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### Top Tens in 2017: Patent, Trademark, Copyright and Trade Secret Cases

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## TOP TENS IN 2017: PATENT, TRADEMARK, COPYRIGHT, AND TRADE SECRET CASES

*Stephen McJohn*<sup>1</sup>

**ABSTRACT**—The Supreme Court loosened the grip of patentees on their products, holding that contractual restrictions on patented products are ineffective to preserve patent rights. The Court also loosened the grip of the Eastern District of Texas on patent cases, announcing a narrower standard that will send more cases to Delaware. The Federal Circuit cases piled up on applying the *Alice* standard to filter nonpatentable abstract ideas from patentable inventions. Meanwhile, even as the constitutionality of the Patent Trial and Appeal Board (PTAB) pends before the Supreme Court, hundreds of PTAB decisions on the validity of patents move onward to the Federal Circuit. Other notable patent cases concerned sovereign immunity (such as transferring patents to avoid PTAB proceedings), the doctrine of assignor estoppel, the scope of prior art, and patent rights to the gene-editing tool CRISPR-Cas9. In trademark, the Court held the bar against disparaging marks was an invalid restraint on freedom of expression. Lower courts addressed a number of issues in the same area, such as the right to use marks in titles of work and other expressive purposes. Courts also addressed whether such terms as “google,” “tequila,” and “universal” have become generic. In copyright, the Supreme Court gave some guidance on the line between copyrightable expression and nonprotected functional matter. Other notable cases addressed the copyrightability of standards and the meaning of “noncommercial” in open source licenses, along with fair use in new settings. In trade secrets, courts looked at such key issues as the scope of the Computer Fraud and Abuse Act, the intersection between trade secret and international trade, and protection for databases.

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<sup>1</sup> Professor of Law, Suffolk University Law School. This listing and analysis are decidedly subjective, and all the usual disclaimers apply. Comments welcome: smcjohn@suffolk.edu.

## PATENT

### First Sale

3. *Can I pass these amazing improvements to my children?*

No. Your body and its biological and technological systems are patented by Colonial Genetics and may not be passed on without permission.

JOHN SCALZI, OLD MAN'S WAR<sup>2</sup>

To the contrary: as of 2017, patent holders no longer have patent rights in products they have sold. The Supreme Court in *Impression Products v. Lexmark International* held that a first sale exhausts the patent rights of the seller in that particular item sold, both domestically and internationally. Resale or use of the item would not be patent infringement. Contractual restrictions to the contrary will not make it infringement (although they may still be effective against parties to the sale).<sup>3</sup> The Court concluded that:

Lexmark exhausted its patent rights in these cartridges the moment it sold them. The single-use/no-resale restrictions in Lexmark's contracts with customers may have been clear and enforceable under contract law, but they do not entitle Lexmark to retain patent rights in an item that it has elected to sell.<sup>4</sup>

The decision rested on the policy of preventing restraints on alienation:

More is at stake when it comes to patents than simply the dealings between the parties, which can be addressed through contract law. Instead, exhaustion occurs because, in a sale, the patentee elects to give up title to an item in exchange for payment. Allowing patent rights to stick remora-like to that item as it flows through the market would violate the principle against restraints on alienation.<sup>5</sup>

In addition, the decision applies to reimportation or importation of authorized goods (sometimes called "gray market goods"). In another case touching on imports, the Court held that importing a single component cannot constitute the "substantial portion" of an infringing device required

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<sup>2</sup> JOHN SCALZI, OLD MAN'S WAR, 85 (Tor ed., 2005).

<sup>3</sup> *Impression Prods. v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1529 (2017). The Court stated:

This case presents two questions about the scope of the patent exhaustion doctrine: First, whether a patentee that sells an item under an express restriction on the purchaser's right to reuse or resell the product may enforce that restriction through an infringement lawsuit. And second, whether a patentee exhausts its patent rights by selling its product outside the United States, where American patent laws do not apply. We conclude that a patentee's decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose or the location of the sale.

*Id.*

<sup>4</sup> *Id.* at 1531.

<sup>5</sup> *Id.* at 1538.

for infringement liability.<sup>6</sup> And there remains a need to show importation of components sufficient to contribute to infringement.<sup>7</sup> On a related issue, a foreign entity that licensed and enforced intellectual property rights in the U.S. was subject to personal jurisdiction in the U.S.<sup>8</sup>

## Venue

Until 2017, a substantial portion of all U.S. patent cases were filed in the Eastern District of Texas. In *TC Heartland*, the Supreme Court rejected the Federal Circuit's permissive reading of the patent venue statute.<sup>9</sup> When Congress amended related statutes to broaden the definition of a defendant's "residence," it did not intend to amend the patent jurisdiction statute to have such a broad sweep.<sup>10</sup> Delaware is now the most likely court for patent infringement cases.<sup>11</sup>

The Federal Circuit followed the cue, holding that a tenuous link to a jurisdiction would not support venue there.<sup>12</sup> The court rejected the holding of the Eastern District of Texas that a defendant was doing business in a jurisdiction where a single employee had his home office there but he "was not listed in any business directories or websites, . . . he did not maintain product literature or products at his home, and . . . he was the only employee

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<sup>6</sup> *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 743 (2017) ("We hold that the phrase 'substantial portion' in 35 U.S.C. §271(f)(1) has a quantitative, not a qualitative, meaning. We hold further that §271(f)(1) does not cover the supply of a single component of a multicomponent invention.").

<sup>7</sup> *Cisco Sys., Inc. v. ITC*, 873 F.3d 1354, 1362–63 (Fed. Cir. 2017).

<sup>8</sup> *Xilinx, Inc. v. Papst Licensing GmbH & Co. KG*, 848 F.3d 1346, 1357 (Fed. Cir. 2017). The Federal Circuit stated:

Moreover, there are other facts that, under the *Burger King* analysis, confirm the view that the burden on the defendant is not undue. For instance, the burden on Papst is mitigated by Papst's status as a non-practicing patent holder residing outside the United States. This is not a case like *Red Wing*, where the defendant conducts its affairs in one state and is called to litigate in a distant state rather than its own residence. *See* 148 F.3d at 1357. By the very nature of its business, Papst must litigate its patents in the United States in fora far from its home office. In this context the burden on Papst to litigate in California appears not undue. The lack of significant burden on Papst is also evidenced by Papst's prior litigations in California itself. Papst has repeatedly availed itself of the California federal court system—at least seven times—by filing patent infringement lawsuits there.

*Id.*

<sup>9</sup> *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514, 1517–18 (2017). The Supreme Court also held laches inapplicable in patent cases, as in copyright law. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 967 (2017).

<sup>10</sup> *TC Heartland LLC*, 137 S. Ct. at 1520–1521.

<sup>11</sup> Dana Elfin, *Creeping Tsunami: Patent Filings up in Delaware After TC Heartland*, BLOOMBERG HEALTH CARE BLOG (Feb 22, 2018), [https://www.bna.com/creeping-tsunami-patent-b57982089118/\[https://perma.cc/8X29-UV79\]](https://www.bna.com/creeping-tsunami-patent-b57982089118/[https://perma.cc/8X29-UV79]).

<sup>12</sup> *In re Cray Inc.*, 871 F.3d 1355, 1366 (Fed. Cir. 2017).

within the district.”<sup>13</sup> As to already-filed cases, the Federal Circuit held that *TC Heartland* did represent a change in the law, as opposed to simply correcting the Federal Circuit’s erroneous application of Supreme Court precedent, and so permitted parties to seek a change of venue.<sup>14</sup>

### Biologic Generics

The Biologics Price Competition and Innovation Act of 2009 opened up the way for generic competition in the market for biologics: pharmaceuticals based on complex molecules.<sup>15</sup> The complex statute poses many interpretive issues such as the choreography of the “patent dance”—whether a generic manufacturer had to get FDA approval before serving the required notice before preparing to enter the market to compete with a pharmaceutical going off patent. In *Sandoz Inc. v. Amgen Inc.*, its first decision on the statute, the Supreme Court held that notice could be made before obtaining approval.<sup>16</sup><sup>15</sup> The Court further held that a failure to make the requisite disclosure would not result in an injunction against proceeding down the path toward generic manufacturing.<sup>17</sup>

### Patentable Subject Matter

The Supreme Court’s 2014 decision in *Alice* reaffirmed the long-standing rule that abstract ideas, laws of nature, or physical phenomena are not patentable and formulated a new two-part test to distinguish such from patentable application of them.<sup>18</sup> In 2017, the Federal Circuit continued applying that test to many cases. A split panel held that a transit system’s patent on a method of using bank cards for fares is outside patent subject matter, where the system is simply “directed to the collection, storage, and recognition of data.”<sup>19</sup> The Federal Circuit reversed a jury verdict of over \$500 million<sup>20</sup> on the grounds that “the asserted claims are all directed to the abstract idea of conditioning and controlling access to data based on payment.”<sup>21</sup> A claimed system for using codes to identify and route

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<sup>13</sup> *Id.* at 1364.

<sup>14</sup> *In re Micron Tech., Inc.*, 875 F.3d 1091, 1094 (Fed. Cir. 2017).

<sup>15</sup> See generally Krista Hessler Carver, Jeffrey Elikan, & Erika Lietzan, An Unofficial Legislative History of the Biologics Price Competition and Innovation Act of 2009, 65 Food Drug L.J. 671 (2010).

<sup>16</sup> 137 S. Ct. 1664, 1668 (2017).

<sup>17</sup> *Id.* at 1675.

<sup>18</sup> See *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2355–59 (2014).

<sup>19</sup> *Smart Sys. Innovations, LLC v. Chi. Transit Auth.*, 873 F.3d 1364, 1371–72 (Fed. Cir. 2017).

<sup>20</sup> Jan Wolfe, *U.S. Appeals Court Tosses Patent Verdict Against Apple*, REUTERS (March 1, 2017), <https://www.reuters.com/article/us-apple-lawsuit-patent-idUSKBN1685D5> [<https://perma.cc/TDX9-6LT9>].

<sup>21</sup> *Smartflash LLC v. Apple Inc.*, 680 F. App’x 977, 984 (Fed. Cir. 2017).

packages during mailing was abstract and non-patentable.<sup>22</sup> Claims on “multicasting,” (which might apply broadly on the Internet) were held abstract and non-patentable.<sup>23</sup> Another split panel of the Federal Circuit held patentable claims “directed to an improved computer memory system, not to the abstract idea of categorical data storage,”<sup>24</sup> on the grounds that the specification (if not the claims themselves) identified specific technological improvements in the operation of the computer itself.<sup>25</sup> The Federal Circuit has provided some guidance by distinguishing its own precedent.

