others to stay out of a market sound like anti-trust violations. But such reverse settlements have been generally upheld by courts against claims of anti-competitive behavior. Courts favor settlement of litigation, and a patent holder does have an exclusive right to sell the product. The Third Circuit, however, rejected holdings from other circuits and held that reverse payment settlements are presumptively violations of the anti-trust laws. Such payments were presumed to have their likely effect, an unreasonable restraint of trade intended to preserve market power where a patented product has entered the public domain. The burden shifted to the parties to the transaction to show a permissible purpose with positive effects on competition.

\textbf{iNfringe iPhone? Apple Inc. v. Samsung Electronics Co.}\textsuperscript{35}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{ipphone.png}
\caption{iPhone, 1867}
\end{figure}

\textsuperscript{34} 686 F.3d 197 (3d Cir. 2012).
\textsuperscript{35} 695 F.3d 1370 (Fed. Cir. 2012).
Apple v. Samsung marks the resurgence of design patents, an area of intellectual property that is often overlooked—especially in areas like computer technology. The Supreme Court has not addressed a design patent case since 1871,36 when it found infringement in the design of a spoon, on the basis of “witnesses sworn to by Mr. Tiffany, of the well known firm of jewelers and silver smiths in New York.” Conspicuous consumption now favors phones more than spoons. Things have changed considerably from when the case for a computer was simply a utilitarian box, little different from one manufacturer to another.

Apple and Samsung have embarked on a veritable world tour of patent litigation. In the United States, a jury awarded Apple just over $1 billion in damages for infringement of utility and design patents in Apple's iPhone. The Federal Circuit, in a related case, overturned the injunction in the case, holding that there was insufficient showing that the damages would not be an appropriate remedy. Even if Samsung’s phone infringed Apple’s “unified search” patent, Apple had not shown that consumers bought the Samsung phone in order to get that feature. Therefore, Apple could get damages but was not entitled to an order barring Samsung from selling the phone. Apple did not “show that the infringing feature drives consumer demand for the accused product.” The federal circuits also reversed one of the trial court's claim interpretations. Many of the key issues in the two related cases were not yet addressed on the appeal. Another notable patent infringed in the case was Apple’s “pinch to zoom” patent, using two fingers to zoom in or out on a touch interface—a very low-tech user side interface, with potentially broad coverage on other devices.

By contrast, in Cool Brittania, a judge stated that the Samsung device was not “cool” enough to infringe iPad’s design patents. That British judge complimented Apple by throwing it out of court, holding that Samsung’s alleged iPad knockoffs "do not have the same understated

36 Gorham Company v. White, 81 U.S. (14 Wall.) 511 (1871).
and extreme simplicity which is possessed by the Apple design . . . They are not as cool." Apple and Samsung continue litigation in several jurisdictions, including South Korea, Japan, Germany, and Australia.

In re Droge\(^{37}\); In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litigation\(^{38}\); In re Mouttet\(^{39}\)

In patent law, biotech has long been considered an unpredictable art. For that reason biotech inventions have often been held to be nonobvious and therefore patentable, he then when they are not very different from the prior art. *In re Droge*, however, continued a recent trend. The inventors of a genetic engineering process ("A method of sequence specific recombination of

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37 695 F.3d 1334 (Fed. Cir. 1012).
38 676 F.3d 1063, 1079 (Fed. Cir. 2012).
39 686 F.3d 1322 (Fed. Cir. 2012).
DNA in a eukaryotic cell "conceded that the elements of the claimed invention all existed in the prior art, but that it was not obvious that what had worked in bacterial cells would work in plant and animal cells. The court, however, looked to several factors (such as an academic paper suggesting broadly that the technique could work in all types of cells) to hold that it was an obvious invention. The case, together with recent biotech cases, suggests that biotech inventions will receive more scrutiny for obviousness.

By contrast, in Cyclobenzaprine an extended-release version of pain-reliever for muscle pain drug was not held obvious in light of its immediate-release cousin, even though they had equivalent biological effects. Because it was unclear just why the immediate-release version worked (an oddly common issue in pharmaceuticals), it was not obvious which of various extended-release versions would work.

Mouttet represents no change in the law on obviousness, but rather its extension to a smaller scale. Cases have held that an invention from one technology to another, without more, will be obvious and so not patentable. It was obvious for Western Union to move money transfer process from telephone to the Internet. Mouttet involves nanotechnology, this is real cutting edge. Any implementation of nanotechnology will take considerable technological expertise, but may nonetheless be obvious to one skilled in the nanotechnology arts. Mouttet held that it was obvious to implement certain logic circuits with nano processors, where an equivalent invention for optical circuitry had already been patented. Nanotechnology? No big deal.

Akamai Technologies Inc. v. Limelight Networks Inc.; McKesson Technologies Inc. v. Epic Systems Corp. 41; 01 Communique Laboratory Inc. v. LogMeIn Inc. 42

Divided 6-5, the Federal Circuit expanded the scope of secondary patent infringement. Before Akamai, there could not be secondary infringement without a direct infringer, someone who infringed the patent. Akamai and McKesson held, however, that a party could be liable for inducing infringement, where all the necessary acts for infringement were done, even if done by different parties. In Akamai, the defendant performed some of the acts and the induced party performed the rest. In McKesson, the defendant induced two parties, who between them performed all the necessary acts. The court reasoned that inducement liability applies only where a party intends to cause infringement, so need not be limited to cases where those intended acts were performed by separate parties. Otherwise, parties intending to cause infringement could escape responsibility. The dissenters argued that without an infringer, there could be no secondary infringement.

Akamai will strengthen some software patents. Akamai involved placing web content on multiple servers, to speed access for users. McKesson involved a messaging system between patients and health care providers, who between them performed the infringing steps. The cases allow for secondary infringement in cases where no one person infringes the patent, broadening the effective scope of process patents. For software patents in particular this may be important,
because changes in technology may often mean that the practical implementation of a method is different than that claimed in an earlier patent.

*01 Communique Laboratory* addressed an issue of claim interpretation, which was quite similar in practical effect to Akamai. The invention was a system and process that permitted remote access of a computer over the Internet. The issue was whether the devices employed - a “locator server computer” and a “location facility” - could be constituted from more than two computers. The Federal Circuit held that they could, relying on the venerable canon of claim construction, “a” in a patent claim may mean “one or more than one,” unless disclaimed in the written description of the invention in the application.

**Energy Transportation Group Inc. v. William Demant Holding A/S**

| U.S. Patent   | Mar. 15, 1988 | Sheet 1 of 4 | 4,731,850 |

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**FIG. 1**

NO. 2011-1487 (Fed. Cir. 2012)
Under the doctrine of equivalents, a patent on an invention is infringed by an equivalent device or process, even if the patent’s claims do not quite cover it. Infringers should not escape due to mere verbal loopholes.44

Courts have applied the doctrine of equivalents less frequently in recent years.45 The likely explanation: claim interpretation has become much more important in patent litigation, and inventors have been required to claim their inventions more distinctly.46 Where a court has carefully interpreted the claims and concluded they do not apply to the accused device or process, the court is less likely to nevertheless conclude that the accused device or process is equivalent to the claimed invention.

