

RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

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This year has been another busy one for intellectual property litigation with the U.S. Supreme Court reviewing circuit court decisions in historically high numbers. The level of activity and attention paid to these decisions in the legal and general press reflect the expanding significance of intellectual property to the wealth of nations and commerce, as well as the disruptive influence that rapid technological developments are having upon long-established, conventional business models. The following is a review of selected decisions rendered over the past year with particularly meaningful impact on U.S. patent, trademark, and copyright laws.

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I. PATENT LAW

A. *Supreme Court Patent Cases*

The U.S. Supreme Court reshaped patent law through a number of major decisions last year, addressing subject matter eligibility, attorney fees, indefiniteness, divided infringement, and the burden of persuasion in declaratory judgment actions.

In January 2014, the Court decided *Medtronic, Inc. v. Mirowski Family Ventures, LLC*,¹ holding that the burden of proving infringement remains with the patentee in a declaratory judgment action. By easing the burden on the licensee in a declaratory judgment action, the Court increased the incentive to bring such an action, if warranted. In *Mirowski*, the Court held that when a licensee seeks a declaratory judgment of non-infringement against a patentee, the burden of proving infringement remains with the patentee.² Here, the license provided that the licensee, upon receiving notice from the licensor that a new product infringed a licensed patent, could seek a declaratory judgment of invalidity and non-infringement, depositing any disputed royalties in an escrow account pending resolution of the case.³ Following a dispute, the licensee sought such a declaratory judgment.⁴ The trial court concluded that the licensor had the burden of showing patent infringement.⁵ Because it failed to carry this burden, the licensee was entitled to a declaratory judgment.⁶ The Federal Circuit reversed, holding that when a licensor-patentee is a declaratory judgment defendant and a license agreement prevents the patentee from asserting a counterclaim of infringement, the licensee bears the burden of showing noninfringement.⁷

The Supreme Court disagreed, reversing the Federal Circuit and holding that the burden of persuasion is with the patentee.⁸ The Court reasoned that the burden of proving infringement generally rests upon the patentee.⁹ Furthermore, the Court noted that the substantive rights of the parties are not affected by the operation of the Declaratory Judgment Act (DJA) and that the burden of proof is a substantive aspect of a claim.¹⁰ Thus, the Court concluded that the burden of persuasion remains with

1. 134 S. Ct. 843 (2014).

2. *Id.* at 846.

3. *Id.* at 846–47.

4. *Id.* at 847.

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.* at 849.

9. *Id.*

10. *Id.*

the patentee.¹¹ Furthermore, shifting this burden could create uncertainty about the scope of the patent or unnecessarily complicate litigation.¹² Finally, burden shifting in this case would make the declaratory judgment procedure disadvantageous, contrary to the purpose of the DJA.¹³ The Court distinguished *Schaffer v. Weast*,¹⁴ relied on by the Federal Circuit, as not concerning a declaratory judgment case.¹⁵

In April 2014, the Court decided *Highbark Inc. v. Allcare Health Management Systems, Inc.*¹⁶ and *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*,¹⁷ revising the standard for finding cases exceptional under the attorney fee-shifting provision of 35 U.S.C. § 285.¹⁸ The Court interpreted this section to permit district courts to determine “exceptional” cases as an exercise of discretion, considering the totality of the circumstances, and rejected the existing framework used by the Federal Circuit. This decision may increase the likelihood of attorney fee awards in patent cases and may increase the variability in awarding such fees among jurisdictions.

In deciding *Octane Fitness*, the Court addressed the definition of an “exceptional case,” one in which attorney fees may be awarded to the prevailing party.¹⁹ Previously, in *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*,²⁰ the Federal Circuit held that deeming a case “exceptional” under § 285 required both subjective bad faith and objective baselessness, absent litigation misconduct or misconduct in securing the patent.²¹ Here, the defendant moved for attorney fees under § 285 following summary judgment of noninfringement.²² The district court denied this motion, determining that the defendant could prove neither objective baselessness nor subjective bad faith, and the Federal Circuit affirmed this judgment.²³

Reversing the judgment of the Federal Circuit, the Supreme Court rejected the *Brooks Furniture* approach as unduly rigid and held “that an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering

11. *Id.*

12. *Id.* at 849–50.

13. *Id.* at 850.

14. 546 U.S. 49 (2005).

15. *Mirowski*, 134 S. Ct. at 850.

16. 134 S. Ct. 1744 (2014).

17. 134 S. Ct. 1749 (2014).

18. The court in exceptional cases may award reasonable attorney fees to the prevailing party. See 35 U.S.C.A. § 285 (West 2014).

19. See 134 S. Ct. at 1753.

20. 393 F.3d 1378 (Fed. Cir. 2005).

21. *Octane Fitness*, 134 S. Ct. at 1753.

22. *Id.* at 1755.

23. *Id.*

both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.”²⁴ The Court held that district courts may exercise their discretion in determining whether a case is exceptional considering the totality of the circumstances,²⁵ and litigants need not prove entitlement to attorney fees under § 285 by clear and convincing evidence.²⁶ The Court determined that § 285 imposes no specific evidentiary burden, much less such a high one.²⁷

In deciding *Highmark*, the Court addressed whether a district court’s exceptional-case determination, based on a finding of objective baselessness, is subject to de novo review.²⁸ Here, the Federal Circuit reversed in part the exceptional-case determination of the district court, reviewing its objective-baselessness determination de novo and without deference.²⁹ Applying the holding of *Octane Fitness*, the Court held that “because § 285 commits the determination whether a case is ‘exceptional’ to the discretion of the district court, that decision is to be reviewed on appeal for abuse of discretion.”³⁰

The Court also decided several major cases in June 2014. In *Alice Corp. v. CLS Bank International*,³¹ the Court applied the analytical framework from *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*³² to hold that a computer-implemented technique for managing financial risk was directed to a patent-ineligible “abstract idea.”³³ Although the Court found the technique “squarely within the realm of ‘abstract ideas,’” it expressly refrained from providing a test for determining whether an invention is directed to an abstract idea.³⁴ As subsequent lower court decisions implement the *Mayo* standard, the contours of this category of abstract ideas may become more definite.

The asserted patent claims in *Alice* concerned a computer-implemented technique for mitigating “settlement risk,” the risk that only one party to a financial transaction will satisfy its obligations.³⁵ On summary judgment, the district court found all of the asserted claims patent-ineligible as directed to an abstract idea.³⁶ A panel of the Federal Circuit reversed, holding that it was not “manifestly evident” that the claims

24. *Id.* at 1755–56.

25. *Id.* at 1756.

26. *Id.* at 1758.

27. *Id.*

28. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1746–47 (2014).

29. *Id.* at 1747.

30. *Id.* at 1748–49.

31. 134 S. Ct. 2347 (2014).

32. 132 S. Ct. 1289 (2012).

33. *Alice Corp.*, 134 S. Ct. at 2353–55.

34. *Id.* at 2357.

35. *Id.* at 2352.

36. *Id.* at 2353.

are directed to an abstract idea.³⁷ Rehearing the case en banc, the Federal Circuit issued a split decision vacating the panel decision and affirming the district court's judgment of ineligibility.³⁸

The Supreme Court affirmed the en banc judgment of the Federal Circuit.³⁹ First, the Court noted that laws of nature, natural phenomena, and abstract ideas are patent-ineligible under judicially created exceptions to 35 U.S.C. § 101.⁴⁰ The Court determined that these exceptions prevent patents from preempting fields of innovation and impeding innovation.⁴¹ But the Court also noted the potential for excessive application of these judicial exceptions, as all inventions concern abstract ideas at some level.⁴² Therefore, the Court applied the *Mayo* framework to “distinguish[] patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.”⁴³ Applying the first step in the *Mayo* framework, the Court concluded that the claims were directed to the abstract idea of intermediated settlement.⁴⁴ Analogizing to the claimed subject matter in *Bilski v. Kappos*,⁴⁵ the Court reasoned that “[l]ike the risk hedging in *Bilski*, the concept of intermediated settlement is ‘a fundamental economic practice long prevalent in our system of commerce.’”⁴⁶ Although declining to define precisely the category of abstract idea, the Court found “no meaningful distinction between the concept of risk hedging in *Bilski* and the concept of intermediated settlement at issue here.”⁴⁷ Both concepts were “squarely within the realm of ‘abstract ideas’ as we have used that term.”⁴⁸ Applying the second step in the *Mayo* framework, the Court found that the claims at issue did not involve an “inventive concept” sufficient to transform the claimed abstract idea into a patent-eligible application of the idea.⁴⁹ According to the Court, “mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention,” nor can limiting the use of an abstract idea “to a particular technological environment.”⁵⁰ Here, considering each claim

37. *Id.*

38. *Id.*

39. *Id.* at 2354.