### Patent Validity Challenges Before PTAB

*TC Heartland* meant that patent litigators would be spending less time in the Eastern District of Texas. Since the America Invents Act of 2011, a good portion of patent litigators have already been spending their time at the United States Patent and Trademark Office (USPTO) instead of federal court.<sup>26</sup> The Act introduced several means to challenge the validity of a patent in post-grant proceedings before PTAB. Post-grant challenges in various forms had existed before, but seen relatively little use. The new procedures are subject to a tighter timeline (of some eighteen months); have much more limited preclusive effect, which encourages challenges; may look more

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<sup>22</sup> *Secured Mail Sols., LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 911 (Fed. Cir. 2017). According to the Federal Circuit in the case:

[T]he claims of the three sets of patents are not limited by rules or steps that establish how the focus of the methods is achieved. Instead, the claims embrace the abstract idea of using a marking affixed to the outside of a mail object to communicate information about the mail object, i.e., the sender, recipient, and contents of the mail object. Because the claims are directed to an abstract idea, we turn to the second step of the *Alice* inquiry.

*Id.*

<sup>23</sup> *Two-Way Media Ltd v. Comcast Cable Communs., LLC*, 874 F.3d 1329, 1340–41 (Fed. Cir. 2017) (“Two-Way Media asserts that the claim solves various technical problems, including excessive loads on a source server, network congestion, unwelcome variations in delivery times, scalability of networks, and lack of precise recordkeeping. But claim 1 here only uses generic functional language to achieve these purported solutions.”).

<sup>24</sup> *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1259 (Fed. Cir. 2017).

<sup>25</sup> *Id.* at 1259–60. The Federal Circuit analogized precedent:

As with *Enfish*’s self-referential table and the motion tracking system in *Thales*, the claims here are directed to a technological improvement: an enhanced computer memory system. The ’740 patent’s claims focus on a “specific asserted improvement in computer capabilities”—the use of programmable operational characteristics that are configurable based on the type of processor—instead of “on a process that qualifies as an ‘abstract idea’ for which computers are invoked merely as a tool.”

*Id.* (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)).

<sup>26</sup> *See, e.g.*, Paul R. Gugliuzza, Quick Decisions in Patent Cases, 106 Geo. L.J. 619, 620 (2018) (“Thanks to procedures created by the AIA, however, the number of filings at the PTO has doubled in the past few years, increasing from about a thousand per year as recently as 2010 to about two thousand per year today.”).

broadly to prior art; permit more active participation by the challenger; and have more extensive appellate review available.<sup>27</sup> Thousands of such proceedings have been brought, and patent claims invalidated in a substantial number of proceedings.<sup>28</sup> The scope of the proceedings, and the very constitutionality of the process, remain to be settled by the courts.

The validity of patents may now be tested in federal court or before the PTAB. In Inter-Partes Review (IPR) (by far the most used post-grant procedure), a challenger may not challenge validity by alleging the patent covers non-patentable subject matter. Rather, in IPRs, the challenger must allege the patent did not meet such requirements as novelty, utility, written description, or nonobviousness.<sup>29</sup> So even as the Federal Circuit has weeded out many patents as beyond patentable subject matter under *Alice*, the PTAB has looked mainly to the requirements of novelty and nonobviousness. In a way, the patent system is running an A/B testing experiment, comparing a system with a strong subject matter requirement to one that relies on the other requirements of patentability.<sup>30</sup>

In the multitude of appeals now coming from the PTAB to the Federal Circuit, obviousness is proving a key issue. The Federal Circuit upheld a PTAB decision that invalidated as obvious patent claims on a feature equivalent to a “live pause” on a DVR that would enable a viewer to record and then watch or skip portions of a broadcast during a brief interruption.<sup>31</sup> The Federal Circuit upheld invalidation of a search engine patent challenged by Google as obvious, one key piece of prior art being *World Wide Web Searching for Dummies*.<sup>32</sup> The Federal Circuit has, however, readily reversed the PTAB for making conclusory findings of obviousness without explicitly

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<sup>27</sup> See ROBERT P. MERGES, PETER S. MENELL & MARK A. LEMLEY, INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE 317–324 (2017) (comparing new post-grant procedures to their forebears).

<sup>28</sup> Jason Rantanen, *Inter Partes Review Statistics*, PATENTLY-O (July 28, 2016), <https://patentlyo.com/patent/2016/07/partes-review-statistics.html> [<https://perma.cc/45FJ-FNQ6>].

<sup>29</sup> See MERGES ET AL., *supra* note 27, at 322 (“Unlike the PGR Process, which can raise any invalidity ground, IPRs may only challenge lack of novelty or obviousness.”). In IPRs, the patent’s validity may not be challenged on the theory that it is not within patentable subject matter. In the other types of post-grant review, Post Grant Reviews and Covered Business Method Reviews, patentable subject matter may be raised. See *id.* at 318. For example, over a dissent, a panel of the PTAB concluded that a patent on a graphical interface for commodities trading was invalid as not directed to patentable subject matter. *IBG LLC v. Trading Techs. Int’l, Inc.*, CBM2016-00031, 2016 WL 5632066 (P.T.A.B. Aug. 8, 2016).

<sup>30</sup> Of course, the Federal Circuit also tests validity challenges based on such issues as novelty or obviousness. See, e.g., *Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1253 (Fed. Cir. 2017) (patent that claimed basic podcasting technology was invalid as not novel).

<sup>31</sup> *Dragon Intellectual Prop., LLC v. Dish Network LLC*, 711 F. App’x 993, 997–98 (Fed. Cir. 2017).

<sup>32</sup> *Meiresonne v. Google, Inc.*, 849 F.3d 1379, 1381–84 (Fed. Cir. 2017).

stated grounds.<sup>33</sup> Conversely, the court has invalidated patents as obvious on appeal, reversing the PTAB's holding.<sup>34</sup> The Federal Circuit loosened the PTAB's rules on whether claims may be amended during PTAB proceedings, which may allow some patent holders to preserve their patents by amendment to avoid prior art.<sup>35</sup>

The Federal Circuit, deciding a flood of cases coming from the PTAB, has affirmed many without opinion—a practice that has been challenged.<sup>36</sup>

### Sovereign Immunity

Patent holders have become very aware of the risks of the PTAB post-grant challenges. Allergan adopted a new tactic to attempt to avoid the PTAB. It transferred the rights to its lucrative patents on the drug Restasis to the Saint Regis Mohawk Tribe, agreeing to pay a fee and royalties for an exclusive license to the patents.<sup>37</sup> Tribes have tried a number of methods to support economic development. As the leader of another group, the Oneida Nation, has put it, “We tried poverty for 200 years, so we decided to try something else.”<sup>38</sup> However, Judge Bryson of the Eastern District of Texas, in a pending infringement action, expressed skepticism about the validity of the transaction:

The Court has serious concerns about the legitimacy of the tactic that Allergan and the Tribe have employed. The essence of the matter is this: Allergan purports to have sold the patents to the Tribe, but in reality it has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe's

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<sup>33</sup> See, e.g., *In re Van Os*, 844 F.3d 1359, 1361 (Fed. Cir. 2017). Divisions remain within the Federal Circuit on various obviousness issues. See, e.g., *Merck Sharp & Dohme Corp. v. Hospira, Inc.*, 874 F.3d 724, 731 (Fed. Cir. 2017) (split panel upholding finding that patent on antibiotic Invanz was invalid as obvious, despite commercial success); *Roalima, S.A. v. Bohler-Edelstahl GmbH & Co. KG*, 856 F.3d 1019, 1026 (Fed. Cir. 2017) (reversing PTAB obviousness determination on grounds that “[t]he Board has not provided a sufficiently focused identification of the relevant evidence or explanation of its inferences”).

<sup>34</sup> *Owens Corning v. Fast Felt Corp.*, 873 F.3d 896, 903 (Fed. Cir. 2017).

<sup>35</sup> *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1328 (Fed. Cir. 2017) (“The matter is remanded for the Board to issue a final decision under § 318(a) assessing the patentability of the proposed substitute claims without placing the burden of persuasion on the patent owner.”).

<sup>36</sup> *Dennis Crouch, Shore v. Lee*, PATENTLY-O (May 16, 2017), <https://patentlyo.com/tag/affirmed-without-opinion>.

<sup>37</sup> *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-cv-1455-WCB, 2017 U.S. Dist. LEXIS 170825, at \*6 (E.D. Tex. Oct. 16, 2017).

<sup>38</sup> Lorie M. Graham, *An Interdisciplinary Approach to American Indian Economic Development*, 80 N.D. L. REV. 597, 598 (2004) (quoting Ray Halbritter & Steven Paul McSloy, *Empowerment or Dependence? The Practical Value and Meaning of Native American Sovereignty*, N.Y.U. J. INT'L L. & POL. 531, 568 (1994)).



sovereign immunity in order to defeat the pending IPR proceedings in the PTO.<sup>39</sup>

*Ali v. Carnegie Institute of Washington* illustrated sovereign immunity in quite a different context. The plaintiff sought to be added as an inventor to some notable patents on “methods of gene-specific inhibition through the use of double-stranded ribonucleic acid.”<sup>40</sup> “Two of the named co-inventors of the claimed inventions, Dr. Andrew Fire of Carnegie and Dr. Craig C. Mello of the University of Massachusetts, received the Nobel Prize in Medicine in 2006 for these inventions.”<sup>41</sup> But because the University of Massachusetts has sovereign immunity, it could not be added and the suit was dismissed because that indispensable party could not be joined.

*Ericsson* shows some limits on sovereign immunity. The University of Minnesota sought to use sovereign immunity to prevent a challenge to its patents before the PTAB. But the PTAB ruled that the university had waived immunity by bringing infringement actions in federal court based on the same patents.<sup>42</sup> If sovereign immunity can keep patents out of the PTAB only if the owner does not enforce the patents, it is less appealing. In addition, with sovereign immunity comes sovereign responsibility. Some copyright licensors, such as state universities, are restricted in their licensing practices by the constitutional requirement not to discriminate improperly based upon the expressive rights of potential licensees.<sup>43</sup> Discriminatory technology licensing arguably runs afoul of the protections for free expression.

### Scope of Prior Art

The America Invents Act of 2011 made a number of significant changes to patent law, such as switching patent priority from first inventor to first to file and instituting a new system of post-grant challenges in the PTAB.<sup>44</sup> One issue was whether the statute changed the class of references that could bar patent rights. A patent applicant may not claim an invention that has been in

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<sup>39</sup> *Allergan*, 2017 U.S. Dist. LEXIS 170825, at \*10. Additionally, in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*, the Federal Circuit also recently held that “tribal sovereign immunity cannot be asserted in IPR.” 896 F.3d 1322, 1323 (Fed. Cir. 2018).

<sup>40</sup> *Ali v. Carnegie Inst. of Wash.*, 684 F. App’x 985, 987 (Fed. Cir. 2017).

<sup>41</sup> *Id.*

<sup>42</sup> Order Denying Patent Owner’s Motion to Dismiss at \_\_, *Ericsson Inc. v. Regents of the University of Minnesota*, No. IPR2017-01186 at 11 (P.T.A.B. December 19, 2017).