Energy Transportation, at first blush, is a scary case. It seems, like Akamai et al, to broaden software patents even beyond their literal claims. The court held that, under the doctrine of equivalents, a 2008 computerized hearing aid infringed a patent filed in 1986. The 1986 device involved a hearing aid coupled to an external computer. The 2008 device was all in the ear. The case seems to suggest that the doctrine of equivalents could make software patents from decades past cover today’s technology if they were somehow equivalent, even if the contemporary device did not fall within the older claims.

A broad doctrine of equivalents could raise havoc in software. In a theoretical sense, any computer program is equivalent to another, in the sense that, given unlimited storage and time (hence, in a theoretical sense), the second program could emulate the first. The doctrine of equivalents is more pragmatic, requiring the two inventions to accomplish the same task in the same way. But where software claims are often very broad, the job of a second program might easily be seen as equivalent.

A closer look at Energy Transportation dispels such hazards, in an instructive way. The issue was whether the jury’s verdict of infringement was supported by sufficient evidence. The jury returned only a finding of infringement, without indicated whether there was literal infringement or infringement under the doctrine of equivalents. The appellate court thus had to determine whether both theories would apply. The court interpreted the claims to show that there could have been literal infringement, and applied the doctrine of equivalents to hold there could have been infringement by equivalents as well. So the case did not involve broadening the scope of the literal claims. If anything, it supports a narrowing of the doctrine.

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46 Id.
Trademark

Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding,47

Trademark registration 3,361,59748 Accused device49

Do ones beneath me recognize the red bottoms I wear?
Dj Khaled ft. Rick Ross - I'm On One

The angels want to wear my red shoes,
Elvis Costello

Louboutin alleged that its trademark red sole was infringed by Yves St. Laurent’s red shoe. The court considered whether the mark was “‘functional’: ‘[I]n general terms, a product feature is functional,’ and cannot serve as a trademark, ‘if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,’ that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.” Qualitex, 514 U.S. at 165 (quoting Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 850, n.10 (1982)).50 The court analyzed it under the doctrine of “aesthetical functionality,” under which a mark is

47 696 F.3d 206 (2d Cir. 2012).
49 YSL shoe from plaintiff’s complaint, also via Seattle Pi blog (also available at http://docs.justia.com/cases/federal/district-courts/new-york/nysdce/1:2011cv02381/377601/1/).
50 Louboutin at note 5.
“ineligible for protection under the Lanham Act, where protection of the mark significantly undermines competitors’ ability to compete in the relevant market. See Knitwaves, Inc. v. Lollytogs Ltd., 71 F.3d 996, 1006 (2d Cir. 1995).”

The court noted that such competitive disadvantage cannot spring simply from buyer’s preference for a particular brand, although that may be difficult to distinguish from the functionality of an aesthetic feature. The court rejected the holding below that color marks in fashion were always functional. It further held that the plaintiff’s red sole, contrasting with the rest of the shoe, had become so well known as to have the necessary distinctiveness for trademark protection.

The court did not, however, reach the question of whether the contrasting red sole was functional in this case. Rather, because the defendant’s shoes were all red, there was no likelihood of confusion with a contrasting red sole mark. The issue of functionality became moot.


51  Aesthetic functionality was applied to bar protection for the image of Betty Boop as a mark. See Fleischer Studios, Inc. v. A.V.E.L.A., Inc., No. 2:06-cv-06229 (C.D. Cal. Nov. 14, 2012)(relying on the reasoning in a withdrawn appellate decision in the case, as opposed to its precedential value, and discussing confusion about confusion). Other trademark law doctrines could perhaps more clearly decide that case. See Rebecca Tushnet, Boop-oop-a-do-over, tushnet.blogspot.com (November 15, 2012).

52  [Cf William McGeveran and Mark P. McKenna, Competition, Communication, and Confusion ]

53  686 F.3d 372 (7th Cir. 2012).
CAM had a license to make and sell box fans bearing the Lakewood trademark. Lakewood went into bankruptcy: could CAM continue to use the Lakewood mark under the license?

Some time back, *Lubrizol Enters., Inc. v. Richmond Metal Finishers* instilled fear of bankruptcy into intellectual property licensees. Bankrupt RMF had licensed Lubrizol rights to use RMF’s metal coating process technology. *Lubrizol* held that the bankruptcy trustee could reject the license, terminating Lubrizol’s rights to use RMF’s intellectual property. That raised the spectre that parties who had bought and paid for intellectual property rights would lose them if the seller went into bankruptcy. Congress responded by amending the Bankruptcy Code to the effect that a licensee could continue to use a bankruptcy licensor’s intellectual property under the terms of the license. “Intellectual property,” however, was defined as follows:

(35A) The term “intellectual property” means—

(A) trade secret;

(B) invention, process, design, or plant protected under title 35;

(C) patent application;

(D) plant variety;

(E) work of authorship protected under title 17; or

(F) mask work protected under chapter 9 of title 17;

to the extent protected by applicable nonbankruptcy law.

The definition did not include trademarks, one of the key areas of intellectual property. The reason, according to the legislative history, was to allow more time to consider whether trademarks should be included. Trademarks, unlike patents and copyrights, require control by the licensor in order to remain valid. By excluding them from the definition, the bankruptcy trustee could control which licensees remained able to use the mark. But the 7th Circuit regarded the question as open, and chose not to follow *Lubrizol* or the legislative history. The court held that the licensee could continue to use the trademark. The court reasoned that the bankrupt could cease performing any obligations it had under an executory contract, but could not pull back rights it had already transferred.

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54 756 F.2d 1043 (4th Cir. 1985).
Maker's Mark Distillery Inc. v. Diageo North America

*Maker's Mark* held that the dripping red wax seal of Maker's Mark Kentucky bourbon was not functional and so was an enforceable mark. The mark was held infringed by use of a red wax seal on Jose Cuervo tequila. The Sixth Circuit has formulated a somewhat different standard for functionality with respect to color marks. “The test for comparable alternatives asks whether trade-dress protection of certain features would nevertheless leave a variety of comparable alternative features that competitors may use to compete in the market. If such alternatives do not exist, the feature is functional; but if such alternatives do exist, then the feature is not functional.” Under this approach, the red color would not be functional as long as competitors had other colors to use: “There is more than one way to seal a bottle with wax to make it look appealing, and so Cuervo fails the comparable alternatives test.” Alternatively, the court held that not excluding competitors from using red dripping wax would not put them at a “significant non-reputation related disadvantage.” The court needed no education about the fame of the mark, a local favorite. The opinion also noted “bourbon’s unique place in American culture and commerce.” Sometimes, perhaps, in litigation, “There’s no place like home.” Dorothy, *Wizard of Oz* (clicking ruby slippers).

Rosetta Stone Ltd v. Google Inc.