40. *Id.*

41. *Id.*

42. *See id.*

43. *Id.* at 2355.

44. *Id.*

45. 561 U.S. 593 (2010).

46. *Alice Corp.*, 134 S. Ct. at 2356 (quoting *Bilski*, 561 U.S. at 611 (internal quote marks omitted)).

47. *Id.* at 2357.

48. *Id.*

49. *Id.* at 2357–60.

50. *Id.* at 2358 (quoting *Bilski*, 561 U.S. at 610–11 (internal quote marks omitted)).

element separately, the claimed methods required no more than a generic computer performing generic computer functions.⁵¹ Viewed as a whole, the method claims “simply recite the concept of intermediated settlement as performed by a generic computer.”⁵² Nor did they improve the functioning of the computer itself or effect an improvement in any other technology or technical field.⁵³ The Court concluded that the system and computer-readable medium claims were likewise patent-ineligible because they were no different in substance from the method claims.⁵⁴ Writing in concurrence, Justice Sotomayor, joined by Justices Ginsburg and Breyer, advocated the view that “any ‘claim that merely describes a method of doing business does not qualify as a “process” under § 101.’”⁵⁵

The Court also decided in June *Nautilus, Inc. v. Biosig Instruments, Inc.*,⁵⁶ rejecting the Federal Circuit’s current indefiniteness standard as impermissibly amorphous.⁵⁷ The Court instead held “that a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”⁵⁸ As lower court decisions give definition to this new standard, this decision may increase the availability of indefiniteness as a defense.

Here, the asserted patent was directed to a heart rate monitor for use during exercise and claimed two electrodes “mounted . . . in spaced relationship with each other.”⁵⁹ The district court construed “spaced relationship” to mean a defined relationship without reference to the width of the electrodes and granted a motion for summary judgment that the term, as construed, was indefinite under 35 U.S.C. § 112(b).⁶⁰ The Federal Circuit reversed and remanded, stating that a claim is indefinite only when it is “not amenable to construction” or “insolubly ambiguous.”⁶¹ Applying this standard and considering the intrinsic evidence and record before the U.S. Patent and Trademark Office (USPTO) on reexamination, the Federal Circuit concluded that the patent was not indefinite.⁶²

The Supreme Court vacated the judgment of the Federal Circuit, however.⁶³ The Court recognized that some degree of uncertainty is inevita-

51. *Id.* at 2359.

52. *Id.* at 2359–60.

53. *Id.* at 2359.

54. *Id.* at 2360.

55. *Id.* at 2360–61 (Sotomayor, J., concurring).

56. 134 S. Ct. 2120 (2014).

57. *Id.* at 2131.

58. *Id.* at 2124.

59. *Id.* at 2125–26.

60. *Id.* at 2127.

61. *Id.*

62. *Id.*

63. *Id.* at 2128.

ble because of the inherent limitations of language.⁶⁴ But the Court also reasoned that a patent must be “precise enough to afford clear notice of what is claimed,” and a meaningful definiteness requirement eliminates the temptation to inject ambiguity into the claims.⁶⁵ In addition, the patent drafter is best positioned to resolve ambiguities in the claims.⁶⁶ The Court therefore remanded the case for consideration of the claim term “spaced relationship,” using a test consistent with its opinion.⁶⁷

Finally, in June the Court decided *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, rejecting the Federal Circuit’s modified standard for induced infringement and confirming that a defendant may not be held liable for inducing patent infringement under 35 U.S.C. § 271(b), absent a direct infringer of the patent.⁶⁸ Although this decision confirms a more ascertainable standard for determining infringement, it assumes without deciding the correctness of the Federal Circuit decision in *Muniauction, Inc. v. Thomson Corp.*,⁶⁹ leaving the controversial issue of divided infringement unresolved.

In *Limelight*, the asserted patent was directed to a method of delivering Internet content.⁷⁰ The defendant carried out several of the steps claimed in the asserted patent but instructed its customers to perform one of the steps.⁷¹ Although a jury found the asserted patent infringed, the district court subsequently granted a motion for judgment as a matter of law in view of the Federal Circuit’s decision in *Muniauction*.⁷² A panel of the Federal Circuit affirmed, explaining that direct infringement of a patent requires an agency relationship between the parties that perform the patent steps or a contractual obligation to perform the patent steps.⁷³ Rehearing the case en banc, the Federal Circuit reversed, concluding that the evidence could support a judgment of induced infringement and distinguishing between requiring proof of direct infringement and requiring proof that a single party would be liable as a direct infringer.⁷⁴

The Supreme Court reversed the judgment of the Federal Circuit and remanded the case.⁷⁵ Assuming that *Muniauction* was correctly decided, the

64. *Id.*

65. *Id.* at 2129.

66. *Id.*

67. *Id.* at 2131.

68. 134 S. Ct. 2111, 2115 (2014).

69. 532 F.3d 1318 (Fed. Cir. 2008).

70. *Limelight*, 134 S. Ct. at 2115.

71. *Id.*

72. *Id.* at 2115–16. In *Muniauction, Inc. v. Thomson Corp.*, the Federal Circuit held that “where the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party.” 532 F.3d at 1329.

73. *Limelight*, 134 S. Ct. at 2116.

74. *Id.* at 2116–17.

75. *Id.* at 2120.

Court noted that the asserted patent had not been infringed because performance of the patent's steps was not attributable to the same defendant.⁷⁶ Because there was no direct infringement, the Court held that there could be no inducement of infringement: the defendant could not be liable for inducing infringement that never came to pass.⁷⁷ Acknowledging the concern that would-be infringers could evade liability by dividing performance of a method patent's steps, the Supreme Court described "such an anomaly" as the result of the Federal Circuit decision in *Muniauction* and stated that "a desire to avoid *Muniauction*'s natural consequences does not justify fundamentally altering the rules of inducement liability."⁷⁸

B. Federal Circuit Patent Cases

The Federal Circuit also issued notable decisions this year, addressing the proper standard of review for claim construction, involuntary joinder of patent co-owners, procedural questions relating to the America Invents Act (AIA) covered business method (CBM) review, and the first precedential decision implementing the new *Alice* standard for abstract ideas.

In February 2014, the Federal Circuit decided *Lighting Ballast Control LLC v. Philips Electronics North America Corp.*,⁷⁹ holding that claim construction is purely a matter of law subject to de novo appellate review.⁸⁰ The majority opinion, concurrence, and dissent discuss the policy issues surrounding such deference in detail. The impact of this case may be short-lived, however, as *Teva Pharmaceuticals USA v. Sandoz, Inc.*,⁸¹ currently before the Supreme Court, also concerns this issue. A decision in *Teva* is forthcoming.

In *Lighting Ballast*, the district court construed the patent claim term "voltage source means" as corresponding to a class of structures, not as a means-plus-function limitation under 35 U.S.C. § 112(f).⁸² The district court then entered judgment for Lighting Ballast following a jury trial.⁸³ On appeal, a panel of the Federal Circuit reviewed the district court's claim construction without deference, holding that the term "voltage source means" invoked means-plus-function claiming and was invalid for indefiniteness because the specification disclosed no corresponding structure.⁸⁴

76. *Id.* at 2117.

77. *Id.*

78. *Id.* at 2119–20.

79. 744 F.3d 1272 (Fed. Cir. 2014).

80. *Id.* at 1276–77.

81. 723 F.3d 1363 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 1761 (2014).

82. *Lighting Ballast Control, LLC v. Philips Elecs. N. Am. Corp.*, 498 F. App'x 986, 987 (Fed. Cir. 2013).