<sup>43</sup> *Cf. Gerlich v. Leath*, 847 F.3d 1005, 1014 (8th Cir. 2017) (“Similar to the university in *Gohn*, ISU followed an unusual trademark approval process with respect to all of NORML ISU’s trademark design applications after the *Des Moines Register* article was published. Moreover, defendants at least implied that the additional scrutiny imposed on NORML ISU was due to the views for which it was advocating. Finally, defendants were motivated at least in part by pressure from Iowa politicians.”).

<sup>44</sup> See MERGES ET AL., *supra* note 27, at 200-206 (discussing first-inventor-to-file priority rules under the America Invents Act); *id.* at 317-324 (discussing post-grant challenges).

“public use” or “on sale” as of the critical date. In plain language, a patent application must claim a new invention, not one already in public use or on sale (or patented or published). The courts have long construed public use to include private uses controlled by the inventor, in order to prevent inventors from dallying before claiming patent rights.<sup>45</sup> The 2011 statute tightened the bar against claiming inventions already in public use or on sale, but added the words “or otherwise available to the public.”<sup>46</sup> Some would construe this as limiting “public use or on sale” to actual public use or public sales.<sup>47</sup> But *Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.* stated that the term would be construed with the same meaning, under the theory that if Congress intended such a sweeping change in the law, it would have done so more clearly.<sup>48</sup>

### Assignor Estoppel

The Federal Circuit has continued to apply the doctrine of assignor estoppel in patent cases.<sup>49</sup> “Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent (or patent application) from later contending that what was assigned is a nullity.”<sup>50</sup> Courts reason that “an assignor should not be permitted to sell something and later to assert that what was sold is worthless.”<sup>51</sup> A patent applicant also signs an oath, affirming their belief that the patent is valid. But it is a live question whether applying the doctrine broadly makes sense today when patent rights are often assigned but not really sold.<sup>52</sup> Employees typically sign over future patent rights when taking a job and the doctrine may protect the employer, who controls the application. An applicant may have no reason to doubt his or her invention’s patentability but may learn later of work in the field that made their invention obvious. Or the applicant may simply have misunderstood the legal effect of the claims in the application, and their relation to the employee’s work. The doctrine creates an implied promise not to contest the patent, which would be nonenforceable if an explicit clause by a licensee under *Lear*.<sup>53</sup> Extending the rationale to licensors would not be a large step.

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<sup>45</sup> See *Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.*, 855 F.3d 1356, 1367 (Fed. Cir. 2017).

<sup>46</sup> *Id.* at 1367–1368.

<sup>47</sup> *Id.* at 1368.

<sup>48</sup> *Id.* at 1370.

<sup>49</sup> *Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275, 1283 (Fed. Cir. 2017) (“In *Diamond Scientific*, we emphasized the continued vitality of the doctrine of assignor estoppel after *Lear*.”).

<sup>50</sup> *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988).

<sup>51</sup> *Id.* at 1224.

<sup>52</sup> A cert. petition was pending as of the end of 2017.

<sup>53</sup> *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969).

## CRISPR-Cas9

The most notable interference proceeding to survive the enactment of the America Invents Act concerned a dispute about the right to patent the basic technology of CRISPR-Cas9 “gene editing” techniques. Decisions in the USPTO and the European Patent Office favored both sets of contenders to a limited extent.<sup>54</sup> Obviousness was the key issue in the USPTO in this proceeding as well.<sup>55</sup> Groups from Berkeley and MIT disputed priority of rights on the key patents on the groundbreaking technique.<sup>56</sup> The USPTO determined that neither party had priority, rather that the applications were on separate inventions.<sup>57</sup> Although the Berkeley group might have invented the use of CRISPR in the DNA of cells, that did not make obvious the invention of the MIT group—how to use CRISPR in eukaryotic cells (such as plant, animal, and fungi).<sup>58</sup> The appeal in *Regents of University of California v. Broad Institute, Inc.* was decided by the Federal Circuit with a ruling in favor of Harvard and MIT and their patents.<sup>59</sup> Rights in other jurisdictions, such as Europe, are also contested.<sup>60</sup>

## Attorney’s Fees in Patent Appeals

An unsuccessful patent or trademark applicant may appeal the USPTO’s decision to the Federal Circuit or to a United States district court. A possible advantage of appealing to the district court is that the party may introduce new evidence,<sup>61</sup> whereas an appeal to the appellate court is limited to the record before the USPTO. The calculus has an unusual element. Some courts have held that even a successful trademark applicant before the district court is obliged to pay the attorney’s fees of the USPTO, under the relevant statutory provision.<sup>62</sup> The ruling on patent cases, however, was later vacated

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<sup>54</sup> Kelly Servick, *Broad Institute takes a hit in European CRISPR patent struggle*, SCIENCE (Jan. 18, 2018), <http://www.sciencemag.org/news/2018/01/broad-institute-takes-hit-european-crispr-patent-struggle> [https://perma.cc/ME2W-7TL8].

<sup>55</sup> *Id.*

<sup>56</sup> *Id.*

<sup>57</sup> *Id.*; see also Kevin E. Noonan, *The CRISPR Chronicles -- Broad Institute Wins One and Loses One*, PATENT DOCS (January 24, 2018), <http://www.patentdocs.org/2018/01/the-crispr-chronicles-broad-institute-wins-one-and-loses-one.html> [https://perma.cc/L35D-KMM8].

<sup>58</sup> No. 106, 048, 2017 WL 657415, at \*2 (P.T.A.B. Feb. 15, 2017).

<sup>59</sup> No. 2017-1907, 2018 WL 4288968 (Fed. Cir. Sept. 10, 2018).

<sup>60</sup> Servick, *supra* note 54.

<sup>61</sup> See *Kappos v. Hyatt*, 566 U.S. 431, 445-46, 132 S. Ct. 1690, 1700-01 (2012) (“For these reasons, we conclude that there are no limitations on a patent applicant’s ability to introduce new evidence in a § 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure.”).

<sup>62</sup> See *Shammas v. Focarino*, 784 F.3d 219, 223 (4th Cir. 2015) (trademark case).

and the Federal Circuit took the case en banc, raising the possibility of differing readings of very similar provisions from the two statutes.<sup>63</sup>

## TRADEMARK

### “Are We Running Out of Trademarks?”

Two law professors issued a detailed empirical study on the possible depletion of potential trademarks.<sup>64</sup> As they put it:

To give a sense of how many of the most frequently used words are thereby claimed, in 2015, 20,024 (23.2%) of the 86,408 most frequently used words in American English were claimed as single-word marks. These 20,024 words account for 74.3% of all word usage. Moreover, 816 of the 1,000 most frequently used words identically matched an active single-word mark, and 6,121 (61.2%) of the 10,000 most frequently used words did so (Table 1). The data also show a steady increase in the proportion of the U.S. population carrying a surname claimed as a single-word trademark (Figure 2). We estimate that at least 55 percent of Americans currently carry a surname that is already claimed as a single-word mark.<sup>65</sup>

The authors found evidence that the diminishment is affecting marketing practices: “Given these conditions, new applicants are increasingly resorting to suboptimal marks. The data indicate that applicants are applying less often for standard English words and common surnames and more often for more complex marks, as measured by character, syllable, and word count.”<sup>66</sup>

So future brand names in a sci-fi novel may indeed be bland terms often used before.

#### 1. *Does My New Body Have a Brand Name?*

Yes! Your new body is known as the Defender Series, XII, “Hercules” model. Technically, it’s known as CG/CDF Model 12, Revision 1.2.11.

JOHN SCALZI, *OLD MAN’S WAR*<sup>67</sup>

Or perhaps some technological development will replace trademarks.

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<sup>63</sup> Nantkwest, Inc. v. Matal, 869 F.3d 1327 (Fed. Cir. 2017).

<sup>64</sup> Barton Beebe & Jeanne Fromer, *Re: Comment on Possible Streamlined Version of Cancellation Proceedings on Grounds of Abandonment and Nonuse*, Docket No. PTO-T-2017-0012 (Aug. 14, 2017) (discussing findings of Beebe & Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*), <https://tushnet.files.wordpress.com/2017/08/beebe-fromer-comment-on-streamlined-proceedings.pdf> [<https://perma.cc/7P9Z-2DND>].

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> JOHN SCALZI, *OLD MAN’S WAR* 84 (Tor ed., 2005).

### Disparaging Marks

The Supreme Court held that the Lanham Act's prohibition against registering disparaging marks is invalid, as an unconstitutional limit on free speech.<sup>68</sup> A rock band composed of Asian musicians adopted the mark "THE SLANTS," appropriating the slur against Asians for their own use.<sup>69</sup> The USPTO rejected the registration as a disparaging term.<sup>70</sup> The Supreme Court ultimately held that the rule against disparaging marks is an overbroad limitation on free speech, unrelated to the goals of trademark protection.<sup>71</sup> "[T]he proudest boast of our free speech jurisprudence is that we protect the freedom to express 'the thought that we hate.'"<sup>72</sup> The Court also rejected the argument that registration of a mark is government speech, which the government has considerable freedom to regulate.<sup>73</sup> The prohibitions against immoral and deceptive matter and marks that bring persons, institutions, or beliefs into contempt or disrepute are all certainly on shaky ground. The Federal Circuit held that, under *Tam*, the bar against registration of "immoral or scandalous" marks is unconstitutional.<sup>74</sup> The cause of action for dilution, especially in its tarnishment variation, has also come into question.<sup>75</sup>

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<sup>68</sup> *Matal v. Tam*, 137 S. Ct. 1744, 1751 (2017).

<sup>69</sup> *Id.* at 1754.

<sup>70</sup> *Id.* at 1751.

<sup>71</sup> *Id.* at 1764–65.

<sup>72</sup> *Id.* at 1764.

<sup>73</sup> *See id.* at 1757 (rejecting arguments "(1) that trademarks are government speech, not private speech, (2) that trademarks are a form of government subsidy, and (3) that the constitutionality of the disparagement clause should be tested under a new 'government-program' doctrine").

<sup>74</sup> *In re Brunetti*, 877 F.3d 1330, 1349 (Fed. Cir. 2017).

<sup>75</sup> *See Rebecca Tushnet, Slightly Cooler Take on Tam*, REBECCA TUSHNET'S 43(B)LOG (June 21, 2017), <http://tushnet.blogspot.com/2017/06/slightly-cooler-take-on-tam.html> [https://perma.cc/ZN4W-TTEA].

## More First Amendment and IP



76

The First Amendment may protect mark owners' right to register, but it may also protect others' rights to use the mark for expression. A student group affiliated with the National Organization for the Reform of Marijuana Laws (NORML) had First Amendment rights to use the trademark of Iowa State University on t-shirts advocating the legalization of marijuana.<sup>77</sup> The university could not establish that use of the mark was government speech, over which it would have greater control.<sup>78</sup>

<sup>76</sup> Exhibit B at 2, *Gerlich v. Leath*, No. 4:14-CV-00264-JEG, 2015 WL 4097755 (S.D. Iowa Jan. 6, 2015), <http://digitalcommons.law.scu.edu/historical/1413/> [<https://perma.cc/434L-HJFP>].