*Rosetta Stone* cleared up some confusion about the role of functionality. The lower court had held, plausibly, that when Google uses trademarks in serving keyword advertising, that the use was functional and so not trademark infringement. As the Fourth Circuit held, that misplaced the role of functionality. Whether a symbol is functional (and so cannot serve as a mark) depends on how the mark holder uses it. The marks in question were perfectly valid marks. Google’s use may well have been functional, but that simply was one factor in deciding whether Google’s use was likely to cause confusion (and therefore infringed the mark). Note that if Google’s use rendered the mark functional, then there would be few trademarks left, once they had been used as search terms. The Fourth Circuit did not hold that Google infringed, rather remanded the case to address whether use of the mark was likely to confuse. That greatly narrows the scope of the case. Google and other search engines increasingly format their pages and structure operate their advertising operations to reduce any likelihood of confusion arising from key word advertising.

Secalt S.A. v. Wuxi Shenxi Construction Machinery Co.

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55 679 F.3d 410, 425 (6th Cir.2012).
56 Quoting *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 641 n.16 and 642-43, omitting citations and internal quotation marks (6th Cir. __).
57 Thanks to Irene Calboli on this point.
58 676 F.3d 144 (4th Cir. 2012).
59 668 F.3d 677 (9th Cir. 2012).
“Cubist” look not trade dress

Secalt rejected claims of trade dress infringement, with respect to the appearance of a traction hoist, a device “commonly affixed to suspended platforms to power the platforms up and down stationary wire ropes.” Secalt claimed trade dress in the external appearance of the device, enumerating various elements beginning with its “a cube-shaped gear box with horizontal fins.” It argued that even if the various elements were functional, “the hoist’s design—wherein the component parts meet each other at right angles—demonstrates a “cubist” look and feel.” The court held that the design might be distinctive compared to those of competitors,’ but was still inseparable from its function: “It is not enough to say that the design portrays a “cubist” feel—so does a square table supported by four legs. The fins may be attractive but they serve a functional purpose. And the cube-shaped gear box is simply housing.”
Frank Blasek, Wire rope traction hoist, design patent assigned to Greifzug Hebezeugbau GmbH

Secalt was a trademark case, but note that design patents have been issued for hoists. That does not necessarily mean that every machinery manufacturer should start filing for design patents, which do not give broad protection against doppelganger devices.
Acacia Inc. v. NeoMed Inc.\textsuperscript{60}

Acacia cancelled a trademark registration for the use of the color orange on oral tubes used in feeding babies in neonatal care. The mark registered on the supplemental register was the “color orange as applied to the graduation markings and text or text box on the barrel of the syringe.” In contrast to the red shoes and red wax seal cases, the court framed the issue as functionality, not aesthetic functionality (although using much of the same language about available alternatives). The color orange was shown in medical practice to distinguish enteral tubes from other categories of feeding tubes, a safety factor that strongly favored a showing of functionality. The mark holder had walked a very fine line, fostering the identification of orange with that category of tubes, while seeking to retain it as a brand, advising those in the industry it was “working to create a coalition of manufacturers of enteral products to establish orange as the color representing enteral safety, and would be happy for you to join that coalition. However, the use of orange specifically for gradation [sic] markings and text represents only our own products.” The success in establishing orange as a functional symbol, however, made it unavailable as a trademark symbol.

National Business Forms and Printing Inc. v. Ford Motor Co.\textsuperscript{61}

A printer put various Ford trademarks on “custom signs, stickers, banners, decals, and other advertising materials.” The printer would take orders on its web site and print the material for car dealers as promotional material. The court first held that use of Ford logos to identify merchandise sold by the dealers was not infringement: “The context in which the Ford marks

\textsuperscript{60} No. 8:11-cv-01329-JST-AN, (C.D. Cal., 2012).

\textsuperscript{61} 671 F.3d 526 (5th Cir. 2012).
appear in the promotional materials described above makes the likelihood of consumer confusion negligible. The promotional products presented Ford's trademarks along with several other domestic automakers' corporate logos—anywhere from three to seven."

Ford being a famous mark, the issue remained whether the nonconfusing uses could nevertheless dilute Ford’s mark. The court held that there was not the necessary use of the mark for dilution: “We agree with the district court that NBFP did not "use" Ford's marks (as the TDRA contemplates that term) in identifying or distinguishing its own goods or services merely by reproducing them for customers as part of its commercial printing business.” That holding is important, because famous marks play such an important role in commercial and cultural life. Many uses are made of such marks that, under the approach in National Business Forms, do not give rise to dilution liability.

Washington State Republican Party v. Washington State Grange

The Libertarian Party of Washington State alleged that the State of Washington infringed the party’s mark by using it on election ballots in a manner objected to by the party. But trademark infringement requires use of the mark or similar symbol in connection with the sale of goods or services. “The Libertarian Party correctly points out that “services” can include activities performed by a political party. See United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc., 128 F.3d 86, 90 (2d Cir. 1997). But it has not plausibly alleged that the state uses party labels on the ballot to perform a service in competition with the Libertarian Party.” If another party called itself the Washington Stage Libertarian Party, that might infringe the mark of the Libertarian Party of Washington State. But the Libertarian Party of Washington State does not generally have a right to control how others use its mark. Newspapers, bloggers, and speechifiers who use the mark in ways other than selling goods or services are not limited by trademark law.

63 676 F.3d 784 (9th Cir. 2012).
Peoples Federal Savings Bank v. People's United Bank, 1st Cir. 64

Although both banks used “Peoples” as part of their name, the First Circuit held there was no likelihood of confusion and so no trademark infringement. Words like Peoples, Citizens, First, Second, National, Federal, State are so commonly used for banks that they are unlikely to be so distinctive as to cause confusion. Here, the marks were otherwise quite different, dispelling any possible confusion.

Google v. Oogle.com

A UDRP arbitration panel declined to order that oogle.com be transferred to Google. The panel found insufficient evidence of bad faith, the standard for obtaining transfer. A thirteen year old registered oogle.com in 1999, and used it for various commercial purposes. 65 The registrant had offered to sell the domain to Google for $600,000. But where there was evidence that the domain was registered in good faith, a subsequent offer to sell alone was deemed insufficient to show bad faith.

64 No. 10-2053 (1st Cir. 2012).
65 Loek Essers, Google Denied Claim to Oogle.com Domain Name, PCWorld (July 26 2012).
“Typo-squatting” cases make up a large percentage of UDRP proceedings. Trademark owners win the majority, but Oogle.com shows that at least some panels will require a strong showing, if the initial registration does not appear to be an attempt to register a possible mistyping of a trademark.

Interstate Bakeries Corp. v. OneBeacon Insurance Co.\textsuperscript{66}; Retail Ventures, Inc. v. National Union Fire Insurance Company of Pittsburgh, Pa.\textsuperscript{67}; Looney Ricks Kiss Architects Inc. v. State Farm Fire & Casualty Co.\textsuperscript{68}

Intellectual property involves a lot of risk. Of the millions of file sharers, few were sued for copyright infringement – but the damages awarded could be huge. Two million patents are in force, and cease and desist letters arrive with little predictability. On the flip side, intellectual property owners risk seeing their patents or trademarks invalidated. Insurance, however, plays a smaller role in intellectual property litigation that in other areas.\textsuperscript{69} Liability insurance typically excludes intellectual property claims. Property insurance covers tangible property, not intellectual property. Insurance and intellectual property seems to be an area that is undertheorized (it appears little in policy analysis) and undercommercialized (there must be a market for allowing start-ups to buy peace of mind about patent infringement). Internet users

\textsuperscript{66} 686 F.3d 539 (8th Cir. 2012).
\textsuperscript{67} 691 F.3d 821 (6th Cir. 2012).
\textsuperscript{68} 677 F.3d 250 5th Cir. 2012).
\textsuperscript{69} Thanks to Matt Traister and Joseph Hegarty for this point.
might sleep better if homeowner and renter insurance covered copyright claims – but that raises issues of moral hazard and adverse selection.