83. *Id.* at 987.

84. *Id.*

The Federal Circuit then granted rehearing en banc to reconsider the standard of appellate review of claim construction and confirmed the existing standard of review.⁸⁵ According to the majority, proponents of alternative standards had not demonstrated that subsequent developments had undermined the standard, experience had demonstrated the standard's ready workability, and no one had proposed a workable replacement standard.⁸⁶ A more deferential standard of review might prevent the uniform treatment of a given patent and result in the forum shopping that the Federal Circuit was created to avoid.⁸⁷ Judge Lourie concurred, noting the Supreme Court's holding that claim construction is a question for the court; the potential for conflicting claim constructions in different cases; and the analogous nature of claim construction to the interpretation of other legal instruments, such as contracts and statutes.⁸⁸

Judge O'Malley dissented, joined by Chief Judge Rader and Judges Reyna and Wallach. Judge O'Malley argued that stare decisis did not prevent the court from adopting a new standard⁸⁹ because overruling the old standard would not upset the settled expectations of the legal community,⁹⁰ the old standard misapprehended Supreme Court precedent⁹¹ and contravened Federal Rule of Civil Procedure 52,⁹² and overruling the old standard was justified on practical grounds.⁹³ Judge O'Malley concluded that although the ultimate question of claim meaning should remain subject to de novo review, the court should defer to the district court's factual findings needed to resolve claim construction disputes unless clearly erroneous.⁹⁴

In April 2014, the Federal Circuit decided *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*,⁹⁵ holding that it lacked jurisdiction to hear an appeal of a decision to not institute an inter partes review.⁹⁶ Here, the petitioner sought inter partes review of a patent.⁹⁷ The Patent Trial and Appeal Board, as delegatee of the USPTO director, denied the petition, explaining that a previously filed counterclaim barred institution of the review.⁹⁸ The defendant appealed this noninstitution decision, contend-

85. *Lighting Ballast Control*, 744 F.3d at 1276–77.

86. *Id.* at 1281–86.

87. *Id.* at 1286.

88. *Id.* at 1292–95 (Lourie, J., dissenting).

89. *Id.* at 1316 (O'Malley, J., dissenting).

90. *Id.* at 1298–1302.

91. *Id.* at 1302–07.

92. *Id.* at 1307–10.

93. *Id.* at 1310–14.

94. *Id.* at 1317–18.

95. 749 F.3d 1373 (Fed. Cir. 2014).

96. *Id.* at 1377.

97. *Id.* at 1375.

98. *Id.*

ing that the court had subject matter jurisdiction and that the statute did not bar immediate review.⁹⁹ The court determined that appeals were authorized only from the final written decision of the board under 35 U.S.C. § 318(a).¹⁰⁰ The court stated that the statute did not authorize the appeal of a noninstitution decision to the court but instead barred such an appeal.¹⁰¹ Accordingly, the court determined that it lacked jurisdiction to hear the appeal.¹⁰² Rejecting the argument that 28 U.S.C. § 1295(a)(4)(A) provided the court with jurisdiction, the court found that the provision was “most naturally read” to refer to the final decision on the merits.¹⁰³

In June 2014, the Federal Circuit decided *STC.UNM v. Intel Corp.*,¹⁰⁴ confirming that a co-owner of a patent had a substantive right to impede an infringement suit brought by another co-owner, a substantive right that trumped the procedural rule for involuntary joinder under Federal Rule of Civil Procedure 19(a). Here, the patent was co-owned by STC.UNM (STC), a wholly owned licensing arm of the University of New Mexico.¹⁰⁵ STC filed suit alleging infringement of the patent, but the other co-owner refused to join in the suit.¹⁰⁶ The district court granted a motion to dismiss filed by the defendant, relying on *Ethicon, Inc. v. U.S. Surgical Corp.*¹⁰⁷ to rule that the other co-owner had the right to impede STC’s action by refusing to join and thus defeat STC’s standing.¹⁰⁸

On appeal, the Federal Circuit rejected the argument that Rule 19(a) required the involuntary joinder of the company¹⁰⁹ because rules of procedure “must give way to substantive patent rights.”¹¹⁰ The court held that the substantive right of a co-owner to impede an infringement suit by another co-owner “trumps the procedural rule for involuntary joinder under Rule 19(a).”¹¹¹ The court noted two recognized exceptions to the rule: (1) an exclusive licensee can involuntarily join a patent owner, and (2) a co-owner that has agreed to waive the right to refuse joinder can be forced to join an infringement suit; but the court stated that neither scenario applied in the present case.¹¹² Accordingly, the court affirmed

99. *Id.*

100. *Id.*

101. *Id.* at 1376.

102. *Id.*

103. *Id.*

104. 754 F.3d 940, 941–42 (Fed. Cir. 2014).

105. *Id.* at 941–42.

106. *Id.* at 942, 946.

107. 135 F.3d 1456 (Fed. Cir. 1998).

108. *STC.UNM*, 754 F.3d at 943–44.

109. *Id.* at 946.

110. *Id.*

111. *Id.*

112. *Id.*

the district court's dismissal of STC's infringement action for lack of standing.¹¹³ Judge Newman dissented, citing statute, the rule, and case law to argue that the panel holding was a departure from precedent that deprived STC of the judicial determination of the asserted infringement, thwarting the processes of law.¹¹⁴

In July 2014, the Federal Circuit decided *VirtualAgility Inc. v. Salesforce.com, Inc.*,¹¹⁵ providing guidance on the AIA factors for determining whether to stay district court litigation during a CBM review. The court reversed the order of the district court denying a motion to stay pending a CBM review of the motion and remanded the case with instructions to grant the motion, holding that the district court abused its discretion in denying the motion.¹¹⁶ Here, the petitioner, together with the other defendants, was sued for infringement.¹¹⁷ In May 2013, the petitioner sought a CBM review and, together with the other defendants, filed a motion to stay all district court proceedings pending such review.¹¹⁸ While the motion to stay was pending, the district court set the claim construction hearing date for April 2014 and the trial date for November 2014.¹¹⁹ The board subsequently instituted method CBM review of all claims of the asserted patent under multiple, separate grounds in November 2013, setting a trial date at the board for July 2014.¹²⁰ In January 2014, the district court denied the motion to stay.¹²¹

On appeal, the Federal Circuit held that the district court's denial would be reversed even under an "abuse of discretion" standard.¹²² The court then considered each of the four factors listed in the AIA for deciding whether to grant a stay pending review.¹²³ First, the court considered whether the stay would simplify the issues and streamline the trial and whether the stay would reduce the burden of litigation on the parties and the court.¹²⁴ The court determined that the first and fourth factors weighed heavily in favor of a stay. Therefore, the court held that the district court clearly erred in finding that the first factor was neutral or slightly against a stay and that the fourth factor weighed only slightly in favor of a stay.¹²⁵ The court found that reviewing the decision

113. *Id.* at 947.

114. *Id.* at 947–51 (Newman, J., dissenting).

115. 759 F.3d 1307 (Fed. Cir. 2014).

116. *Id.* at 1320.

117. *Id.* at 1308–09.

118. *Id.* at 1309.

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.* at 1310.

123. *Id.* at 1310–20.

124. *Id.* at 1310–15.