<sup>77</sup> *Gerlich v. Leath*, 847 F.3d 1005, 1014–15 (8th Cir. 2017).

<sup>78</sup> *Id.* at 1015 (“ISU allows approximately 800 student organizations to use its trademarks. Defendants repeatedly stated in their testimony and other record evidence that the university did not intend to communicate any message to the public by licensing ISU trademarks to student groups. Indeed, the university licenses its trademarks to groups that have opposite viewpoints from one another like the Iowa State Democrats and the ISU College Republicans.”).



79

*Handsome Brook Farm, LLC v. Humane Farm Animal Care, Inc.* held that the holder of the Certified Humane mark for chicken egg producers is not free from regulation of its speech.<sup>80</sup> One of its licensees alleged that the certifier inaccurately notified many of the licensee’s customers that its eggs were noncompliant with the Certified Humane standards.<sup>81</sup> That speech, the court held, is commercial speech that receives relatively lower constitutional protection and so could give rise to liability if it amounted to false advertising.<sup>82</sup>

Patent disparagement, in a case of first impression, was held to be protected speech. An Australian court had granted an injunction against a party for characterizing a patent as “stupid” and explaining that opinion.<sup>83</sup> The United States District Court for the Northern District of California held the injunction unenforceable in the U.S. on the grounds that such speech is constitutionally protected:

Statements 1 and 3-4 are statements of opinion, including opinions which constitute rhetorical hyperbole and imaginative expression. The broad context of the article is clearly opinion, as it is a part of EFF’s humorous and pointed “Stupid Patent of the Month” series, and the article includes aggressive language including language referring to GEMSA’s legal activities as “abusive troll litigation.”<sup>84</sup>

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<sup>79</sup> Image of Certified Humane logo, CERTIFIED HUMANE, <https://certifiedhumane.org/> [<https://perma.cc/6HJ8-UX6E>] (last visited Nov. 1, 2018).

<sup>80</sup> *Handsome Brook Farm, LLC v. Humane Farm Animal Care, Inc.*, 700 F. App’x 251 (4th Cir. 2017).

<sup>81</sup> *Id.* at 253.

<sup>82</sup> *Id.* at 262.

<sup>83</sup> *Elec. Frontier Found. v. Glob. Equity Mgmt. (SA) Pty Ltd*, 290 F. Supp. 3d 923, 931 (N.D. Cal. 2017).

<sup>84</sup> *Id.* at 946, 948 (citations omitted).

### First Amendment and Trademarks, Continued



85



86

Empire Distribution, a record label whose music includes hip hop, rap, and R&B, claimed infringement by Fox for its fictional series *Empire* which portrays a fictional hip hop music label.<sup>87</sup> The Ninth Circuit held the use protected, applying the *Rogers* test. “Under the *Rogers* test, the title of an expressive work does not violate the Lanham Act ‘unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.’”<sup>88</sup>

### Nonprotectable Generic Terms



89

<sup>85</sup> Image of Empire Distribution logo, EMPIRE, <http://www.empi.re> (last visited Nov. 1, 2018).

<sup>86</sup> Image of Empire television show logo, FOX, <http://www.fox.com/empire/>.

<sup>87</sup> Twentieth Century Fox TV v. Empire Distribution, Inc., 875 F.3d 1192, 1195 (9th Cir. 2017).

<sup>88</sup> *Id.* at 1196.

<sup>89</sup> Image of Consejo Regulador Del Tequila logo, in John L. Welch, *Precedential No. 1: TTAB Dismisses Opposition to TEQUILA Certification Mark Application*, THE TTABLOG (Jan. 26, 2017), <http://thettablog.blogspot.com/2017/01/precedential-no-1-ttab-dismisses.html>.



One longstanding trademark principle is that the generic term for a product or service cannot be a trademark for that product or service. One seller in a market cannot own the very term her competitors need to denote their product. This applies even where the product is not highly commercial. For example, the term “Universal” has been held generic for the mark of a church.<sup>90</sup> The rule also applies to foreign terms used in the United States, such as the term “Magnesita” for refractory products using magnesite.<sup>91</sup> But this rule does not apply where a foreign term often treated as generic in the United States is in fact not shown to be generic, as was the case with the term “tequila” for that spirit.<sup>92</sup> The Ninth Circuit rejected the argument that “google” had become generic because it is often used as a verb; rather, the key was whether the word was understood to refer to internet search services generally or to that particular provider of internet search services.<sup>93</sup> One court held that it remained a question of fact whether “Comic-Con” is generic for comic book conventions.<sup>94</sup>

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<sup>90</sup> Universal Church, Inc. v. Universal Life Church/Ulc Monastery, 2017 U.S. Dist. LEXIS 127362, at \*22 (S.D.N.Y. Aug. 8, 2017). The court stated:

[F]inding that “universal church” is generic would grant plaintiff a monopoly over the word “universal” as used in church names, a monopoly which plaintiff has already indicated that it would enforce aggressively. See supra n.13 (listing cease-and-desist letters sent by plaintiff). We are persuaded that the trademark law is simply not intended to allow the mark to be weaponized by plaintiff in this way.

*Id.*

<sup>91</sup> See John L. Welch, *CAFC Affirms TTAB: MAGNESITA is Generic for . . . Guess What?*, THE TTABLOG (Nov. 28, 2017), <http://thettablog.blogspot.com/2017/11/cafc-affirms-ttab-magnesita-is-generic.html> [https://perma.cc/ZRN7-NJ7J] (discussing *In re Magnesita Refractories Co.*, No. 16-2345 (Fed. Cir. 2017)).

<sup>92</sup> *Luxco, Inc. v. Consejo Regulador del Tequila, A.C.*, 121 U.S.P.Q.2d 1477 at 21 (T.T.A.B. Jan. 30, 2017) (“In other words, a term that identifies a category of spirit would not be generic if it also serves to identify geographic origin (e.g., a type of spirit from Mexico).”).

<sup>93</sup> *Elliott v. Google, Inc.*, 856 F.3d 1225, 1235 (9th Cir. 2017). The court reasoned:

[V]erb use does not automatically constitute generic use. For instance, Elliott purports to offer an example of generic use by T-Pain, a popular rap music artist. But we will not assume that T-Pain is using the word ‘google’ in a generic sense simply because he tells listeners to ‘google [his] name.’ T-Pain, *Bottlez*, on rEVOLVER (RCA Records 2011). Without further evidence regarding T-Pain’s inner thought process, we cannot tell whether he is using ‘google’ in a discriminate or indiscriminate sense.

*Id.*

<sup>94</sup> David Kravets, “Comic-Con” Trademark May Have to Activate Superpowers to Survive Attack: Epic Intellectual Property Battle: San Diego Comic-Con Versus Salt Lake Comic Con, ARS TECHNICA (Sept. 21, 2017), <https://arstechnica.com/tech-policy/2017/09/comic-con-trademark-may-have-to-activate-superpowers-to-survive-attack/> [https://perma.cc/P5PR-Z8V8] (discussing *San Diego Comic Convention v. Dan Farr Prods.*, No. 14-CV-1865 AJB (JMA), 2017 WL 4227000 (S.D. Cal. Sept. 22, 2017)).

## Arbitration

The PTAB, under constitutional scrutiny in the Supreme Court case *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*,<sup>95</sup> sticks strictly to issues of patent validity, not deciding contract law issues such as the validity of an arbitration clause.<sup>96</sup> In an interesting case, the USPTO's other arm, the Trademark Office, held that an arbitration clause may govern whether some trademark issues, such as ownership, are determined by an arbitrator rather than by the USPTO.<sup>97</sup> A federal appellate court held that the celebrity Kardashian sisters did not have the contractual right to compel arbitration in a cosmetics products dispute: "Like makeup, Florida's doctrine of equitable estoppel can only cover so much. It does not provide a non-signatory with a scalpel to re-sculpt what appears on the face of a contract."<sup>98</sup>

## Licenses

Most trademark agreements govern the use of the mark. In *Chaquico*, the parties (members of a rock n' roll band) agreed to stop using the mark Jefferson Starship after a certain date:

[W]ith respect to the trade name "Jefferson Starship", (hereinafter referred to as "The Name"), it is agreed between us that The Name shall be retired effective immediately, with no individual or group, whether or not a party hereto, to be permitted to use The Name, or any designation substantially similar to The Name, in any way, including without limitation, in connection with records, concerts and merchandising. . . .<sup>99</sup>

Later, some of the band members began performing again under the name Jefferson Starship, allowing for a possible action for breach of contract.<sup>100</sup> Similarly, in the absence of a contract, the American College of Veterinary Sports Medicine and Rehabilitation prevailed over a former key member for ownership of the college's mark, THE AMERICAN COLLEGE

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<sup>95</sup> *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018) ("We address the constitutionality of inter partes review only. We do not address whether other patent matters, such as infringement actions, can be heard in a non-Article III forum.").

<sup>96</sup> See *Ford Motor Company v. Paice LLC & The Abell Foundation, Inc.*, IPR2014-00570 at 6, 2014 WL 4961446 (Sept. 30, 2014) ("The purported "standing" argument raised by Paice, however, relates to a disputed contractual matter that falls outside the purview of our authority under the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).").

<sup>97</sup> *Yufan Hu v. TJ Food Serv., LLC*, 123 U.S.P.Q.2D (BNA) 1777, 1781 (Trademark Trial & App. Bd. August 8, 2017) ("Accordingly, we deem it appropriate to honor the parties' agreement to arbitrate disputes among its members arising under the operating agreement as to who owns the mark (a question turning on the parties' intent).").

<sup>98</sup> *Kroma Makeup EU, LLC v. Boldface Licensing + Branding, Inc.*, 845 F.3d 1351, 1357 (11th Cir. 2017).

<sup>99</sup> *Chaquico v. Freiberg*, 274 F. Supp. 3d 942, 945 (N.D. Cal. 2017).

<sup>100</sup> *Id.* at 948-49.

OF VETERINARY SPORTS MEDICINE AND REHABILITATION.<sup>101</sup> There was not sufficient evidence of intent for the member to have sole ownership of the mark.<sup>102</sup> The public associated the college with the mark and looked to it for quality control, given the college's broad educational and certification programs.<sup>103</sup> Under the same factors, a manufacturer prevailed over its exclusive distributor for the rights to the rFOIL brand.<sup>104</sup>

### Distinctiveness

The color yellow could not be registered as a mark for Cheerios boxes on the grounds that the public did not exclusively associate yellow cereal boxes with Cheerios.<sup>105</sup> FIRST TUESDAY was deemed merely descriptive as a mark for a state lottery.<sup>106</sup>



John Deere trailed nutrient applicator attached to a John Deere tractor.<sup>107</sup>

John Deere & Co.'s "green and yellow color scheme as it is used on John Deere tractors is a 'strong trademark,'" so there was a likelihood of

<sup>101</sup> Lyons v. Am. Coll. of Veterinary Sports Med. & Rehab., 859 F.3d 1023, 1032 (Fed. Cir. 2017).