*Interstate Bakeries Corp.* introduced products under the trademark, “Nature's Pride.” Flowers Bakeries Brands Inc. sued, alleging infringement of its “Nature’s Own” mark. Interstate Bakeries had “Advertiser Advantage” insurance, which covered “claims arising from . . . infringement of title or slogan.” The court held that a two-word trademark is neither a title nor slogan, so coverage was not triggered.

*Retail Ventures* held that a Blanket Crime Policy (including Computer & Funds Transfer Fraud Coverage) did cover losses resulting from hackers breaking into a network and downloading credit card numbers. The phrase in the policy limiting coverage to losses “resulting directly from” was not limited to damage from the theft itself, as opposed to the losses flowing from it.

*Looney Ricks* held that an architectural firm’s copyright infringement claim against a former employee did not arise out of breach of contract, and was covered by the advertising injury insurance.

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**University of Alabama Board of Trustees v. New Life Art Inc.**

*University of Alabama* held that the First Amendment protected a painter’s use of football uniforms in paintings, notwithstanding the university’s trademarks. The case is not remarkable. Rather, numerous cases have held that the First Amendment expressive rights overrode trademark protection. The case simply provides an interesting contrast to the Supreme Court’s decision in *Golan* (discussed next), which held that copyright is essentially immune from First Amendment challenges. Rather, copyright’s “built-in First Amendment safeguards,” fair use and the nonprotection of ideas, are deemed sufficient to protect expressive interest in using copyrighted works. Trademark also has built-in protections for expression. Trademark infringement only obtains where there is a likelihood of confusion or deception – not far from the distinction in First Amendment allowing regulation of deceptive speech. Likewise, trademark has a fair use doctrine – narrower than copyright’s fair use doctrine, but trademark protection itself is much narrower than the broad basket of rights that a copyright holder has.

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70 683 F.3d 1266 (11th Cir. 2012).
Copyright

Golan v. Holder

In 2012, robotic controlled cameras took thousands of ultraviolet and infrared closeup images of Picasso’s *Guernica*, to determine the appropriate steps in restoring the historic painting. Meanwhile, the US Supreme Court restored Picasso’s copyright.

Pablo Picasso, *Guernica* (1937). Picasso was not a stickler for formalities.

Picasso painted *Guernica* in 1937, thinking of a recent massacre during the Spanish Civil War. Putting “© 1937 Pablo Picasso”, to satisfy the requirements of the copyright law of the U.S., a continent away, was not uppermost in his mind. He published the work without that copyright notice by freely displaying versions in Europe and the US. Picasso forfeit his US copyright. Until 1994.

Foreign authors often lost their US copyright, due to publication without notice, failure to renew, or lack of copyright relations with the US (think, authors in the USSR). Until 1989, copyright was lost by publication without a copyright notice. Some courts applied the rule even to publication outside the US. Even if they published with notice, they or their heirs might not

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file a renewal, which until 1992 was required to get extension of copyright beyond its initial 28 year term.

In 1994, Congress, as part of the accession to international trade agreements, restored millions of copyrights to foreign authors.74 Golan addressed whether taking works out of the public domain was unconstitutional, either because Congress exceeded its powers to grant copyrights or because it offended the First Amendent. Golan held that the Progress Clause gave considerable latitude to Congress in addressing Copyright, and was not strictly limited to provisions which gave an incentive to created works, as opposed to provisions like the restoration provisions, which gave a more general support to the distribution of works. Golan interpreted its earlier decision in Eldred75 very narrowly. The Court held that the First Amendment did not bar the statute, even though it might restrict speech by removing works from the public domain. Rather, as long as Congress continued to maintain the “traditional contours” of copyright, which Golan interpreted to mean only the doctrine of fair use and the nonprotection of ideas (as opposed the more general shape of copyright, such as the practice of generally not taking works out of the public domain), then those internal protections for freedom of expression made First Amendment scrutiny unnecessary.

After Eldred, it seemed as though any new sort of copyright protection might trigger First Amendment scrutiny. But after Golan, as long as Congress retains the bulwarks of fair use and the nonprotection of ideas, the balancing analysis of First Amendment law will not come into play. One notable possibility is the constitutionality of the anti-circumvention provisions of the Digital Millennium Copyright Act. Courts are split on whether they incorporate protections for fair use. If not, under Golan, they would be subject to First Amendment scrutiny.76

Cambridge Univ. Press v. Becker77

Cambridge University Press links fair use to actual licensing practice. In deciding whether providing students excerpts from books was fair use, the court looked to whether practicable licensing agreements were available to universities. Where the works were not available to be licensed, such “electronic reserves” were generally fair use. Where licenses were available, such as through the Copyright Clearance Center, fair use permitted use of a chapter (where the book had ten chapters or less) or one chapter (where the book had more chapters). This approach may broadly affect practices. Universities may seek more licenses or limit electronic reserves to the prescribed limits. Publishers may divide books into tiny chapters.78
Under this case, by making copyrighted works available for licensing, a rights holder makes it less likely that unauthorized use would be fair use. One could see that as shrinking fair use, because a publisher can inoculate its book against broad fair use by signing up with a licensing service. But one could also see it as benefitting users, by encouraging publishers to make works available, which avoids the troublesome issue of figuring out how much use is fair – a little like buying copyright infringement insurance.

Viacom International Inc. v. YouTube Inc.79

Internet service providers have immunity from liability for content posted by users, but only if they meet certain requirements. They must implement a procedure to respond to take-down notices from copyright owners. They must also remove infringing content of which they are aware. The key issue in Viacom was whether YouTube was required to police the content on the site in order to meet that standard. The Second Circuit held that YouTube was responsible only if it knew of specific infringements or deliberately insulated itself from knowledge of such infringement by its users. Awareness that much of the material on the site infringed did not trigger a general duty to police postings by users.

Meanwhile, copyright law’s take-down procedure – with its safeguards for users by penalizing bad faith take down notices – had been somewhat displaced by private arrangement in some areas. YouTube permits copyright owners to upload files to the Content ID system. Videos posted by users are compared to the Content ID files. If there is a match, the copyright owner may block the video, see its viewing statistics, or allow advertisements to be placed with the video. Advertising revenue from such videos are a significant portion of YouTube’s revenue. So this private ordering has a similar effect to Cambridge University Press, encouraging licensing.

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79 676 F.3d 19 (2d Cir. 2012).
80 Cory Doctorow, Curiosity landing removed from YouTube after bogus copyright claim by Scripps, http://boingboing.net/08/06/curiosity-landing-removed-from.html.
Let’s go to our camera crew, live on Mars . . .