125. *Id.* at 1313.

of the board to institute CBM review constituted an error as a matter of law, characterizing such review as an improper collateral attack on the institution decision.¹²⁶ Setting aside this improper review, the court concluded that the remaining evidence weighed heavily in favor of a stay, finding it significant that the board had determined that all claims were more likely than not unpatentable on separate, alternative grounds.¹²⁷ Next, the court considered whether discovery was complete and a trial date set, concluding that this second factor also heavily favored a stay.¹²⁸ According to the court, it was not error for the district court to wait until the board made its decision to institute before ruling on the motion to stay.¹²⁹ The court also held that the date of the motion was the relevant time to measure the stage of litigation.¹³⁰ In this case, according to the court, the second factor weighed heavily in favor of a stay, even as of the date the board granted CBM review.¹³¹ Finally, the court considered the potential undue prejudice to the nonmovant or the tactical advantage to the requestor resulting from a stay. The court held that this third factor was clearly erroneous.¹³² The court reasoned that evidence of competition between the patentee and petitioner was weak, and the patentee's claim that it would be unduly prejudiced by a stay was undermined by its delays in pursuing suit and seeking preliminary injunctive relief.¹³³ Because three of the four factors weighed heavily in favor of a stay and the fourth factor weighed, at best, slightly in favor of denying a stay, the court concluded that the district court had abused its discretion in denying the stay.¹³⁴ Judge Newman dissented, concluding that the district court's denial was within its discretion and warranted appellate respect.¹³⁵

In September 2014, the Federal Circuit applied the framework from *Alice* and *Mayo* to hold claims directed to creating a contractual relationship patent ineligible. In *buySAFE, Inc. v. Google, Inc.*,¹³⁶ the Federal Circuit affirmed the district court's grant of a motion for judgment on the pleadings that the asserted claims were directed to patent-ineligible subject matter.¹³⁷ In *buySAFE*, the asserted claims concerned methods and computer-readable media for providing performance guarantees for

126. *Id.*

127. *Id.* at 1314.

128. *Id.* at 1315.

129. *Id.* at 1315–16.

130. *Id.* at 1316–17.

131. *Id.* at 1317.

132. *Id.* at 1318.

133. *Id.* at 1320.

134. *Id.*

135. *Id.* at 1321–27 (Newman, J., dissenting).

136. 765 F.3d 1350 (Fed. Cir. 2014).

137. *Id.* at 1351.

online commercial transactions.¹³⁸ The district court explained that the asserted patent “describes a well-known, and widely understood concept—a third party guarantee of a sales transaction—and then applied that concept using conventional computer technology and the Internet.”¹³⁹ On appeal, the Federal Circuit applied the test from *Alice* to determine whether the claims were directed to patentable subject matter.¹⁴⁰ The court explained that this two-stage inquiry considered (1) whether the claims were directed to a judicial exception and (2) whether the claims lacked additional elements ensuring that the patent concerns something significantly more than the ineligible subject matter itself.¹⁴¹ The claim elements must be examined “both individually and as an ordered combination.”¹⁴²

Addressing the first stage of the inquiry, the court noted that the Supreme Court has found an abstract idea in contractual relations constituting fundamental economic practices long prevalent in our system of commerce.¹⁴³ The court determined that in this case, the asserted claims concerned creating a contractual relationship “that is beyond question of ancient lineage.”¹⁴⁴ According to the court, the recitation of particular familiar types of such relationships in the dependent claims does not change the analysis, and “[t]he claims thus are directed to an abstract idea.”¹⁴⁵ Addressing the second stage of the inquiry, the court held that the claims recited generic and limited computer functionality.¹⁴⁶ The fact that the guaranteed transactions were online transactions was insufficient; such narrowing was at best an insufficient attempt to narrow the claims to a particular technological environment.¹⁴⁷ Accordingly, the court affirmed the district court’s finding that the asserted claims were invalid under 35 U.S.C. § 101.¹⁴⁸

II. TRADEMARK LAW

During recent months, the Supreme Court, as well some of the appellate courts, has issued opinions addressing and shaping trademark law as applied to a variety of subjects, such as product labeling, standing

138. *Id.* at 1351–52.

139. *Id.* at 1352.

140. *Id.* at 1352–55.

141. *Id.* at 1353.

142. *Id.*

143. *Id.* at 1353–54. The court noted, however, that even a business method claim may be patentable if it passes the second stage of the inquiry. *Id.*

144. *Id.* at 1355.

145. *Id.*

146. *Id.*

147. *Id.*

148. *Id.*

requirements for actions under the Lanham Act, preliminary injunction standards, asset restraint injunction standards, and false advertising.

A. *Supreme Court Trademark Cases*

*POM Wonderful LLC v. Coca-Cola Co.*¹⁴⁹ brought about an interesting development when the Supreme Court determined that a private party may file an action under the Lanham Act¹⁵⁰ to challenge a product label that is regulated by the Federal Food, Drug, and Cosmetic Act (FDCA).¹⁵¹ POM brought suit under § 43(a) of the Lanham Act, alleging that the label of Coca-Cola's Minute Maid product was misleading and deceptive.¹⁵² It claimed that Minute Maid makes a juice blend sold as pomegranate blueberry but that contains only 0.3 percent pomegranate juice and 0.2 percent blueberry juice.¹⁵³ POM sought damages and injunctive relief alleging that Coca-Cola's label deceives consumers into believing that the product consists predominantly of pomegranate and blueberry juice.¹⁵⁴

The Ninth Circuit held that the Lanham Act claim was precluded by the FDCA, which forbids misleading information on food labels.¹⁵⁵ In discussing the Lanham Act (Act), the court looked into the statement of purposes, which indicates that the intent of the Act was to regulate commerce by making actionable misleading use of marks in commerce and to protect people engaged in such business against unfair competition.¹⁵⁶ Thus, the Act contains a cause of action for competitors, rather than consumers, for unfair competition through misleading advertising or labeling.¹⁵⁷

The Supreme Court overturned the Ninth Circuit and stated that neither the Lanham Act nor the FDCA expressly forbids or limits the Lanham Act claims regarding labels regulated by the FDCA.¹⁵⁸ The Court explained that the language of the Lanham Act is particularly broad because it subjects to suit any person who "misrepresents the nature, characteristics, qualities or geographic origin" of the goods or services in question.¹⁵⁹ According to the Court, no other provisions limit or govern the interaction between the two laws.¹⁶⁰ Thus, the Court held that bever-

149. 134 S. Ct. 2228 (2014).

150. 15 U.S.C. § 1125 (2014).

151. 21 U.S.C. §§ 321(f), 331 (2014).

152. *POM Wonderful LLC*, 134 S. Ct. at 2233.

153. *Id.*

154. *Id.* at 2235.

155. 21 U.S.C. §§ 301, 403 (2014).

156. 15 U.S.C. § 1127 (2014).

157. 15 U.S.C. § 1125(a)(1).

158. *POM Wonderful LLC*, 134 S. Ct. at 2237.

159. 15 U.S.C. § 1125(a).

160. *POM Wonderful LLC*, 134 S. Ct. at 2237.

age and food labels regulated by the FDCA are not off limits to Lanham Act claims because there are no textual provisions in either statute that bar unfair competition claims.¹⁶¹ The Court further affirmed that because the Food and Drug Administration did not necessarily pursue enforcement in all cases of objectionable labeling, precluding the Lanham Act claims would indirectly leave the public with less protection.¹⁶²

Another Supreme Court case is the latest episode of a sprawling litigation between a printer manufacturer and a company that makes components for the remanufacture of printer cartridges. In *Lexmark International, Inc. v. Static Control Components, Inc.*,¹⁶³ the Supreme Court had to decide whether Static had standing to sue Lexmark for false or misleading advertising under § 43(a) of the Lanham Act. Lexmark, which designs its laser printers so that they work only with its own style of cartridges, established a program called “Prebate,” in which customers would get a discount if they returned the used toner cartridges to the company.¹⁶⁴ These cartridges contained a microchip used to disable the empty one unless Lexmark replaced it.¹⁶⁵ On the other hand, Static makes and sells parts for the remanufacture of Lexmark cartridges and also developed a microchip that imitated Lexmark’s chip, which allowed remanufacturers to keep refurbishing and reselling Lexmark’s used toner cartridges.¹⁶⁶ Lexmark sued Static for copyright infringement, and Static counterclaimed under § 43(a) of the Lanham Act.¹⁶⁷ Static claimed that Lexmark used false or misleading advertising and that it had caused lost sales and damages to its business reputation.¹⁶⁸

The district court held that Static lacked “prudential standing” to bring the Lanham Act claim, mainly because, under the test set forth in *Associated General Contractors of California, Inc. v. State Council of California Carpenters*,¹⁶⁹ there were more direct plaintiffs, like the remanufacturers of Lexmark’s cartridges. Moreover, Static’s injuries were remote because it was a “byproduct of the supposed manipulation of consumers’ relationships with remanufacturers.”¹⁷⁰

The Sixth Circuit looked at the competing approaches to standing used in several other circuits. In applying the Second Circuit’s reasonable interest test, the Sixth Circuit reversed the district court’s decision because

161. *Id.*

162. *Id.* at 2239.