<sup>102</sup> *Id.*

<sup>103</sup> *Id.* at 1031-32.

<sup>104</sup> Coverttech Fabricating, Inc. v. TVM Bldg. Prods., Inc., 855 F.3d 163, 167-168 (3d Cir. 2017).

<sup>105</sup> In re General Mills IP Holdings II, LLC, 124 U.S.P.Q.2d 1016 at 1028 (T.T.A.B. Aug. 22, 2017).

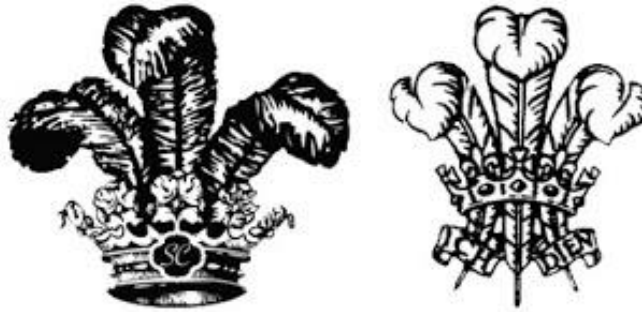
<sup>106</sup> In re N.C. Lottery, 866 F.3d 1363, 1369 (Fed. Cir. 2017). The court concluded the explanatory text accompanying the mark:

[S]imply uses the same two words as the mark—"first Tuesday"—along with words like 'new' and 'every month' to describe the relevant feature or characteristic of N.C. Lottery's scratch-off lottery games. The commercial context here demonstrates that a consumer would immediately understand the intended meaning of FIRST TUESDAY. In other words, the evidence shows that the mark is less an identifier of the source of goods or services and more a description of a feature or characteristic of those goods or services.

*Id.*

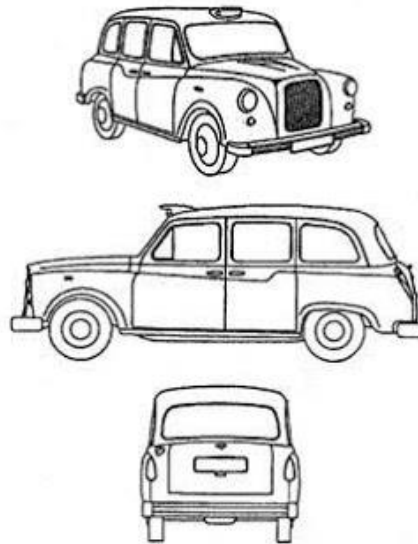
<sup>107</sup> Deere & Co. v. FIMCO Inc., 302 F. Supp. 3d 837, 856 (W.D. Ky. 2017).

confusion when a competitor applied the same color scheme on similar machinery.<sup>108</sup>



109

A design mark for such goods as furniture, dinnerware, and fabrics sold by Shabby Chic was not registrable, as it was found to be too similar to the “official emblem of the Prince of Wales.”



110

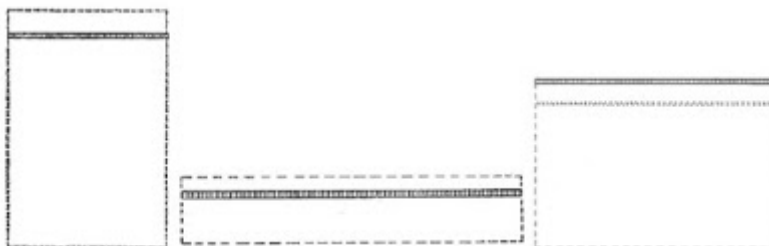
<sup>108</sup> *Deere & Co. v. FIMCO Inc.*, 302 F. Supp. 3d 837, 882, 894 (W.D. Ky. 2017).

<sup>109</sup> Image of Shabby Chic mark and Prince of Wales’s emblem, in John L. Welch, *Keeping Tabs on the TTAB*, THE TTABLOG (Apr. 6. 2017), <https://thettablog.blogspot.com/2017/04/precedential-no-7-ttab-affirms-section.html> [<https://perma.cc/5J7L-RFB7>].

<sup>110</sup> Image of London taxi, in Annsley Merelle Ward, *Arnold J’s latest judgement flags down the iconic (but not distinctive) London black cab*, THE IPKAT, (Feb. 9, 2016),

A UK court denied protection for the famous shape of the London taxi.<sup>111</sup>

### Nonprotected Functional Matter



112

Horizontal ribbing for reclosable plastic bags was denied registration as being functional.<sup>113</sup>



**Trademark Office  
REGISTRATION**

**AERON with  
Adjustable Lumbar**

**AERON with  
PostureFit Lumbar**

114

<http://ipkitten.blogspot.com/2016/02/arnold-js-latest-judgment-flags-down.html>  
[<https://perma.cc/26XV-YD8K>].

<sup>111</sup> *Id.*

<sup>112</sup> Image of plastic bags, in John L. Welch, *Precedential No. 33: TTAB Orders Cancellation of Three Registrations for Bag Closure Configuration Marks Due to Section 2(e)(5) Functionality*, THE TTABLOG (Oct. 20, 2017), <http://thettablog.blogspot.com/2017/10/ttab-orders-cancellation-of-three.html> [<https://perma.cc/6F75-86XA>].

<sup>113</sup> Poly-America, L.P. v. Illinois Tool Works Inc., 124 USPQ2d 1508, 1519-1520 (T.T.A.B. 2017); see also Welch, *supra* note 112.

<sup>114</sup> Image appears at Blumenthal Distrib. v. Herman Miller, Inc., No. ED CV14-01926 JAK (SPx), 2017 U.S. Dist. LEXIS 121041, at \*66 (C.D. Cal. Aug. 1, 2017).

The design of the well-known Aeron chair by Herman Miller Inc. was deemed functional and so not protectable as trade dress.<sup>115</sup>



116

The design of a wind turbine was likewise not protectable as trade dress, in light of its many functional advantages, such that it “generates electricity regardless of wind direction.”<sup>117</sup>

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<sup>115</sup> *Blumenthal Distrib. v. Herman Miller, Inc.*, No. ED CV14-01926 JAK (SPx), 2017 WL 3271706, at \*28 (C.D. Cal. Aug. 1, 2017).

<sup>116</sup> U.S. Trademark Application Serial No. 86046590 (filed August, 23, 2013), [http://tsdr.uspto.gov/#caseNumber=+86046590+&caseSearchType=US\\_APPLICATION&caseType=D EFAULT&searchType=statusSearch](http://tsdr.uspto.gov/#caseNumber=+86046590+&caseSearchType=US_APPLICATION&caseType=D EFAULT&searchType=statusSearch).

<sup>117</sup> *In re Change Wind Corp.*, 123 U.S.P.Q.2d 1453, at 19 (T.T.A.B. July 20, 2017) (quotation from Applicant’s product brochure).

## Lawful Use Required for Registration



118

119

The mark Herbal Access was denied registration in 2016 for lack of “lawful use.”<sup>120</sup> Even in states that may permit marijuana sales, federal laws still prohibit them.<sup>121</sup> That was not changed, in the view of the Trademark Trial and Appeal Board (TTAB), when Congress prohibited use of funds to enforce prohibitions where states have legalized medical marijuana.<sup>122</sup>

In related news, the TTAB refused registration of MARIJUANAVILLE as confusingly similar to Jimmy Buffet’s MARGARITAVILLE.<sup>123</sup> The marks created highly similar commercial impressions of a “chemically induced mental paradise” (notably, a state in which there is a pervasive

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<sup>118</sup> Image of Herbal Access mark, in John L. Welch, *Precedential No. 21: Marijuana Sale Illegal, TTAB Affirms Herbal Access Refusal for Retail Services*, THE TTABlog (July, 18, 2016), <https://thettablog.blogspot.com/search?q=herbal> [https://perma.cc/CCK8-26ZV].

<sup>119</sup> Image of Pharma Cannis mark, in John L. Welch, *Precedential No. 17: TTAB Affirms Refusal of PHARMACANN for Medical Marijuana Services Due to Illegality under CSA*, THE TTABlog (June 19, 2017) <https://thettablog.blogspot.com/2017/06/precedential-no-16-ttab-affirms-refusal.html> [https://perma.cc/U8G5-98N8].

<sup>120</sup> In re Morgan Brown, 119 U.S.P.Q.2d 1350, 16 (T.T.A.B. July 14, 2016) (“Because the evidence that Applicant’s mark is being used in connection with sales of a specific substance (marijuana) that falls within both the services identification and the prohibitions of the CSA is un rebutted, we find that Applicant’s retail store services include sales of a good that is illegal under federal law, and therefore encompasses a use that is unlawful.”).

<sup>121</sup> *Id.*

<sup>122</sup> In re PharmaCann LLC, 123 U.S.P.Q.2d 1122, 24-25 (T.T.A.B. June 16, 2017) (“We must determine the eligibility of marijuana-related marks for federal registration by reference to the CSA as it is written, not as it might be enforced at any point in time by any particular Justice Department. The CSA in its current form makes Applicant’s intended uses of its marks unlawful, and its marks are thus ineligible for federal registration.”).

<sup>123</sup> See David Kluff, *Marijuanaville v. Margaritaville: Registering Trademarks For Chemically Induced Mental Paradises*, TRADEMARK & COPYRIGHT LAW BLOG (Apr. 10, 2017), <http://www.trademarkandcopyrightlawblog.com/2017/04/marijuanaville-v-margaritaville-registering-trademarks-for-chemically-induced-mental-paradises/> [https://perma.cc/PC88-GF8V].

likelihood of confusion).<sup>124</sup> From the same era, both Blues Brothers appeared in trademark cases as well. BELUSHI'S was refused registration for a restaurant business unrelated to John Belushi.<sup>125</sup> Crystal Head Vodka, owned in part by Dan Akroyd, won a trade dress case against a company selling vodka in similarly skull-shaped bottles.<sup>126</sup>

### Mutilation and Phantom Marks



127

In a case highlighting the sometimes alarming jargon of intellectual property, the University of Miami was able to register the design mark above, overcoming issues of “mutilation” (application not representing mark as actually used) and “phantom mark” (application reserving multiple marks by leaving blank space for additional elements).<sup>128</sup>

<sup>124</sup> *Id.*

<sup>125</sup> *In re Beds & Bars Ltd.*, 122 U.S.P.Q.2d 1546, 18 (T.T.A.B. May 5, 2017).