NASA posted video on YouTube about Curiosity the rover landing on Mars. Scripps included the footage in a television report, and posted that to YouTube, with Content ID protections. Google’s bots quickly matched the NASA footage as apparently infringing Scripps, alerted Scripps, who had NASA’s footage taken down. Not that Scripps really thought they had a camera crew on Mars – they acted automatically. When alerted of their mistake, Scripps quickly rectified matters.

Some criticized systems like Content ID for bypassing the safeguards of the take-down law. Google responded to such concerns by adjusting the rules of Content ID in late 2012. Now, when a video is taken down by Content ID at the request of a copyright owner, the poster may request it be put back. For the copyright owner to take it down again, the copyright owner must file a formal DMCA take-down notice – meaning penalties apply if the take-down notice is filed in bad faith.

Many take-down notices are generated by software, a practice that received qualified judicial approval. A trial court held that use of scanning software to detect uses and generate take down notices, without more, is not bad faith.

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81 Id.
82 Timothy B. Lee, YouTube finally offers a meaningful ContentID appeal process, ArsTechnica, (Oct 3 2012).
Authors Guild Inc. v. HathiTrust

Google book scanner

After book scanning

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84 S.D.N.Y., No. 1:11-cv-06351, 10/10/12.
More than ten years ago, Google decided that scanning all the world’s books was a doable project. Google started right in, the first book “appropriately enough, being The Google Book, an illustrated children’s story” from the 19th Century. Whether mass scanning was copyright infringement or fair use has been argued ever since. Few object to the idea of scanning all books. Rather, disputed are such issues as who should have access to the database and on what terms, who should control the process, and of course, who should get paid. Authors Guild Inc. v. HathiTrust gives the first judicial opinion on the fair use issue, holding that for at least certain purposes, universities working with Google qualify for fair use. The universities allow Google to spirit books away temporarily to be scanned, in exchange for digital copies. The universities now have a “shared digital repository that already contains almost 10 million digital volumes, approximately 73% of which are protected by copyright.” The litigation lined up parties on both sides representing a wide range of interests, from The National Federation of the Blind to the Norwegian Non-Fiction Writers and Translators Association (Norsk Faglitterær Forfatter–og Oversetterforening).

The uses at issue were full-text searching of the database of scanned books, preservation of texts, and access to books for the blind. Notably, users are not permitted free access to the database, rather only the ability to search the entire database and receive back snippets of relevant books. The court held that fair use protected those uses: the activities were research, teaching, education, and improving access for the visually-impaired – although with a tinge of financial benefit. The works included highly protected creative works as well as works with less protection, such as non-fiction works. The copying was made of the entire work, but that was necessary for the relevant favored uses. Perhaps most importantly, no tangible economic harm was shown to the copyright holders.

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Gaylord v. United States\textsuperscript{86}  

In reckoning a reasonable royalty, a court will not be bound by one party’s policies. The United States Postal Service infringed the copyright in a sculpture by using it on a stamp. The US had commissioned the sculpture, but the sculptor had retained the copyright. The US argued that its liability was capped at $5,000, the most that its policies permitted it to pay for image licensing. The court rejected that unilateral approach, holding that a reasonable royalty would be determined by a hypothetical negotiation in which both parties were willing to bargain. Otherwise, a party could effectively immunize itself against liability by announcing a policy of not paying for rights it used.

Gaylord establishes important precedent in two areas. First, there have been relatively few copyright cases brought against the United States, and Gaylord is the first to reckon damages on the basis of a reasonable royalty. Second, although calculations of a reasonable royalty are common in patent cases, the approach has been sparingly applied in copyright. That is likely to change. Copyright licensing is increasingly widespread, as copyright practice has spread well beyond its traditional domains of publishing and music. Courts are also less inclined to automatically grant injunctions for copyright infringement, they will need a basis for awarding damages to remedy such infringement. A reasonable royalty is a likely candidate, especially for continuing infringement that is no so damaging as to support an injunction. Under Gaylord, the reckoning of the royalty will not be dictated by one party’s policies.

Oracle America Inc. v. Google Inc.\textsuperscript{87}  

The copyright in the programming language Java depends on Baker v. Seldon (1879).

How thick is software copyright? Google wanted to make Android phones work with the widely used Java language. Unable to agree on a license with Oracle, the owner of Java, Google decided instead to independently develop software that worked with Java. Google did not copy the code that runs Java, but did copy Java’s API’s (application programming interfaces). In order for Android developers to use Java functions, Android copied the names and headers for the Java modules. The issue was whether Google had copied creative expression, which is protected by copyright, or functional matter, which is not copyrightable.

\textsuperscript{86} 678 F.3d 1339 (Fed. Cir. 2012).  
\textsuperscript{87} No. 3:10-cv-03561-WHA (N.D. Cal, 5/31/12). Oracle also brought a number of patent infringement counts, which the jury rejected.
Baker: functional forms not copyrighted

The leading cases are a little dated. Baker held that the forms used to implement an accounting system were not protected by copyright, because they were necessary to implement that functional system. Mazer held that although a lamp base functions to hold up the lamp, the dancer statuette component of the lamp base was a separable creative element, and so copyrighted. The Supreme Court did take Lotus v. Borland, which addressed functionality in software directly, whether the menu-command structure of a spreadsheet program was protected by copyright. The court split 4-4 and so gave no precedent. The issue in Lotus was not far from Oracle. The menu-command structure (the sets of user screens, each with a subset of commands like Copy, Paste, Delete) was the interface with the user, where the API's in Oracle are the interface with other programs. So Oracle is in the area left unsettled after Lotus.

The court framed the issue as “whether Google was and remains free to replicate the names, organization of those names, and functionality of 37 out of 166 packages in the Java API, which has sometimes been referred to in this litigation as the ‘structure, sequence and organization’ of the 37 packages.” The court held that Google could copy all of those elements. The functionality of the subroutines was not protected. Google did not infringe by copying the names of those subroutines and the organization of those names, because that copying was necessary in order to invoke that functionality.

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89 101 U.S. 99 (1879).
90 The European Court of Justice similarly held that the functionality of a program and a programming language are not protected by copyright. See SAS Institute Inc. v. World Programming Ltd., ECJ, Case C-406/10, C-406/10). The court further held that license terms were not enforceable, where they prohibited copying such elements for study and testing.
Oracle does not hold generally that API’s are not copyrighted. Such a general approach would be hazardous, because there can be many different ways in which programs interface with each other. But the case does hold that copying necessary to copy software functionality does not infringe copyright. If the appellate courts agree, that has considerable implications for software law.

Oracle gives more leeway to open source projects.
Tetris Holding LLC v. XIO Interactive Inc.; Spry Fox LLC v. Lolapps Inc.

In Tetris, developed in the USSR in the 1980’s, players must align falling “geometric block pieces (called tetrominos)” to fill the horizontal lines. Like Android and Java, Mino did not copy Tetris’ literal code. Mino copied the way the game worked, and also many specific design elements: “the style of the pieces is nearly indistinguishable, both in their look and in the manner they move, rotate, fall, and behave. Similar bright colors are used in each program, the pieces are composed of individually delineated bricks, each brick is given an interior border to suggest texture, and shading and gradation of color are used in substantially similar ways to suggest light is being cast onto the pieces.” The question was whether those elements copied were functional or not.