163. 134 S. Ct. 1377 (2014).

164. *Id.* at 1383.

165. *Id.*

166. *Id.* at 1384.

167. 15 U.S.C. § 1125(a) (2014).

168. *Lexmark*, 134 S. Ct. at 1384.

169. 459 U.S. 519 (1983).

170. *Lexmark*, 134 S. Ct. at 1385.

Static alleged a distinguishable interest in its business reputation and sales.¹⁷¹ In addition, Static sufficiently alleged that its interests were harmed by Lexmark's statements to remanufacturers that Static was engaged in illegal conduct.¹⁷²

In determining whether Static falls within the class of plaintiff authorized to sue under § 43(a) of the Act, the Supreme Court focused on two background principles in interpreting the statute: the zone of interests and proximate causality.¹⁷³ The Court found that the Act's goals of making actionable the deceptive and misleading use of marks in commerce and protecting people engaged in such business against unfair competition were relevant to false association cases.¹⁷⁴ The Court thus held that a plaintiff must allege an injury to a commercial interest in reputation or sales.¹⁷⁵ The Court reaffirmed the Sixth Circuit's decision upon stating that plaintiffs suing under § 43(a) of the Act must show that their injury stems from the defendant's deception and that such deception causes consumers to withhold business from the plaintiffs.¹⁷⁶ Thus, Static comes within the class of plaintiffs authorized to sue under § 43.¹⁷⁷

B. *Federal Circuit Trademark Cases*

The Federal Circuit issued two noteworthy opinions, both stating that a party seeking a preliminary injunction under the Lanham Act¹⁷⁸ must demonstrate that irreparable harm is likely to occur. In *Ferring Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.*¹⁷⁹ and *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*,¹⁸⁰ the Third and Ninth Circuits, respectively, determined that a plaintiff in a trademark infringement or false advertising lawsuit seeking a preliminary injunction must prove the likelihood of irreparable harm.¹⁸¹ In doing so, the circuits joined other courts that have stated that *eBay Inc. v. MercExchange, L.L.C.*,¹⁸² a patent decision, applies to all other cases governed by the traditional principles of equity because the decision about whether to grant or deny injunctive relief rests within the discretion of the

171. *Id.*

172. *Id.* (citing *Static Control Components, Inc. v. Lexmark Int'l, Inc.*, 697 F.3d 387, 411 (6th Cir. 2012)).

173. *Id.* at 1388.

174. *Id.* at 1389.

175. *Id.* at 1390.

176. *Id.* at 1391.

177. *Id.* at 1393.

178. 15 U.S.C. §§ 1051–41 (2014).

179. 765 F.3d 205 (3d Cir. 2014).

180. 736 F.3d 1239 (9th Cir. 2013).

181. *Ferring Pharms.*, 765 F.2d at 218; *Herb Reed Enters.*, 736 F.2d at 1251.

182. 547 U.S. 388 (2006).

court.¹⁸³ Therefore, a presumption of irreparable harm would be a major departure from these principles.¹⁸⁴ Other courts, nonetheless, have not addressed uniformly the question as to whether the *eBay* case should apply to trademark law.

In a counterfeited products case, the Second Circuit analyzed equitable authority claims in connection with the issuance and validity of an asset freeze injunction.¹⁸⁵ In *Gucci America Inc. v. Bank of China*,¹⁸⁶ several luxury goods manufacturers, including Balenciaga, Bottega Veneta, and Yves Saint Laurent, joined forces to protect their intellectual property and stop counterfeiters from marketing fake versions of their respective products over the Internet. The plaintiffs had identified unauthorized parties selling counterfeit versions of their products, which were advertised as guaranteed authentic.¹⁸⁷ The defendants also utilized pictures of genuine products on websites even though consumers received counterfeited versions.¹⁸⁸ Bank of China, a nonparty appellant, opposed the plaintiffs' efforts to freeze the defendants' assets so that the profits from the alleged counterfeiting could be recovered.¹⁸⁹

Although the general rule is that district courts have no authority to issue a prejudgment asset freeze pursuant to Federal Rule of Civil Procedure 65 where such relief was not "traditionally accorded by courts of equity," the Second Circuit joined her sister circuits in holding that district courts have authority to issue a prejudgment asset restraint injunction seeking an accounting against allegedly infringing defendants in Lanham Act cases.¹⁹⁰

In a false advertising case, the Second Circuit affirmed the presumption of consumer confusion and injury in cases where literal falsity and deliberate deception had been proven. In *Merck Eprova AG v. Gnosis S.p.A.*,¹⁹¹ Merck sued Gnosis, its direct competitor in the production, marketing, and sales of a "folate product"; Merck sold a pure version while Gnosis sold a lesser, synthetically manufactured mixture of the product.¹⁹² Between 2006 and 2009, Gnosis represented through its brochures, product sheets, and other marketing material that its product was a "pure" version, which it sold to six customers directly and indirectly.¹⁹³ The Southern

183. *Ferring Pharms.*, 765 F.2d at 216; *Herb Reed Enters.*, 736 F.2d at 1249.

184. *Ferring Pharms.*, 765 F.2d at 215; *Herb Reed Enters.*, 736 F.2d at 1249.

185. 768 F.3d 122, 129 (2d Cir. 2014).

186. *Id.*

187. *Id.* at 125.

188. *Id.*

189. *Id.*

190. *Id.* at 131.

191. 760 F.3d 247 (2d Cir. 2014).

192. *Id.* at 252–23.

193. *Id.* at 253.

District of New York held that Merck had established Gnosis's liability for false advertising under § 43 of the Lanham Act.¹⁹⁴

The Second Circuit stated that a plaintiff in a Lanham Act action could prove actual confusion or that the defendant's actions were intentionally deceptive.¹⁹⁵ Once that is proven, a rebuttable presumption of confusion arises, for which the defendant then had to actively present evidence that there was no consumer confusion.¹⁹⁶ The court asserted that Gnosis's marketing materials were literally false because they described the products the way the "pure" product is described and failed to refer to the mixed nature of its product.¹⁹⁷ This was implicitly misleading because customers would believe that they were purchasing a pure product rather than a mixed one.¹⁹⁸

Gnosis argued that the presumption of injury was only applicable in cases where there was comparative advertising and the competing product was mentioned by name.¹⁹⁹ After analyzing a series of opinions from the Second Circuit, the *Merck* court held that even if the case was not a comparative advertising one, injury could be presumed.²⁰⁰ The court relied on *Time Warner Cable, Inc. v. DIRECTV*, a case in which a presumption of irreparable harm had been upheld even when the comparative advertising did not mention the competitor by name. In the context of a two-player market, consumers in the area would understand that the statements referred to the competitor.²⁰¹ Inasmuch as Merck and Gnosis were the only direct competitors in their product's market, the court stated that Gnosis's false advertising damaged Merck.²⁰² The Second Circuit held that in the context of a two-player market such as Merck and Gnosis, when the plaintiff has proved deliberate deception, it is appropriate to activate a presumption of injury even if the defendant's advertising does not name the competitor's product by name.²⁰³

On the other hand, there was an interesting set of facts and allegations in *Fortres Grand Corp. v. Warner Bros. Entertainment Inc.*²⁰⁴ The Seventh Circuit dealt with the reverse confusion theory when a software company filed a lawsuit against Warner Brothers for using the words "the clean

194. *Id.* (citing *Merck Eprova AG v. Gnosis S.p.A.*, 901 F. Supp. 2d 436, 442 (S.D.N.Y. 2012)).

195. *Id.* at 261.

196. *Id.*

197. *Id.* at 256–57.

198. *Id.* at 258–59.

199. *Id.* at 259.

200. *Id.* at 260–61.

201. 497 F.3d 144 (2d Cir. 2007).

202. *Merck Eprova AG*, 760 F.3d at 260.

203. *Id.* at 261.