<sup>126</sup> *Globefill Inc. v. Elements Spirits, Inc.*, No. 2:10-cv-02034-CBM (PLAx), 2017 WL 6520589, 2-3 (C.D. Cal. Sep. 8, 2017).

<sup>127</sup> Image of University of Miami design mark, in John L. Welch, *TTAB Reverses Mutilation and Phantom Mark Refusals of U. Miami Ibis Design*, THE TTABLOG (Jun. 8, 2017), <http://thettablog.blogspot.com/2017/06/precedential-no-13-ttab-reverses.html> [https://perma.cc/393U-2BR6].

<sup>128</sup> John L. Welch, *TTAB Reverses Mutilation and Phantom Mark Refusals of U. Miami Ibis Design*, THE TTABLOG (Jun. 8, 2017), <http://thettablog.blogspot.com/2017/06/precedential-no-13-ttab-reverses.html> [https://perma.cc/393U-2BR6].



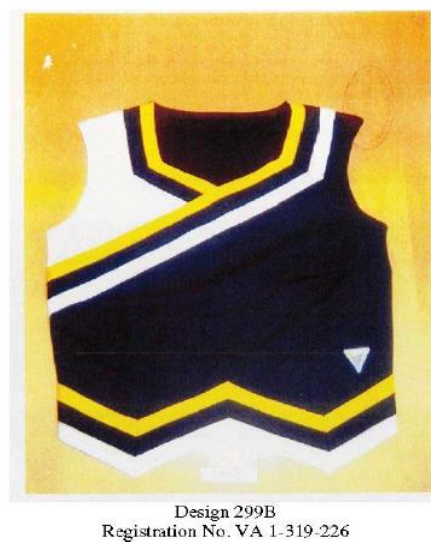
COPYRIGHT

**Nonprotected Functional Matter**

No. 14-5237

*Varsity Brands et al. v. Star Athletica*

Page 4



129

Is the header to a Java application programming interface similar to a cheerleading uniform? That is the question on software copyright after the

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<sup>129</sup> Image of cheerleader uniform designs, *in* Star Athletica, L.L.C. v. Varsity Brands, Inc., 137 S. Ct. 1002, 1017 (2017).

Supreme Court decision in *Star Athletica*.<sup>130</sup> A long-standing issue in copyright, especially important for software, is distinguishing nonprotectable functional matter from protectable expressive matter. In *Star Athletica*, the Supreme Court increased copyright protection for functional works, holding that cheerleader uniform designs are not precluded from protection as functional.<sup>131</sup> The Court upheld copyright in the design of cheerleader uniforms, which consisted primarily of “‘combinations, positionings, and arrangements of elements’ that include ‘chevrons . . . , lines, curves, stripes, angles, diagonals, inverted [chevrons], coloring, and shapes.’”<sup>132</sup> *Star Athletica* replaced a number of vague tests formulated by courts over the years with a single, if elusive, test: “In sum, a feature of the design of a useful article is eligible for copyright if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work either on its own or when fixed in some other tangible medium.”<sup>133</sup> The Court reasoned:

Applying this test to the surface decorations on the cheerleading uniforms is straightforward. First, one can identify the decorations as features having pictorial, graphic, or sculptural qualities. Second, if the arrangement of colors, shapes, stripes, and chevrons on the surface of the cheerleading uniforms were separated from the uniform and applied in another medium—for example, on a painter’s canvas—they would qualify as “two-dimensional . . . works of . . . art,” §101. And imaginatively removing the surface decorations from the uniforms and applying them in another medium would not replicate the uniform itself. Indeed, respondents have applied the designs in this case to other media of expression—different types of clothing—without replicating the uniform. See App. 273–279. The decorations are therefore separable from the uniforms and eligible for copyright protection.<sup>134</sup>

The direct effect is more protection for fashion design, an industry ripe for knock-offs.

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<sup>130</sup> *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002, 1017 (2017).

<sup>131</sup> *Id.* at 1007.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.* at 1012.

<sup>134</sup> *Id.*



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In a similar matter, a fabric design was held protected and infringed.<sup>136</sup>


### Originality Requirement

**281 We Will Overcome** By FTA-CIO Workers Highlander Students

This simple and moving hymn tune becomes especially thrilling when you consider where the song was first sung. It was learned by Zilphia Horton of the Highlander Folk School, in Tennessee, from members of the CIO Food and Tobacco Workers Union. Many a visitor to the south has never forgotten hearing the rich harmonies of some little band, and the determination in these words, even though surrounded on all sides by hate, Jim Crow and all the forces of power and money.

Zilphia writes: "It was first sung in Charleston, S.C., and...one of the stanzas of the original hymn was...we will overcome...At school here they naturally added other verses...Its strong emotional appeal and simple dignity never fails to hit people. It sort of stops them cold silent."





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<sup>135</sup> Image of fabric designs, in Loni Morrow & Catherine Holland, *Urban Outfitters Hit with Willful Copyright Infringement*, KNOBBE MARTENS (May 9, 2017), <https://www.knobbemartens.com/news/2017/05/urban-outfitters-hit-willful-copyright-infringement> [<https://perma.cc/F4CZ-H834>].

<sup>136</sup> *Unicolors, Inc. v. Urban Outfitters, Inc.*, 853 F.3d 980, 983 (9th Cir. 2017).

<sup>137</sup> Image of "We Will Overcome" sheet music, in *We Shall Overcome Found. & Butler Films v. Richmond Org., Inc. (TRO INC.)*, No. 16cv2725(DLC), 2017 U.S. Dist. LEXIS 146228, at \*4 (S.D.N.Y. Sep. 8, 2017).

The copyright of the song “We Shall Overcome” was registered 1960 and renewed in 1988.<sup>138</sup> In a declaratory judgment action brought by filmmakers, the court in 2017 held that a slightly-altered newer version lacks sufficient new creative elements, when compare to such predecessors as “We Will Overcome,” to qualify for copyright.<sup>139</sup> The court noted, “More specifically, the changes of ‘will’ to ‘shall’ and ‘down’ to ‘deep’ and the melodic differences in the opening measures and the seventh measure, do not create a distinguishable variation. These differences represent ‘variations of the piece that are standard fare in the music trade by any competent musician.’”<sup>140</sup>

Other older works will start entering the public domain at the end of 2018, for a different reason:  $1923 + 28 + 28 + 19 + 20 = 2018$ .<sup>141</sup> Patents last about 17 years, so valuable patents expire every year. Hence the “patent dance” discussed above for generic pharmaceuticals entering the market. Copyright, less so. If *Yes! We Have No Bananas* was published with a proper copyright notice in 1923, it would get a copyright term of 28 years (until 1951).<sup>142</sup> A renewal would extend the term by another 28 years (until 1979).<sup>143</sup> Then the 1976 Copyright Act extended the terms of such copyrights by 19 years, until 1998 in this case.<sup>144</sup> In 1998, Congress once again extended copyright by 20 years, giving *Yes! We Have No Bananas* a term expiring in 2019.<sup>145</sup> Other works from that time period will gradually follow, as their copyrights begin to expire.

### Copyright in Standards

The Copyright Act itself is not copyrighted. The copyright statute bars copyright in U.S. governmental works.<sup>146</sup> Courts have expanded the rule to cover other legal documents, such as state judicial opinions. To have copyright in such works would raise real questions of due process and the First Amendment. The question becomes more complex where a private

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<sup>138</sup> *Id.* at \*7–8.

<sup>139</sup> *Id.* at \*35.

<sup>140</sup> *Id.* at \*36 (citation omitted). The parties later settled. See Christopher Melejan, ‘We Shall Overcome’ Is Put in Public Domain in a Copyright Settlement, N.Y. TIMES (Jan. 26, 2018), <https://www.nytimes.com/2018/01/26/business/media/we-shall-overcome-copyright.html> [<https://perma.cc/3YQ3-CKKE>].

<sup>141</sup> See *Public Domain Day: January 1, 2018*, DUKE LAW, <https://law.duke.edu/cspd/publicdomainday/> [<https://perma.cc/6YXG-X79B>].

<sup>142</sup> *Duration of Copyright 2, Circulation 15A.0811*, U.S. COPYRIGHT OFFICE, <https://www.copyright.gov/circs/circ15a.pdf> [<https://perma.cc/Q6TF-WT3E>].

<sup>143</sup> *Id.* at 2.

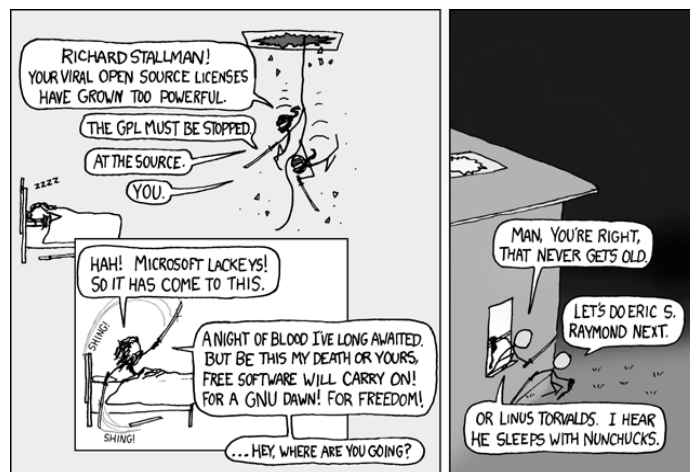
<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

<sup>146</sup> 17 U.S.C § 105 (2012).

entity drafts a statute (such as a model municipal code on a subject) or regulation that is later adopted as law. *Am. Soc’y for Testing & Materials* upheld copyright in “private sector codes and standards [drafted] in order to advance public safety, ensure compatibility across products and services, facilitate training, and spur innovation.”<sup>147</sup> The court rejected a finding of fair use in online posts of such codes and standards by a nonprofit.<sup>148</sup>

### Meaning of “Noncommercial” in Free Licenses



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The above comic appears on the xkcd website. At the bottom of the webpage, a link to details regarding licensing the comic leads to this text:



This work is licensed under a Creative Commons Attribution-NonCommercial 2.5 License.

This means that you are *free* to copy and reuse any of my drawings (noncommercially) as long as you tell people where they’re from.

<sup>147</sup> *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 2017 U.S. Dist. LEXIS 14623, at \*5 (D.D.C. Feb. 2, 2017) *rev’d in part* *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437, 2018 U.S. App. LEXIS 19603, at \*441 (D.C. Cir. July 17, 2018) (citing the district court’s error in applying fair use doctrines).

<sup>148</sup> *Id.* at \*63.

<sup>149</sup> Randall Munroe, *Open Source* (comic), XKCD (Feb. 19, 2007), <https://xkcd.com/225/> [<https://perma.cc/2TWM-ZZUS>].