The court rejected the argument that “the Tetris pieces are unprotectible because they are related to a rule or function of the game.” It reasoned that there “was no necessity for Mino to mimic Tetris’ expression other than to avoid the difficult task of developing its own take on a known idea.” Mino could not copy the same specific elements that one would expect when playing Tetris, as opposed to Android being able to copy the same elements that a program would expect when interfacing with Java. The case shows that the level of protection for software may vary considerably from more functional areas like programming languages to

92 No. 2:12-cv-00147-RAJ, (W.D.Wash. Sept. 9, 2012)
93 Id.
more creative areas like games = just as other literary works vary in protection, from highly
protected creative novels to thinly protected works of history.

Spry Fox similarly held that the makers of the game Yeti Town properly alleged
infringement in the copyright in the puzzle game Triple Town. Yeti Town copied the rules of
Triple Town, but made such changes as changing a snowfield to a meadow. The court relied on
the narrative character of video games: “A video game, much like a screenplay expressed in a
film, also has elements of plot, theme, dialogue, mood, setting, pace, and character. Spry Fox
took the idea underlying Triple Town and expressed it with its own characters, its own setting,
and more. These objective elements of expression are within the scope of Spry Fox’s
copyright.” Nor were the differences sufficiently abstract: “A snowfield is not so
different from a meadow, bears and yetis are both wild creatures, and the construction of
a “plain” is not plausibly similar to the construction of a “patch.””

Raspberry Pi: Erickson v. Blake94

Lars Erickson composed Pi Symphony by assigning a musical note to each digit from 0
to 9. Erickson alleged infringement by Michael John Blake’s similarly constructed What Pi
Sounds Like, but with different rhythms and harmonies. Erickson lost, but provided an “instant
copyright law classic.”95 As the court put it, “Pi is a non-copyrightable fact, and the transcription
of pi to music is a non-copyrightable idea. The resulting pattern of notes is an expression that
merges with the non-copyrightable idea of putting pi to music: assigning digits to musical notes
and playing those notes in the sequence of pi is an idea that can only be expressed in a finite
number of ways.”

Banco Popular De Puerto Rico v. Asociacion De Compositores Y Editores De Musica
Latinoamericana96

Banco Popular held, without much discussion, that a party that licenses copyrights that it
does not own is liable for copyright infringement. The case involved music copyrights, but has
considerable implications for more high-tech transactions, such as software copyrights. In
particular, it highlights a possible risk for open source software developers.

Open source software licenses provide software freely, but not without restrictions.97
Open source licenses generally provide the software royalty-free, meaning that the conditions to
use are the only substantive restriction or cost to using the software. Open source licenses,
although very permissive, have restrictions that, if violated may be breaches of conditions to use

94  102 U.S.P.Q.2D (BNA) 1466 (2012)
95  Eric Goldman, Irrational Copyright Lawsuit Over "Pi Symphony" Gets Sliced--Erickson v. Blake March
96  678 F.3d 102 (1st Cir. 2012).
the software. A party that uses open source software in violation of the license conditions may be enjoined from further use.\footnote{See Software Freedom Conservancy, Inc. v. Westinghouse Digital Elecs., LLC, 812 F. Supp. 2d 483, (S.D.N.Y. 2011).}

A commercial licensor will normally warrant automatically that it owns the intellectual property licensed.\footnote{Cf. Banco Popular De Puerto Rico v. Asociacion De Compositores Y Editores De Musica Latinoamericana (ACEMLA), 678 F.3d 102 (1st Cir. 2012).} Under \textit{Banco Popular}, a party that licenses copyrights that it does not own may be liable for copyright infringement.\footnote{Id.} Should it lack the necessary rights, it will be liable not only for breach of warranty of title, but also liable to the rights holder for infringement, on either primary or secondary theories of liability, stemming from its licensee’s actions. That could be a hazard to an open source developer, who may incorporate code that was used under an open source license but infringes another’s copyright.

On a related topic, open source licenses usually seek to exclude all warranties, on the quite reasonable theory that since the software is provided without charge, no warranties are given on it. The leading free software license, the GPL, states

\begin{quote}
\textbf{15. Disclaimer of Warranty.}
\textbf{THERE IS NO WARRANTY FOR THE PROGRAM, TO THE EXTENT PERMITTED BY APPLICABLE LAW. EXCEPT WHEN OTHERWISE STATED IN WRITING THE COPYRIGHT HOLDERS AND/OR OTHER PARTIES PROVIDE THE PROGRAM \textit{“AS IS” WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. THE ENTIRE RISK AS TO THE QUALITY AND PERFORMANCE OF THE PROGRAM IS WITH YOU. SHOULD THE PROGRAM PROVE DEFECTIVE, YOU ASSUME THE COST OF ALL NECESSARY SERVICING, REPAIR OR CORRECTION.} \\
\end{quote}

That language effectively disclaims warranties with respect to the quality of the software. But it does not disclaim warranties with respect to ownership of or intellectual property rights in the software, which must be specifically disclaimed.\footnote{Thanks to Ian McJohn on this point. U.C.C. § 2-312, 316 (2000). Several questions remain open as to the applicability of the warranty of title to open source software licenses. Although the question is unsettled, most courts hold that sales of software are governed by Article 2 of the Uniform Commercial Code. (providing that merchants make an automatic warranty of title and that warranties may be limited by specific language, or by usage of trade or special circumstances). An open source license may not charge a price, but due to the restrictions may still be deemed a transaction in goods, exchanging rights for promises to abide by the licensing restrictions. Likewise, an open source developer may not sell the software, but may still be a merchant due to the expertise in software, the relevant goods.} It may be wise for GPL licensors to add their license a specific exclusion of the warranty of title.\footnote{Many FOSS license do include such a warranty. The Python license states: \textit{“PSF MAKES NO AND DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR THAT THE USE OF PYTHON 2.4 WILL NOT INFRINGE ANY THIRD PARTY RIGHTS.”} http://www.python.org/download/releases/2.4.2/license/}
Rube Goldberg lives: ABC v. Aereo, Inc.\textsuperscript{103}

Law is code;\textsuperscript{104} law can be hardware. We are used to bizarre corporate legal structures for tax reasons. Intellectual property law can inspire bizarre electronic structures for similar circumventions.

The Second Circuit \textit{Cablevision}\textsuperscript{105} decision held that playing copyrighted content over a cable system from a dedicated hard disk did not infringe the copyright owner’s exclusive right to public performances. Each customer got their own hard drive to record programs, so there was not a public performance, rather lots of private performances. Aereo designed a system to capture television broadcasts and retransmit them to customers in Manhattan, which has notoriously poor TV reception. The key design factor was \textit{Cablevision}, not engineering. Aereo’s system had a forest of little antennas, one for each customer. In the inevitable copyright case, the court held that Aereo indeed did not publicly perform the programs, rather made a private performance using the little antenna for each customer. The issue is headed back to the Second Circuit, the appeal being based on the fact that the system was designed with legal advice.