204. 763 F.3d 696 (7th Cir. 2014).

slate” to describe a hacking program in *The Dark Knight Rises*, the third installment of the Batman movie trilogy.²⁰⁵

Fortres Grand developed and sold a desktop management program called “Clean Slate,” which is used to protect public access computers by wiping away any user changes made to a shared computer.²⁰⁶ According to Fortres, after the words “clean slate” appeared in the film, the company noticed a steep decrease in its sales and alleged that Warner’s use of those words could cause confusion in consumers.²⁰⁷ The district court relied on the “similarity of the products” factor and concluded that Fortres failed to state a claim because its software and Warner’s film were so dissimilar that confusion was implausible.²⁰⁸

Fortres appealed, arguing the reverse confusion theory, essentially alleging that the senior user’s products were being mistaken as originating from the junior user.²⁰⁹ It contended that the proper product to compare its program was the fictional software in the movie made by the also fictional company Rykin Data Corporation.²¹⁰ Nonetheless, the Seventh Circuit rejected the assertion, taking into account that in the few previous cases that dealt with the “similarity of the products” factor where one of products was fictional, the likelihood of confusion analysis centered around the senior user’s product and a junior user’s creative work—and not on a fictional product included within the junior user’s creative work.²¹¹ Relying on the Supreme Court’s emphasis on confusion about the origin, sponsorship, or approval of the “tangible product sold in the marketplace,”²¹² the court stated that the correct comparative product was the film, and the question was whether the products were the kind that the public attributes to a single source.²¹³

Fortres failed to convince the court that there was confusion regarding the source of a utilitarian security software program based solely on the use of a mark within the context of a movie and two related websites.²¹⁴ The Seventh Circuit asserted that Fortres alleged no facts that would make it plausible that a superhero movie and a desktop management

205. *Id.* at 698.

206. *Id.* at 699.

207. *Id.* at 699–700.

208. *Id.* at 702.

209. *Id.* at 701.

210. *Id.* at 702.

211. *Id.*

212. *Id.* (quoting *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 31 (2003)).

213. *Id.* at 703 (quoting *McGraw-Edison Co. v. Walt Disney Prods.*, 787 F.2d 1163, 1169 (7th Cir. 1986)).

214. *Id.* Warner denied that it created the websites; however, for the purposes of the appeal, Fortres Grand’s allegations that Warner created the websites were being construed as true. *Id.*

software program were “goods related in the minds of consumers in the sense that a single producer is likely to put out both goods.”²¹⁵ Moreover, Fortres’s allegations of reverse confusion were considered just as implausible in light of the remaining factors of the test of likelihood of confusion.²¹⁶ As to the similarity of the marks, the court stated that it was not enough because trademark law protects the source-denoting function of the words used in conjunction with goods or services in the marketplace and not the words themselves.²¹⁷

Another software-related case dealt with trademark abandonment, the dot.com boom of the 1990s, and a popular smartphone operating system. In *Specht v. Google, Inc.*,²¹⁸ Erich Specht formed Android Data Corporation (ADC) and designed a suite of e-commerce software to be licensed to clients.²¹⁹ ADC also provided web-based and computer consulting services.²²⁰ In 2002, Specht obtained registration with the USPTO for “Android Data.”²²¹ But by the end of the year, Specht transferred all of ADC’s assets, including the “Android Data” mark, to another of his wholly owned companies, the Android’s Dungeon, Inc. (ADI).²²²

After 2002, Specht limited his business activities and let the company’s URL (androiddata.com) lapse in 2005.²²³ However, in 2007, he tried to revive the use of the “Android Data” mark by sending mass emails to potential clients with the mark, but his attempts were unsuccessful.²²⁴ In 2009, he reopened his website with a slightly different URL (android-data.com) and assigned the “Android Data” mark to ADI, retroactive to December 2002.²²⁵ While Specht’s business struggled, another technology start-up calling itself Android, Incorporated began developing what is now the Android operating system for smartphones.²²⁶ Google purchased Android in 2005 and two years later released a beta version of its Android software.²²⁷ Google attempted to register the “Android” mark, but the USPTO denied the application.²²⁸

215. *Id.* at 704 (quoting *McGraw-Edison*, 787 F.3d at 1169).

216. *Id.*

217. *Id.* at 705 (citing *Anti-Monopoly, Inc. v. Gen. Mills Fun Group*, 611 F.2d 296, 301 (9th Cir. 1979)).

218. 747 F.3d 929 (7th Cir. 2014).

219. *Id.* at 931.

220. *Id.*

221. *Id.*

222. *Id.*

223. *Id.*

224. *Id.*

225. *Id.*

226. *Id.*

227. The Google release in November 2007 occurred about a month before Specht sent his mass mailing attempting to revive his use of the “Android Data” mark. *Id.*

228. *Id.* at 932.

Specht, ADC, and ADI sued Google for trademark infringement and unfair competition under the Lanham Act.²²⁹ Google presented two counterclaims, seeking declaratory judgment that Specht abandoned the mark and requesting that the district court cancel the plaintiff's mark.²³⁰ The district court found that Specht abandoned the mark in 2002 and canceled his registration.²³¹

In addressing whether the "Android Data" mark was abandoned after 2002, the Seventh Circuit distinguished Specht's attempts to sell his business assets in 2003 and 2004 from actually trading on the goodwill of the trademark to sell a business's goods or services.²³² The court also dismissed Specht's further arguments that the website was operational until 2005 and that his attempts to produce sales in 2007 were evidence of commercial use. The court determined that isolated and "sporadic attempts to solicit business are not a 'use in commerce' [that] merit[s] the protection of the Lanham Act."²³³ The court then stated that by adopting the already abandoned mark and using it continuously from November 2007, Google became the senior user and was entitled to assert rights to the Android mark against the world.²³⁴

In another Internet-related case, the Ninth Circuit in *Petroliam Nasional Berhad v. GoDaddy.com, Inc.* considered whether there was contributory liability for domain name registrars. Petroliam Nasional Berhad sued GoDaddy in the U.S. District Court for the Northern District of California, alleging contributory cybersquatting under 15 U.S.C. § 1125(d).²³⁵ The district court granted summary judgment in favor of GoDaddy.²³⁶

The Ninth Circuit held that the Anti-Cybersquatting Consumer Protection Act's (ACPA) text does not apply to the conduct that would be actionable under such a theory because it imposes liability to those that register, traffic in, or use domains with bad faith intent to profit from the protected marks.²³⁷ Therefore, there is no express provision for secondary liability.²³⁸ The court reasoned that extending liability to registrars would expand the prohibited range of conduct from bad faith intent to merely maintaining or hosting a domain.²³⁹ It further asserted that Congress

229. 15 U.S.C. §§ 1114(1), 1125(a) (2014).

230. *Specht*, 747 F.3d at 932.

231. *Id.* at 932–33.

232. *Id.* at 934.

233. *Id.* at 935 (citing *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992)); *Aktieselskabet AF 21. Nov. 2001 v. Fame Jeans Inc.*, 525 F.3d 8, 20 (D.C. Cir. 2008)).

234. *Id.*

235. 737 F.3d 546, 548–49 (9th Cir. 2013).

236. *Id.* at 549.

237. *Id.* at 550.

238. *Id.*

239. *Id.* at 550–51.

did not intend to include common law doctrines applicable to trademark infringement because the ACPA created a new cause of action distinct from traditional trademark remedies.²⁴⁰ Upon finding that mark holders have sufficient remedies under the ACPA without having to turn to contributory infringement, the circuit court affirmed the district court's judgment.²⁴¹

The Ninth Circuit also addressed an issue as to the genuineness of a product imported into the United States. In *Hokto Kinoko Co. v. Concord Farms, Inc.*,²⁴² Hokto Kinoko Co. sued Concord Farms, Inc. for violating its rights to marks it used to market certified organic mushrooms produced in the United States. Concord imported and sold mushrooms to U.S. consumers under its marks for organic mushrooms that were cultivated in Japan by Hokuto Japan under nonorganic standards.²⁴³ The district court found for Hokto on summary judgment, and the Ninth Circuit affirmed.²⁴⁴ After analyzing whether the mushrooms imported by Concord could be considered genuine, the Ninth Circuit found that because of material differences in quality control, language, and packaging, they could not.²⁴⁵ For example, Hokto USA mushrooms were organic and produced and packaged under controlled conditions for an American market.²⁴⁶ Concord Farms, however, imported Hokuto Japan mushrooms produced for Japanese consumption that were made under conditions that did not meet U.S. Certified Organic Standards.²⁴⁷

The court also found discrepancies, such as different labeling, different growing conditions (organic versus nonorganic), and different levels of quality control testing.²⁴⁸ In finding that the imported mushrooms were not "genuine," the court stated that Concord Farms was not exempt from potential trademark liability.²⁴⁹ Reviewing the case through the standard likelihood-of-confusion analysis, the court concluded that Concord's importation of the Hokuto Japan mushrooms was likely to cause customers to think they were buying Hokto's organic mushrooms.²⁵⁰

In a gray market goods case, *Bose Corp. v. Ejaz*,²⁵¹ Bose won summary judgment against Salman Ejaz, an eBay merchant who sold Bose equip-

240. *Id.* at 552.