That is, you don't need my permission to post these pictures on your website (and hotlinking with <img> is fine); just include a link back to this page. Or you can make Livejournal icons from them, but -- if possible -- put xkcd.com in the comment field. You can use them freely (with some kind of link) in not-for-profit publications, and I'm also okay with people reprinting occasional comics (with clear attribution) in publications like books, blogs, newsletters, and presentations. If you're not sure whether your use is *noncommercial*, feel free to email me and ask (if you're not sure, it's probably okay).<sup>150</sup>

A creator may license her work under a free software or open source license to keep the work free of copyright restrictions.<sup>151</sup> The license allows others to use the work without cost, but not to put any resulting work under a restrictive license. Some such licenses limit such uses to noncommercial use, while some deem such a restrictive license not to qualify as free, in the sense of licensing without any restriction. In one of the few cases interpreting such licenses, a noncommercial-use-only open license was held to allow a for-profit copy shop to make copies of a work.<sup>152</sup> The case has implications for the widely used noncommercial-use-only version of the Creative Commons License. It has less importance for free software licenses like the General Public License, which do not contain restrictions on categories of use.<sup>153</sup>

Is it fair use to use a free-licensed work without complying with the terms of the license? One court reasoned that there was no market harm, the

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<sup>150</sup> *License*, XKCD, <https://xkcd.com/license.html> [<https://perma.cc/5MU3-WPRS>] (last visited Oct. 15, 2018) (emphasis added).

<sup>151</sup> Other licensors simply license the work without restriction, allowing others to do as they may with it.

<sup>152</sup> *Great Minds v. FedEx Office & Print Servs.*, No. 16-CV-1462 (DRH)(ARL), 2017 U.S. Dist. LEXIS 26332, \*12–13 (E.D.N.Y. Feb. 24, 2017), *aff'd*, 886 F.3d 91 (2d Cir. 2018). The court examined the limits of such a license:

Nor can the reservation of rights contained in the License be read to preclude a licensee from hiring someone to make copies of the Materials so the licensee can use them for a “noncommercial” purpose. The applicable provision states in relevant part: “To the extent possible, Licensors waives any right to collect royalties from You for the exercise of the Licensed Rights. . . . In all other cases the Licensor expressly reserves any right to collect such royalties, including when the Licensed Material is used other than for NonCommercial Purposes.” Rather, the unambiguous import of this provision is to reserve GM’s right to collect royalties from a licensee if the licensee exceeds the scope of the license by, for example, selling copies of the Materials.

*Id.*

<sup>153</sup> Richard Stallman, *Why Programs Must Not Limit the Freedom to Run Them*, GNU, <https://www.gnu.org/philosophy/programs-must-not-limit-freedom-to-run.html> (“Free software means software controlled by its users, rather than the reverse. Specifically, it means the software comes with four essential freedoms that software users deserve. At the head of the list is freedom 0, the freedom to run the program as you wish, in order to do what you wish.”).

work having been released for free.<sup>154</sup> If fair use allows the use of free-licensed works without complying with the license terms, some could be dissuaded from offering to share their works under free licenses. Moreover, the quid pro quo for using such works is the benefit from compliance, such as attribution to the author. Lack of attribution could then be a cognizable harm (as opposed to other reputational harms flowing from fair uses such as criticism and commentary).

### Secondary-ish Copyright Infringement

Amazon was not liable for copyright infringement where Amazon provided third-party sellers the use of Amazon's "logistical network."<sup>155</sup> Amazon stores the goods for sellers then ships them off when sold on the Amazon site.<sup>156</sup> Amazon did not distribute the goods by sale (necessary for infringement) because title of the goods does not pass from Amazon to the buyer.<sup>157</sup> The court rejected arguments that Amazon was akin to a consignee and so should be treated as selling the goods.<sup>158</sup>

A provider of USENET bulletin board services was not liable for infringing postings by its users where there "were no simple measures available that Giganews failed to take to remove Perfect 10's works from its servers."<sup>159</sup> By contrast, using volunteer moderators for an internet service could be posting by the service itself, as opposed to posting photos on the site by users.<sup>160</sup> The service was not protected by the statutory immunity applicable to content posted by users.<sup>161</sup>

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<sup>154</sup> *Philpot v. Media Research Ctr. Inc.*, 279 F. Supp. 3d 708, 720 (E.D. Va. 2018). The court reasoned:

Plaintiff argues that defendant's failure to attribute the Kid Rock and Chesney Photographs diminished the future value of plaintiff's photographs because attribution would make plaintiff famous, thereby making his Photographs more valuable "probably after [he] die[s]." Pl. Dep. 36:12-22. This argument is unpersuasive because the Supreme Court has recognized that courts evaluating the fourth fair use factor should consider whether a particular use "produce[s] a harm cognizable under the Copyright Act." *Campbell*, 510 U.S. at 591. For example, the Supreme Court in *Campbell* noted that because "there is no protectable derivative market for criticism," courts should not consider harm to the market for parodies in evaluating the fourth fair use factor. *Id.* These principles, applied here, point persuasively to the conclusion that future harm caused by lack of attribution should similarly be disregarded in evaluating the fourth fair use factor.

*Id.*

<sup>155</sup> *See Milo & Gabby LLC v. Amazon.com, Inc.*, 693 F. App'x 879, 881, 885-91 (Fed. Cir. 2017).

<sup>156</sup> *Id.* at 881.

<sup>157</sup> *Id.* at 886-87.

<sup>158</sup> *Id.* at 887-88.

<sup>159</sup> *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 671 (9th Cir. 2017).

<sup>160</sup> *Mavrix Photographs, LLC v. LiveJournal, Inc.*, 853 F.3d 1020, 1031 (9th Cir. 2017).

<sup>161</sup> *Id.* at 1030-31.

## Fair Use

Courts have resisted extending doctrines like first sale to digital copies of works. In the 2013 *Redigi* case, an intermediary's online sales of copies of music was held not to be a protected first sale of the copy, but rather the making of more infringing copies (one to upload, one to download).<sup>162</sup> In a different case, the Ninth Circuit rejected what it deemed a form-over-substance process to avoid copyright in streaming.<sup>163</sup> VidAngel purchased movies on DVDs to stream them to users for one dollar.<sup>164</sup> VidAngel characterized the transaction as selling the disc to the user for \$20 and then repurchasing it for \$1, all the while maintaining physical possession of the disc, so the user was streaming their own copy.<sup>165</sup> The court held that fair use did not apply.<sup>166</sup> First, VidAngel did not use an authorized copy of the movie; it rather circumvented both access and copying controls in order to make a digital copy from the DVD for streaming.<sup>167</sup> Nor was the use transformative, because editing out content did not transform the work—and in any case users typically requested little or no editing and instead simply watched the movie.<sup>168</sup> Nor did the company's actions qualify for time-shifting as under *Sony*, because that case involved consumers copying a movie on their own VCRs for the consumers' later use.<sup>169</sup>

A small amount of copying from a song into a musical? Fair use.<sup>170</sup> Copying software code with minimal expressive content? There may be infringement.<sup>171</sup> Using a YouTube video to critique it? Fair use.<sup>172</sup>

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<sup>162</sup> *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 655 (S.D.N.Y. 2013). The court held the first sale defense is:

[L]imited to material items, like records, that the copyright owner put into the stream of commerce. Here, ReDigi is not distributing such material items; rather, it is distributing *reproductions* of the copyrighted code embedded in new material objects, namely, the ReDigi server in Arizona and its users' hard drives. The first sale defense does not cover this any more than it covered the sale of cassette recordings of vinyl records in a bygone era.

*Id.*

<sup>163</sup> *See Disney Enters. v. VidAngel, Inc.*, 869 F.3d 848, 862 (9th Cir. 2017).

<sup>164</sup> *Id.* at 854.

<sup>165</sup> *Id.*

<sup>166</sup> *Id.* at 862.

<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 861.

<sup>169</sup> *Id.* at 862.

<sup>170</sup> *Corbello v. DeVito*, 262 F. Supp. 3d 1056, 1078 (D. Nev. 2017).

<sup>171</sup> *See, e.g., Oracle Am., Inc. v. Google LLC*, 886 F.3d 1179 (Fed. Cir. 2018).

<sup>172</sup> *Hosseinzadeh v. Klein*, 276 F. Supp. 3d 34, 46-47 (S.D.N.Y. 2017). In this case, the court investigated the ever-popular YouTube video genre of reaction videos:

Here, it is clear to the Court that the Klein video does not serve as a market substitute for the Hoss video; anyone seeking to enjoy "Bold Guy v. Parkour Girl" on its own will have a very different experience watching the Klein video, which responds to and transforms the Hoss video from a



Incorporating an old newspaper article in a news report? Not necessarily fair use.<sup>173</sup>



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Artist Richard Prince was largely successful in a past lawsuit, arguing that fair use protected his incorporation of photographs into his art.<sup>175</sup> But his tweeting of similar photographs was held not to qualify as fair use as a matter of law, rather requiring further factual determinations.<sup>176</sup>

### Limits on Copyright

Internet streaming services failed to convince a court to extend to them the compulsory license for retransmission by cable systems.<sup>177</sup> Copyright law, like patent law, continues to see questions regarding the international reach of U.S. intellectual property rights. If the infringing conduct occurs outside the United States, then the mere fact that it was supported by some

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skit into fodder for caustic, moment-by-moment commentary and mockery. Because the Klein video does not “offer [] a substitute for the original,” it does not (and indeed, cannot) “usurp a market that properly belongs to the copyright-holder.”

*Id.* (quoting *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 110 (2d Cir. 1998)).

<sup>173</sup> *Hirsch v. CBS Broad. Inc.*, 2017 U.S. Dist. LEXIS 123468, at \*21-22 (S.D.N.Y. Aug. 4, 2017).

<sup>174</sup> Donald Graham, *Rastafarian Smoking a Joint* (photograph), DONALD GRAHAM, <https://donaldgraham.com/PORTTRAITS/5> (last visited Oct. 17, 2018).

<sup>175</sup> See *Cariou v. Prince*, 714 F.3d 694, 712 (2d Cir. 2013).

<sup>176</sup> *Graham v. Prince*, 265 F.3d 366, 390 (S.D.N.Y. 2017).

<sup>177</sup> *Fox Television Stations, Inc. v. AereoKiller, LLC*, 851 F.3d 1002, 1015 (9th Cir. 2017).

conduct within the U.S. will not trigger liability under the U.S. copyright statute.<sup>178</sup>

### **Discharge in Bankruptcy**

Is liability for copyright infringement dischargeable in bankruptcy? Liability for “willful and malicious injury” is not dischargeable in bankruptcy.<sup>179</sup> Where a defendant knowingly participated in broad-ranging infringement through unauthorized access to television programming, hefty statutory damages applied and were held nondischargeable.<sup>180</sup>

### **When Registration Occurs**

A U.S. author must register a copyright before filing an infringement suit. The federal courts of appeals have split on the issue of “whether registration occurs when an owner files an application to register the copyright or when the Register of Copyrights registers the copyright.”<sup>181</sup> Registration may occur upon filing, or may occur only when the Copyright Office acts.