Note the different approach with the \textit{Akamai} case in patents, which held that a patent claim could be infringed even though no single person infringed. \textit{Akamai} looked past the literal bounds of the exclusive right to find infringement, whereas \textit{Aereo} holds that parties may rely on the literal limitations of the copyright’s owner’s rights.

\textbf{Sony BMG Music Entertainment v. Tenenbaum}\textsuperscript{106}; \textbf{Capitol Records Inc v. Thomas-Rasset}\textsuperscript{107}

In \textit{Tenenbaum}, A jury had awarded $675,000 in statutory damages for infringing the copyrights in 30 songs, by file-sharing. The trial court reduced the damages award as offending due process. On appeal, the First Circuit held that the court should considered the common law


\textsuperscript{104} Lawrence Lessig, \textit{Code and Other Laws of Cyberspace} (1999).

\textsuperscript{105} Cartoon Network LP, LLLP v. CSC Holdings, Inc., 536 F.3d 121 (2d Cir. 2008) (“\textit{Cablevision}”).

\textsuperscript{106} 103 U.S.P.Q.2D (BNA) 1902 (D. Ma. 2012)

\textsuperscript{107} (8th Cir., September 11, 2012).
doctrines of remittitur before addressing the constitutional issue of due process. The court also indicated that a less rigorous standard for due process should have been applied. On remand, a different judge heard the case, and held both that remittitur did not apply and that due process was not offended. Not long after, the Eighth Circuit in \textit{Capitol Records} upheld a verdict of $220,000 for downloading 24 songs.

\textbf{Jovani Fashion Ltd. v. Fiesta Fashions}^{109}; \textbf{L.A. Printex Industries Inc. v. Aeropostale Inc.}^{110}

Clothing may be too functional for copyright, but not for design and utility patents

\textit{Jovani} and \textit{L.A. Printex} provide an interesting juxtaposition. \textit{Jovani} held that the design of a prom dress was not protected by copyright. The creative expression in the design is not separable from its function: “the artistic judgment exercised in applying sequins and crystals to the dress’s bodice and in using ruched satin at the waist and layers of tulle in the skirt does not invoke in the viewer a concept other than that of clothing…. Rather, these design elements are used precisely to enhance the functionality of the dress as clothing for a special occasion.” \textsuperscript{111}

\begin{footnotesize}
\textsuperscript{108} Sony BMG Music Entm’t v. Tenenbaum, 660 F.3d 487 (1st Cir. 2011).
\textsuperscript{110} No. 10-56187 (9th Cir., 2012).
\end{footnotesize}
In L.A. Printex, a clothing maker was more successful. Its fabric design was held copyrighted and possibly infringed, where the basic pattern was copied but with a different color scheme.

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Trade Secret

United States v. Nosal 113

The Computer Fraud and Abuse act forbids “unauthorized” access to a computer. Reading the CFAA broadly hazards converting every breach of license into a federal crime, if a computer is involved, and a computer is involved in very many activities in this digital age. Even if ultimately no CFAA liability may be imposed, just the ability to add the possible federal cause of action to a cease and desist letter or a complaint gives considerable leverage to employers and to providers of goods and services. As computers become ubiquitous, converting basic contract breach using a computer into a federal cause of action threatens to take the statute far beyond its intended use, from its enactment in the times when the Internet was used only by a few academics and researchers.

Case law had indeed taken a broad turn, with the early Morris case exploring whether bringing down the entire Internet was within the scope of the statute, to more recent cases turning on whether simply putting false information on a single MySpace page could implicate the harsh liability of the statute. But the link between breach of license and computer fraud liability may be weakening. Leading the trend away from such an expansive reading of the CFAA, the Ninth Circuit, en banc in United States v. Nosal, rejected the position of several other federal circuits, in holding that if an employee with authorized access to a computer does not “exceed authorized access” for purposes of CFAA liability by breaching contractual limitations

113 676 F.3d 854 (9th Cir. 2012) (en banc).
on use, such as workplace computer usage polices or terms of use. Rather, an employee would be liable if the employee circumvented access controls or made use of a computer without authorization. Computer fraud liability is a very broad brush to address all the issues that arise with respect to breach of contract, including the allocation of both rights and responsibilities that arise in the course of the employment relationship.

**Warez are not wares: United States v. Aleynikov**

*Aleynikov* also turned on the scope of liability under a federal statute affecting trade secrets. A computer programmer uploaded software used for high-speed securities trading, for use at his new place of employment. He was convicted under the the National Stolen Property Act, which “makes it a crime to “transport[], transmit[], or transfer[] in interstate or foreign commerce any goods, wares, merchandise, securities or money, of the value of $5,000 or more, knowing the same to have been stolen, converted or taken by fraud.”

The court ruled that he had stolen intangible intellectual property, not the tangible property protected by the statute: “goods, wares, merchandise.”

In other areas, courts have held that software falls into the category of “goods.” In particular, as noted above, Article 2 of the Uniform Commercial Code applies to transactions in goods. It has been held by many cases to apply to the sale of software. But those cases usually involved delivery of the software on a tangible storage medium, such as a CD. Had the *Aleynikov* taken the software home on a CD or key drive, the result might have been different. As the court noted, the statute has been held to apply where photocopied documents describing trade secret processes were stolen.

**Contour Design Inc. v. Chance Mold Steel Co.**

One reason parties are reluctant to sign non-disclosure agreements is that the disclosure may turn out to be banal, but the agreement could forbid using information already known to the recipient. *Contour Design* reduces that risk. A supplier signed a nondisclosure agreement as part of a joint venture with a designer of ergonomic computer mouses. To the extent that the supplier used trade secret information acquired under the agreement, the court held that further use of the information could be enjoined. But the injunction would not properly extend to products that did not use “novel” features from the designer’s mouse. The supplier remained free to use features of the designer’s mouse that were already well-known in the industry. *Contour Design* rested on the agreement between the parties, so it will not necessarily extend to more broadly-worded nondisclosure agreements.

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114 676 F.3d 71, 76 (2d Cir. 2012).
116 693 F.3d 102 (1st Cir. 2012).
Fail-Safe, LLC v. AO Smith Corp.117

Fail-Safe and A.O. Smith discussed building and marketing a pump motor for swimming pools. Fail-Safe disclosed certain design innovations. The parties went their separate ways. Fail-Safe later alleged that A.O. Smith built its pump using trade secrets disclosed by Fail-Safe. But where Fail Safe had used no protective measures, the information was not a trade secret.

AvidAir Helicopter Supply Inc. v. Rolls-Royce Corp.118

A trade secret must be information not readily available to others, kept subject to reasonable security measures. But the information may be compiled from publicly available sources. The security measures need not be punctilious.

In AvidAir, Rolls Royce had compiled technical information and made it available to repair shops, subject to confidentiality agreements. One repair shop supplied the information to AvidAir. AvidAir contended that it did not misappropriate trade secrets, because it could have acquired the information itself by reverse-engineering Rolls Royce products and searching publicly available sources, such as regulatory filings. The court held that the information was not readily available, so could qualify as a trade secret. Likewise, although widely distributed, the documents were stamped PROPRIETARY and made subject to confidentiality agreements, which were reasonable security measures under the circumstances.