241. *Id.* at 554.

242. 738 F.3d 1085 (9th Cir. 2013).

243. *Id.* at 1089.

244. *Id.*

245. *Id.* at 1099.

246. *Id.* at 1094.

247. *Id.*

248. *Id.*

249. *Id.* at 1095.

250. *Id.* at 1097.

251. 732 F.3d 17 (1st Cir. 2013).

ment for the U.S. market to customers in other countries without Bose's authorization.²⁵² After signing a settlement agreement with Bose that prohibited him from selling Bose equipment without Bose's consent, Ejaz violated the deal and started selling his products in Australia.²⁵³ Bose sought damages against Ejaz for breach of contract, as well as other claims, including trademark infringement.²⁵⁴

The First Circuit found that there was no dispute regarding the protectability of Bose's trademarks—they were registered at the USPTO, which serves as *prima facie* evidence that the marks are entitled to protection.²⁵⁵

Regarding the consumer confusion element, however, Ejaz argued that there was a genuine dispute of material fact regarding confusion because, in his view, the differences between the products were trivial, and his eBay customers would be aware of the differences and thus not likely confused by them.²⁵⁶ Bose pointed to several material differences between the products for the U.S. and Australian markets, however, which essentially would make a product for one market not work properly for the other.²⁵⁷ Although Ejaz argued that his actual consumers were not confused, the court stated that the law only requires that the infringement is likely to cause confusion, not that it actually does so.²⁵⁸ Ejaz further alleged that consumers on eBay are less likely to be confused because they are primarily bargain hunters who understand that they are not purchasing items from authorized resellers or distributors.²⁵⁹ The court, however, dismissed Ejaz's argument and stated that even though consumers may not be confused as to the identity of the sellers of the products they bought on eBay, there is no reason to believe that they would expect to buy products that functioned differently than products sold by authorized distributors.²⁶⁰ Upon resting on the presumption of confusion afforded by the registered marks and Bose's un rebutted evidence, the court stated that no reasonable fact finder could conclude that Ejaz had met his burden of showing that the sales in question were not likely to cause confusion.²⁶¹

252. *Id.* at 19.

253. *Id.*

254. *Id.* at 20–21.

255. 15 U.S.C. § 1057(b) (2014).

256. *Bose Corp.*, 732 F.3d at 26–27.

257. *Id.* at 27.

258. *Id.* (citing *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir. 1992)).

259. *Id.*

260. *Id.*

261. *Id.* at 28.

III. COPYRIGHT LAW

Rapid technological developments in the forms and methods of distribution of original media content continued this year to force the courts to test the limits of the provisions of the Copyright Act, defining what it means to publicly perform a copyrighted work. Additional decisions addressed the limited availability of the equitable defense of laches, subject matter eligibility for copyrights in computer software and in three-dimensional product configurations, and the life of copyrights in fictional characters first introduced in a work that has entered the public domain.

A. *Supreme Court Copyright Cases*

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*,²⁶² the Supreme Court addressed whether the common law doctrine of laches can bar a copyright infringement claim brought within the congressionally prescribed three-year statute of limitations under 17 U.S.C. § 507(b).²⁶³ The daughter of the author of the screenplay for *Raging Bull* originally brought a copyright infringement claim against MGM, seeking monetary and injunctive relief limited to acts occurring on or before the date that was three years prior to the date that the suit was filed.²⁶⁴ In a motion for summary judgment, MGM asserted that the complaint was barred by laches due to the amount of time (allegedly eighteen years) that had passed from the first accrual of an infringement claim until the filing of the complaint.²⁶⁵ The district court granted the motion, and the Ninth Circuit affirmed.²⁶⁶

In a six-to-three decision, the Supreme Court reversed, holding that laches is not available as an equitable defense to bar a copyright infringement claim brought within the three-year window of § 507(b), regardless of how early the initial infringement occurred.²⁶⁷ The Court reasoned that the statute as structured takes into account delays in the assertion of claims for copyright infringement by excluding from recovery gains that were realized by the alleged infringer prior to the three-year time window.²⁶⁸ It also reaffirmed the notion that, in the face of an existing statute of limitations, laches, as an equitable remedy intended for situations in which no time limitation otherwise exists by statute, cannot be invoked to bar legal relief.²⁶⁹ The Court further distinguished laches from the doctrine of estoppel, which bars claims by owners engaged in inten-

262. 134 S. Ct. 1962 (2014).

263. *Id.* at 1967–68.

264. *Id.* at 1964–65.

265. *Id.* at 1965.

266. *Id.*

267. *Id.* at 1967–68.

268. *Id.* at 1973.

269. *Id.* at 1973–74.

tionally misleading representations concerning abstention from suit, by noting the latter should continue to be available regardless of when suit is filed.²⁷⁰

In dissent, Justice Byers argued that it is conceivable that a copyright owner's long delays of the sort involved in this case may well be inequitable; unless Congress explicitly indicates otherwise, the equitable rules (including laches) should continue to operate alongside statutory limitation periods, and equity should still apply to both parties.²⁷¹

In *American Broadcasting Cos., Inc. v. Aereo, Inc.*,²⁷² a case of high interest for the cable and television broadcast industry, the Supreme Court interpreted the exclusive right to perform a copyrighted work publicly. The Court addressed whether the provision of a subscription service that streamed broadcast television programming to subscribers over the Internet from small antennas housed in a central warehouse could support a finding that such streaming to subscribers was an act of performing the copyrighted work publicly, thereby infringing upon the exclusive rights of the programming's owner under the Copyright Act.

One of the exclusive rights bestowed upon copyright owners under the Copyright Act is the right to "perform the copyrighted work publicly."²⁷³ The Copyright Act also defines what it means to "publicly" perform a work:

To perform or display a work "publicly" means—

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.²⁷⁴

In the trial court proceedings in *American Broadcasting*, the owners of the copyrights in the broadcast television programming sought a preliminary injunction against Aereo, the subscription service provider.²⁷⁵ The district court denied the requested preliminary injunction.²⁷⁶ The Second Circuit affirmed the denial on the grounds that the service was not a

270. *Id.* at 1977.

271. *Id.* at 1979–83.

272. 134 S. Ct. 2498 (2014).

273. 17 U.S.C. § 106(4) (2014).

274. 17 U.S.C. § 101 (2014).

275. *Aereo*, 134 S. Ct. at 2503–04.