## **TRADE SECRETS**

### **Computer Fraud and Abuse Act**

The Computer Fraud and Abuse Act (CFAA) is often the tool of choice for parties complaining of trade secret misappropriation, and for broader theories aimed at any “unauthorized” use of computers.<sup>182</sup> A furniture company switching email systems issued the password “Password1” to all employees.<sup>183</sup> One manager used the password to enter other employee accounts, taking screenshots of hundreds of emails.<sup>184</sup> When sued under the CFAA, the employee contended that there had not been the \$5,000 in losses required to trigger liability under the terms of the statute, because there was no interruption of service, although there had been funds spent to investigate the problem. Courts have differed on what the phrase “interruption of

<sup>178</sup> *Geophysical Serv., Inc. v. TGS-NOPEC Geophysical Co.*, 850 F.3d 785, 799–800 (5th Cir. 2017).

<sup>179</sup> 11 U.S.C. § 523(a)(6) (2012).

<sup>180</sup> *China Cent. Television v. Bhalla (In re Bhalla)*, 573 B.R. 265, 281 (Bankr. M.D. Fla. 2017).

<sup>181</sup> *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 856 F.3d 1338, 1339 (11th Cir. 2017); *see also* *Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, 606 F.3d 612, 619 (9th Cir. 2010) (registration occurs on filing); *La Resolana Architects, Pa. v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1197 (10th Cir. 2005) (registration occurs upon approval of application).

<sup>182</sup> *See* *United States v. Nosal*, 676 F.3d 854, 857 (9th Cir. 2012) (“The government’s interpretation would transform the CFAA from an anti-hacking statute into an expansive misappropriation statute.”).

<sup>183</sup> *Brown Jordan Int’l, Inc. v. Carmicle*, 846 F.3d 1167, 1171 (11th Cir. 2017).

<sup>184</sup> *Id.*

service” modifies in the statute’s definition.<sup>185</sup> The statutory definition of loss in the CFAA is lengthy, and its last phrase dangles ambiguously:

[T]he term “loss” means any reasonable cost to any victim, including the cost of responding to an offense, conducting a damage assessment, and restoring the data, program, system, or information to its condition prior to the offenses, and any revenue lost, cost incurred, or other consequential damages incurred because of interruption of service.<sup>186</sup>

The court followed the narrower reading, that “interruption of service” does not qualify “cost incurred” (here, the investigation costs).<sup>187</sup>

The employee argued also that the costs of investigation—“an extensive forensic and physical review” of the company’s systems—were not caused by his actions.<sup>188</sup> He told them how he had accessed the information: using the password “Password1” issued to all employees.<sup>189</sup> The court held that, since he refused access to his laptop, the company was reasonable in making a thorough investigation.<sup>190</sup>

### Import Bars

Lawyers increasingly use International Trade Commission (ITC) proceedings (which may be more streamlined than litigation, although without big damage awards) to seek import bans on products made using trade secrets. A 25-year ban on imports from a trade secret misappropriation case survived review by the Federal Circuit.<sup>191</sup> The court declined to simply look at the length of bans imposed in other cases, and rather looked to the relevant policies:

In an attempt to rebut the Commission’s decision to impose a 25-year exclusion order in this case, Organik Kimya points to various cases to support its assertion

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<sup>185</sup> See *Nosal*, *supra* note 182, at 862 (“We remain unpersuaded by the decisions of our sister circuits that interpret the CFAA broadly to cover violations of corporate computer use restrictions or violations of a duty of loyalty; see also *United States v. Rodriguez*, 628 F.3d 1258 (11th Cir.2010); *United States v. John*, 597 F.3d 263 (5th Cir.2010); *Int’l Airport Ctrs., LLC v. Citrin*, 440 F.3d 418 (7th Cir.2006).”).

<sup>186</sup> 18 U.S.C. § 1030(e)(11) (2012).

<sup>187</sup> 846 F.3d at 1174. The court parsed the definition as follows:

We agree with the Fourth and Sixth Circuits. The plain language of the statutory definition includes two separate types of loss: (1) reasonable costs incurred in connection with such activities as responding to a violation, assessing the damage done, and restoring the affected data, program system, or information to its condition prior to the violation; and (2) any revenue lost, cost incurred, or other consequential damages incurred because of interruption of service.

*Id.*

<sup>188</sup> *Id.* at 1174–75.

<sup>189</sup> *Id.*

<sup>190</sup> *Id.* at 1171.

<sup>191</sup> *Organik Kimya, San. V. Tic. A.S.*, 848 F.3d 994 (Fed. Cir. 2017).

that exclusion orders in trade secret misappropriation cases typically last five to ten years. As Organik Kimya itself recognizes, however, the Commission bases the time period of a limited exclusion order on a “reasonable research and development period” or an “independent development time” for the trade secrets at issue. . . . The length of the exclusion order therefore depends on the trade secrets at issue and evidence in the record, not the particular length of exclusion orders in other cases.<sup>192</sup>

The immunity for online service providers may limit remedies for trade secret misappropriation by their users. Under the Communications Decency Act, 47 U.S.C. Section 230, a U.S. court declined to enforce a Canadian injunction requiring Google to delete search results pages showing products made with purloined trade secrets.<sup>193</sup>

### **Preclusive Effect of ITC Rulings**

A patent decision by the ITC does not bind a court in subsequent proceedings. But, with respect to trade secrets (where federal courts do not have exclusive jurisdiction), courts will apply preclusion.<sup>194</sup>

### **Not All “Proprietary Information” Is a Trade Secret**

As every year, courts resisted trade secret claims in internal documents without a showing of value from secrecy and reasonable security measures.<sup>195</sup>

IP rights may depend on local practices, as in a trade secret case brought by a Sarasota boat builder. The information at issue—suppliers’ names and production costs—were readily determined due to local industry practices, and so did not qualify as trade secrets.<sup>196</sup> Perhaps (see *Margaritaville* discussion above) people may be sociable and less concerned with legalities.

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<sup>192</sup> *Id.* at 1005.

<sup>193</sup> *Google LLC v. Equustek Sols. Inc.*, No. 5:17-cv-04207-EJD, 2017 U.S. Dist. LEXIS 182194 (N.D. Cal. Nov. 2, 2017).

<sup>194</sup> *Manitowoc Cranes LLC v. Sany Am. Inc.*, 2017 U.S. Dist. LEXIS 202860, at \*6 (E.D. Wis. Dec. 11, 2017) (citing *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 46 (2d Cir. 1985)).

<sup>195</sup> The court emphasized the need to specifically identify claimed trade secrets:

Here, Deaconess has done nothing more than provided a general recitation that the documents in question satisfy the elements constituting a trade secret and then made a conclusory statement that disclosure of the documents would provide competitors with an advantage. Deaconess has failed to identify anything “unique or distinctive” about its policies and procedures that are different from those employed by other competitors in the healthcare market.

*Borum v. Smith*, No. 4:17-CV-00017-JHM, 2017 U.S. Dist. LEXIS 91127, at \*7 (W.D. Ky. June 14, 2017).

<sup>196</sup> *Yellowfin Yachts, Inc. v. Barker Boatworks, LLC*, 237 F.3d 1230, 1244 (M.D. Fla. 2017). The court summarized:

### Patents and Trade Secrets

In another repeating theme, a court rejected (without prejudice to amend the complaint) trade secret claims on the grounds that the relevant information had been disclosed in a patent and no additional specific trade secret refinement of the invention had been shown.<sup>197</sup>

### Amending Complaint

Where a trade secret complaint is dismissed without prejudice, the plaintiff may succeed by amending it to include specific trade secret information. In *Space Data Corp. v. X*, “the Court [found] that the TAC provides sufficient allegations that make it plausible that Space Data’s purported trade secrets— ‘hover algorithm,’ ‘thermal management techniques,’ and the ‘altitude control and monitoring system’—were preserved as confidential under the NDA.”<sup>198</sup>

### Databases

Trade secret law grows in importance in the age of data (and the nonpatentability of natural DNA sequences). A valuable database of deer DNA was protected by an injunction:

NADR’s [North American Deer Registry’s] member list, deer genetic information, and deer lineages are its trade secrets. NADR expended significant time and effort in creating its Registry. Cassidy and Lyon each recognized that no other deer registry has as many as 230,000 animals. Further, NADR took significant steps to keep its biological materials, genetic information, genotype analysis data, and membership directory secret. NADR’s efforts have been memorialized in three contracts it had with DNAs and in the previous agreements of the North American Deer Farmers Association and Texas Deer Association.<sup>199</sup>

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Yellowfin alleges that Kevin Barker, who downloaded several hundred files from Yellowfin’s main server on his last day at Yellowfin, misappropriated secret supplier and customer information. But a supplier’s identity is well-known, and Barker Boatworks lacks the size and history to secure a discount from a supplier. And Barker learned Yellowfin’s production costs in the ordinary course of business at Yellowfin. No reasonable jury could conclude that the supplier information is a trade secret.

*Id.*

<sup>197</sup> *AutoTrakk, LLC v. Auto. Leasing Specialists, Inc.*, 2017 U.S. Dist. LEXIS 106188, 18-19 (M.D. Pa. July 10, 2017), *aff’d*, 898 F.3d 1279 (11th Cir. 2018).

<sup>198</sup> Order Denying Defendants’ Motion to Dismiss Third Amended Complaint, *Space Data Corp. v. X*, No. 16-cv-03260-BLF (N.D. Cal. Dec. 18, 2017).

<sup>199</sup> *N. Am. Deer Registry, Inc. v. DNA Sols., Inc.*, 2017 U.S. Dist. LEXIS 84687, at \*20–21 (E.D. Tex. June 2, 2017).

**Reverse Engineering Prohibitions**

Reverse engineering software, contrary to a clause in the relevant license, may be breach of contract, but not necessarily support for an injunction.<sup>200</sup>

**Security Measures**

Reasonable security measures are necessary to create legal protection for trade secrets. Such measures may be shown without proving that the security was never breached.<sup>201</sup>

**Arbitration**

An employer that files a trade secret action may thereby waive its contractual right to pursue the matter in arbitration.<sup>202</sup>

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<sup>200</sup> SAS Inst., Inc. v. World Programming Ltd., 874 F.3d 370, 388-389 (4th Cir. 2017).

<sup>201</sup> United States v. Liew, 856 F.3d 585, 601 (9th Cir. 2017).

<sup>202</sup> George L. Kanabe & Tierra Piens, *USE IT OR LOSE IT! Enforce Your Arbitration Agreement or Waive Your Right to Arbitrate Your Trade Secret Misappropriation Claims*, ORRICK (Nov. 9, 2017), <https://blogs.orrick.com/trade-secrets-watch/> [http://perma.cc/2A2J-XQFK]\_(discussing AFS Logistics, LLC v. Cochran, No. 3:16-cv-3139, 2017 U.S. Dist. LEXIS 181081 (M.D. Tenn. 2017)).