University of Connecticut v. Freedom of Information Commission of the State of Connecticut119

What can be a trade secret? It matters not just in determining whether others have wrongfully misappropriated information, but for other purposes. Parties must often disclose information to the government. Trade secret information may receive special protections.

A party sought disclosure, under the state Freedom of Information Act, of various databases of information compiled by the University of Connecticut. The specific information at issue was “the athletics department’s database of season ticket purchasers; Jorgensen Auditorium’s database of subscribers, individual event ticket buyers and prospects; the Center for Continuing Studies’ (center) database of persons having an interest in its programs and course offerings; and the library’s database of donors and friends.” The University resisted disclosure, claiming the information was trade secrets. The trial court rejected that theory, on the grounds that the university was not engaged in trade. The appellate court, however, ruled that the databases could qualify as trade secrets just like the customer list of a business. The databases had value because they took resources to compile and provided the University an advantage in

117  674 F. 3d 889 - 2012 (7th Cir. 2012).
118  663 F.3d 966 (8th Cir., 2011); see Joel Leeman, Not the Cadillac of Trade Secrets, But Still Deserving of Protection, Sunsteinlaw.com (Jan. 12, 2012).
119  303 Conn. 724 (2012).
such activities as fund-raising and ticket sales. The information would lose its value if anyone competing in such spheres could simply get the information with a Freedom of Information request.

Skycam Inc. v. Bennett

Skycam won Actioncam’s patent

Skycam’s cable-borne cameras capture bird’s eye view video of sporting events. Skycam brought a successful trade secret action against a former employee who started a competitor, Actioncam. Actioncam had used Skycam’s trade secrets in its operations, along with applying

for a patent on some of the technology. Skycam made a showing that would support an injunction in most cases. The misappropriation had caused irreparable harm and the continuing injury to Skycam outweighed any harm to Actioncam. The court, however, declined to issue an order prohibiting Actioncam from continuing its operations. The court reasoned that an injunction would put Actioncam out of business, leaving just Skycam operating in the market. The public interest in continued market competition, where market participants were so few, weighed heavily. Rather, the court awarded monetary damages, including a continuing royalty for the use of the information. Actioncam also had to assign the patent to Skycam.

**Aqua Connect Inc. v. Code Rebel LLC** 121

Under *Nosal*, merely breaching an employment contract by using a computer to get trade secrets does not violate the Computer Fraud and Abuse Act. Under *Aqua Connect*, merely breaching an end-user software license, by reverse engineering the software, is not trade secret misappropriation. Rather, under those decisions, breach of contract would be governed by contract law.

The licensee in *Aqua Connect* breached the license by reverse engineering the product. The court rejected the argument that breach of contract was the sort of wrongful acquisition of information to rise to the level of misappropriation. Rather, that requires “improper means,” meaning (under the Uniform Trade Secrets Act, enacted in most states) “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” 122 The UTSA provides that “Reverse engineering or independent derivation alone shall not be considered improper means.” The fact that the reverse engineering was a breach of contract would not change that result, where the license created no confidential relationship, rather was a form license provided to many parties.

**E.I. DuPont de Nemours and Co. v. Kolon Industries Inc.** 123

Sometimes, two wrongs do not make a right. Kolon was held to misappropriate DuPont trade secrets relating to the manufacture of Kevlar. One notable aspect of the case is that the court issued an injunction barring Kolon from the body armor market for twenty years, which would be longer than a patent on the technology. 124 On the flip side, the appellate court in a related case held that, even though Kolon had misappropriated trade secrets and been banished from the market, it could still bring anti-trust claims alleging that DuPont had wrongfully maintained market control. Attempts to maintain market power through restrictive agreements

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121 No. 11-5764 (C.D. Cal., 2012).
123 637 F3d 435 (4th Cir. 2011).
requiring buyers to purchase all or most of their supplies from the holder of a dominant market position constitute anti-competitive conduct in violation of the anti-trust laws. A competitor may enforce those laws, even if the competitor itself had violated intellectual property rights in trying to enter the market.125

Bohnsack v. Varco L.P.126; Beacon Wireless Solutions Inc. v. Garmin International Inc.127; Mentor Worldwide LLC v. Craigo128

Bohnsack confidentially disclosed to Varco, a potential manufacturing partner, the design of Pit Bull, a “machine intended to make the process of cleaning drilling fluids more efficient.” The deal fell through. Varco applied for a patent on the device. Sued by Bohnsack for trade secret infringement, Varco contended it had not used the trade secret. The court held that applying for a patent constituted the necessary use: “Any exploitation of the trade secret that is likely to result in injury to the trade secret owner or enrichment to the defendant is a “use”.”129 By filing the patent application, Varco was better able to market devices that competed with the Pit Bull, because Bohnsack was less able to market the Pit Bull to competitors. So use of the information both injured the trade secret owner and enriched the defendant.

By contrast, the necessary use was not found in Beacon Wireless. Beacon Wireless claimed trade secrets in the source code of its fleet management software. It alleged that Garmin used the executable code obtained from that source code, by running the code on its devices. Executing the code on a machine did not give access to the information in the source code, or constitute the use of that information.

In Mentor Worldwide, there was likewise an insufficient showing of use. An employee allegedly emailed a trade secret customer list to her husband shortly before leaving for a new job. But there was no showing that she used the customer list in her new job. The new employer instructed her which customers to contact.130

Invidia, LLC v. DiFonzo131

Closely related to trade secrets are employee contracts, with promises not to disclose proprietary information, compete with the employer, or solicit fellow employees or customers. Invidia held that a hairdresser did not violate her nonsolicitation agreement, when she posted

125 Id.
126 668 F.3d 262 (5th Cir., 2012).
129 Id., quoting Gen. Universal Sys. v. HAL, Inc. 500 F.3d 444, 450 n.4 (5th Cir. 2007) (interpreting Texas law) (quoting Restatement (Third) of Unfair Competition §40 cmt. c).
130 FormFactor Inc. v. Micro-Probe Inc., No. 4:10-cv-03095-PJH, (N.D. Cal., 2012) represents a common, related issue in trade secret litigation. Although an employee copied thousands of files from his hard drive to a storage device about a month before leaving, the employer did not specifically identify trade secret information among those files.

information about her new job on her Facebook page. Notably, the judge indicated that the
hairdresser’s goodwill might be her property, as opposed to her former employer.132

Patent Pending

Five intellectual property cases are pending decision from the Supreme Court of the United States.

Association for Molecular Pathology v. Myriad Genetics (U.S., No. 12-398) ("Are human genes patentable?")

Monsanto Co. v. Bowman, (U.S., No. 11-796) (whether sale of patented seeds exhausts patent rights in the seeds and their seeds)

Jerry W. Gunn v. Vernon F. Minton (U.S., No. 11-1118) (whether state or federal courts have jurisdiction over claims for legal malpractice involving patents)

Already LLC d/b/a Yums v. Nike (U.S., No. 11-982) (whether a covenant not to sue for trademark infringement means there is no case or controversy, and so no jurisdiction for a declaratory judgment action)

Kirtsaeng v. John Wiley & Sons (U.S. No. 11-697) (whether importation of books printed abroad under license from copyright owner infringes the copyright owner’s exclusive right to distribute the work in the United States)