276. *Am. Broad. Cos. v. Aereo*, 874 F. Supp. 2d 373 (S.D.N.Y. 2012).

public performance within the meaning of the above-quoted “Transmit Clause” because the service was not a transmission “to the public.”²⁷⁷ Rather, the transmission to subscribers was a private transmission available only to the subscriber.²⁷⁸

In reversing the Second Circuit’s affirmation of the district court’s denial of a preliminary injunction, the Supreme Court reasoned that Congress’s purposes in the Copyright Act, as amended, was to include transmission acts such as those of Aereo within the ambit of activities reserved exclusively to the copyright owners. The Court stated that Aereo’s activities are substantially similar to those of cable television companies, which were the target of prior Copyright Act amendments.²⁷⁹ The Court rejected any distinction between Aereo and cable television systems based upon the fact that Aereo users, rather than Aereo, selected the programs they wished to view.²⁸⁰ The Court went on to conclude that, in light of the purpose and text of the Transmit Clause, when an entity communicates the same contemporaneously perceptible images and sounds to multiple subscribers, it transmits a performance to them regardless of the number of discrete communications it makes.²⁸¹ Moreover, the Court noted that Aereo’s subscribers lacked any prior relationship to the works being transmitted. The fact that they received programs at different times and different locations was not determinative of whether the transmissions were a public performance. The Court therefore concluded that Aereo transmitted a performance of the programming to the public within the meaning of the Transmit Clause.²⁸² In dissent, Justice Scalia concluded that Aereo was not performing the works because it did not make the choice of content for transmission, that the Court’s holding was a misapplication of the law of direct copyright infringement, and that the conduct of Aereo was better addressed under secondary liability theories rather than contorting the meaning of the statute to achieve a just outcome in the case.²⁸³

B. *Federal Circuit Copyright Cases*

In a copyright protection battle over portions of the ubiquitous Java-compatible programming language, *Oracle America, Inc. v. Google Inc.*,²⁸⁴ the Federal Circuit addressed the eligibility of Java application programming interfaces (APIs) for copyright infringement. The trial district court rendered a post-trial judgment against Oracle, concluding that the APIs,

277. *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676, 689 (2013).

278. *Id.*

279. *Aereo*, 134 S. Ct. at 2506–07.

280. *Id.* at 2507.

281. *Id.* at 2509.

282. *Id.* at 2510.

283. *Id.* at 2514–18.

284. 750 F.3d 1339 (Fed. Cir. 2014).

including the declaring code and their structure, sequence, and organization, were not eligible for copyright protection.²⁸⁵ In reversing the district court's judgment on copyright eligibility, the Federal Circuit concluded that Oracle was entitled to copyright protection for the APIs, which are used in all mobile phones based on Google Inc.'s Android operating system.²⁸⁶ The Federal Circuit noted that "Google copied the elaborately organized taxonomy of all the names of methods, classes, interfaces, and packages—the 'overall system of organized names—covering 37 packages, with over six hundred classes, with over six thousand methods.'"²⁸⁷ It also noted that Google chose not to write its own API packages using the Java language, although it could have done so.²⁸⁸ It found that the district court failed "to distinguish between the threshold question of what is copyrightable—which presents a low bar—and the scope of conduct that constitutes infringing activity. The court also erred by importing fair use principles, including interoperability concerns, into its copyrightability analysis."²⁸⁹ The Federal Circuit reasoned that the copied taxonomy and system were entitled to copyright protection because the nonliteral elements of the APIs (e.g., their sequence, structure, and organization (SSO) and the user interface) qualified as expressions of an idea rather than the idea itself. Furthermore, § 102(b) of the Copyright Act²⁹⁰ should not alter the court's conclusion just because the APIs are expressions that also carry out a function or process.²⁹¹

In *Inbale, Inc. v. Starbuzz Tobacco, Inc.*,²⁹² the Ninth Circuit affirmed a district court grant of summary judgment that a water container for use with a hookah was ineligible for copyright protection under 17 U.S.C. § 101 because the container is a useful article the shape of which could not be physically or conceptually separated from the container's utilitarian function.²⁹³ In determining whether the distinctive shape of the container could influence separability of the shape from the container's function, the Ninth Circuit was persuaded by the reasoning set forth in an internal manual and opinion letter from the U.S. Copyright Office.²⁹⁴ Because the shape accomplishes the function, the distinctive shape of the container was not independent of the container's utilitarian function.²⁹⁵

285. Oracle Am., Inc. v. Google, Inc., 872 F. Supp. 2d 974 (N.D. Cal. 2012).

286. Oracle, 750 F.3d at 1348.

287. *Id.* at 1351.

288. *Id.* at 1353.

289. *Id.* at 1354.

290. 17 U.S.C. § 102(b) (2014).

291. Oracle, 750 F.3d at 1368.

292. 739 F.3d 446 (9th Cir. 2014).

293. *Id.* at 449.

294. *Id.*

295. *Id.*

The Ninth Circuit also found that the district court did not abuse its discretion in awarding attorney fees to the defendant in accordance with 17 U.S.C. § 505 and similarly exercised its own discretion to award attorney fees for the appeal to the defendant.²⁹⁶ In a concurrence, Judge Bea noted that there was no need for deference to be paid to the internal manual and opinion letter of the U.S. Copyright Office because § 101 was unambiguously clear that distinctiveness of shape is not an element of separability.²⁹⁷

The Seventh Circuit grappled with the scope of copyright protection in fictional characters from works that have entered the public domain. In *Conan Doyle Estate, Ltd. v. Klinger*,²⁹⁸ the plaintiff was an editor of a sequel to an anthology that included modern tales by modern authors depicting the well-known Sherlock Holmes and Dr. Watson characters made famous by Sir Arthur Conan Doyle. In a declaratory judgment action, the editor plaintiff sought a declaration of his freedom to use material in the original stories introducing the Holmes and Watson characters, for which copyrights had expired.²⁹⁹ He sought to use the Holmes and Watson characters as they were depicted in the original stories now no longer the subject of copyright and not the material in ten other stories published later by Doyle, which remain the subject of in-force copyrights.³⁰⁰

The Doyle estate initially defaulted, and then the district court entered summary judgment in the editor's favor.³⁰¹ On appeal, the Doyle estate asserted that the original characters were still protected because the copyright in the last work in which those characters appeared had not yet expired.³⁰² The Doyle estate thus argued that the "complex" characters were not fully developed until the last story published in 1927, and that date was when the term for copyright protection commenced despite the fact that the first publication containing the Holmes and Watson characters was made in 1887.³⁰³ The Seventh Circuit rejected the Doyle estate's argument, holding that only original elements added in the later stories remain protected and that the earlier stories, including their characters, entered the public domain and their copyrights would not be extended merely because later derivative works were created based upon those characters.³⁰⁴ In a later opinion, in order to prevent a Pyrrhic victory for the editor plaintiff, the Seventh Circuit also granted

296. *Id.* at 449–50.

297. *Id.* at 450.

298. 755 F.3d 496 (7th Cir. 2014).

299. *Id.* at 498.

300. *Id.*

301. *Klinger v. Conan Doyle Estate, Ltd.*, 988 F. Supp. 2d 879 (2013).

302. *Klinger*, 755 F.3d at 498.

303. *Id.* at 497–98.

304. *Id.* at 501–03.

his motion for the recovery of attorney fees for the previous appeal under the discretion granted to the court by 17 U.S.C. § 505.³⁰⁵

Finally, in *Garcia v. Google, Inc.*,³⁰⁶ the Ninth Circuit addressed the question of whether an actress in a film that was later incorporated without her knowledge into a controversial propaganda film that was uploaded to a video-hosting website has any copyright interest in the latter film sufficient to justify a court takedown order imposed against Google. The actress initially filed a motion for a temporary restraining order to force Google to remove the film from YouTube.com, which the district court treated as a motion for a preliminary injunction.³⁰⁷ The actress argued that the posting of the film on YouTube.com violated her copyright in her performance in the original film.³⁰⁸ After the district court denied the motion, the actress appealed.³⁰⁹ On review, the Ninth Circuit held that the actress had given the film producer only a nonexclusive, implied license under her copyright interests in her filmed performance and that the producer exceeded that license in using the film in a completely different production involving anti-Islamic propaganda.³¹⁰ Finding that the actress was likely to prevail on the question of whether her creative contribution to the film was eligible for copyright protection³¹¹ and that she had established irreparable harm and a likelihood of succeeding on the merits, the Ninth Circuit reversed the district court and remanded the case while also granting a preliminary injunction against Google.³¹²

305. *Klinger v. Conan Doyle Estate, Ltd.*, 761 F.3d 789 (7th Cir. 2014).

306. 743 F.3d 1258 (9th Cir.), *amended and superseded*, 766 F.3d 929 (9th Cir. 2014).

307. *Garcia*, 766 F.3d at 932.

308. *Id.*

309. *Id.* at 932–33.

310. *Id.* at 937–38.

311. *Id.* at 934.

312. *Id.* at 939–40.

