# MSBA IPS

## MSBA Intellectual Property Section

The MSBA Intellectual Property Section is pleased to present the 2014 Annual Intellectual Property Law Update. Our Section is full of knowledgeable members who devote countless hours to developing this content for the section, which the Section appreciates tremendously. We hope you find this useful.

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# Introduction to MSBA IP Law Annual Update 2014

**by Barry Jeff Herman - Tuesday, July 15, 2014**

http://www.msbaips.org/introduction-to-msba-ip-law-annual-update-2014/

By Barry Herman, Esq. and *Christine Dupriest*

There is no doubt the U.S. Supreme Court under Chief Justice John Roberts has taken a much more active role than previous regimes in shaping our nation's patent laws.

The Roberts Court has granted certiorari in a multitude of patent cases and has generally issued decisions that rein in the Federal Circuit's perceived autonomy over intellectual property matters while, at the same time, restricting the rights of patentees.

How active has this court been? The U.S. Court of Appeals for the Federal Circuit formed in 1982 and the Supreme Court decided a total of eight patent cases from 1982 to 2005. Since Roberts joined in 2005, and including cases to be decided this term, the court will have heard 21 cases involving patent rights in less than 10 years.

We'll first look back at key patent cases decided by our nation's highest court since Chief Justice Roberts joined in 2006, including the most recent decisions from last month, and then describe the issues set forth in the cases pending in 2014.

## No Special Treatment for Patent Expertise

The Federal Circuit is unique among the 13 circuit courts of appeals in that it has nationwide jurisdiction in a variety of subject areas, including patents. Thus, the Supreme Court does not grant certiorari to resolve splits between the appellate courts. Instead, the court has repeatedly issued decisions attempting to bring the Federal Circuit in line with the other appellate courts and reminding it that patent cases should not receive special treatment.

• In *MedImmune, Inc. v. Genentech Inc.*, 549 U.S. 118 (2007), the court reversed the Federal Circuit's decision and held that licensees should be permitted to get out of bad license deals by challenging the validity of the underlying patents.

• In *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), the court again reversed the Federal Circuit, holding that Section 271(f) of the Patent Act, which imposes infringement liability for the unauthorized supply of "components" of a patented invention for "combination" abroad, does not cover foreign duplication of software.

• In *Global-Tech Appliances Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), the court affirmed the judgment of the Federal Circuit but articulated a stricter "willful blindness" standard for finding liability for induced patent infringement absent proof of actual knowledge of the patent.

• In *Medtronic Inc. v. Mirowski Family Ventures LLC*, 134 S. Ct. 843 (2014), the court reversed the Federal Circuit to hold that the patentee has the burden of proving infringement even in declaratory judgment actions by a licensee in good standing.

• In *Octane Fitness v. Icon Health & Fitness, Inc.*, 572 U.S. (2014), and *Highmark v. Allcare Health Mgmt. Sys.*, 572 U.S. (2014), the court took its attack to the Federal Circuit and so-called patent trolls, making it much easier to award sanctions against patent holders that bring meritless suits. In *Octane Fitness*, the court rejected the Federal Circuit's rule that sanctions are appropriate only when a case is "objectively baseless" and "brought in subjective bad faith" and instead found that fees may be awarded in any case that "stands out from others." Likewise, in *Highmark*, the court rejected the Federal Circuit's rule that fee awards are not entitled to deference and must be reviewed de novo.

## Leaving Its Mark on Patentability

The Roberts Court has likewise taken a keen interest in patentability issues, and has generally restricted patent holder rights. For example, in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), the court held that "the results of ordinary innovation are not the subject of exclusive rights under the patent laws." The court criticized the Federal Circuit's "teaching, suggestion and motivation" test for obviousness, instead directing courts to employ "common sense," and making it considerably easier for accused infringers to invalidate patent claims.

In *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), the court rejected the rule that the "machine or transformation" test was the sole test for determining whether business method claims were patentable subject matter, instead encouraging a less rigid approach focused on the idea that patents are "designed to encompass new and unforeseen inventions."

• Recently, in *Mayo Collaborative Services v. Prometheus Laboratories Inc.*, 132 S. Ct. 1289 (2012), the court held that the patent at issue was an unpatentable law of nature and that new patents involving correlations between natural phenomena must do more than simply recite the natural correlation and tell the user to apply it.

• In *Association for Molecular Pathology v. Myriad Genetics*, 132 S. Ct. 1794 (2013), the court found that merely isolating genes in naturally occurring sequences of DNA does not make them patentable; however artificially created cDNA is patent eligible.

This is not to say that the Supreme Court never agrees with the Federal Circuit or never finds in favor of patent holder rights. The Roberts Court has issued two opinions that affirmed the Federal Circuit and were favorable to patentees. In *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238 (2011), it upheld long-standing Federal Circuit precedent that patent invalidity defenses must be proven by clear and convincing evidence. Likewise, in *Kappos v. Hyatt*, 132 S. Ct. 1690 (2012), it held that rejected patent applicants may raise new evidence in district court proceedings, and the courts need not defer to the findings of the USPTO.

## Pending Patent Cases [*Editor's note, now decided*]

To date, the Roberts Court has reversed the Federal Circuit nine times, vacated its decision three times, affirmed but changed the applicable standard twice, and affirmed three times. Its rulings have had a negative effect on patent rights 12 times, and either kept the status quo or have had a positive effect on patent rights five times. For those keeping score, the Federal Circuit's winning percentage is only 18 percent and patentees' winning percentage is a slightly better 29 percent.

• In *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.* (argument held Mar. 31, 2014; Decided June 19, 2014), the court will review the dividing line between patentable and unpatentable software. The court will presumably give guidance as to which inventions may be too abstract to be patentable. [*Editor's note*: Federal Circuit decision affirmed; patents in suit determined to be ineligible subject matter for patent protection]

• In *Nautilus Inc. v. Biosig Instruments Inc.* (argument held Apr. 28, 2014, Decided June 2nd), the court will weigh in on the standard for proving patent indefinitness. If the Court rejects the Federal Circuit's stringent standard for proving indefiniteness, many more patents will be more vulnerable to early invalidity challenges at the claim construction stage. [*Editor's note*: Federal Circuit decision vacated with instructions to apply the new standard]

• In *Limelight Networks Inc. v. Akamai Techs. Inc.* (argument held Apr. 30, 2014; Decided), the court will review the Federal Circuit's single-entity rule for induced infringement. The court is expected to decide whether "a party who performs some of the steps itself and induces another to perform the remaining steps that constitute infringement has precisely the same impact on the patentee as a party who induces a single person to carry out all of the steps."

• In *Teva Pharmaceuticals USA Inc. v. Sandoz Inc.* (cert. granted Apr. 1, 2014), the court will decide whether a district court's claim construction finding should be reviewed de novo or only for clear error. If more deference is given to the district court on what is often the key issue in determining liability, patent litigants will have more certainty and potentially less costly litigations.

If the pattern holds, patent holders are not likely to be happy with the outcome of these cases, and the Federal Circuit will again be reminded that despite its supposed expertise in patent law, it will not be given any special treatment.

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Read
more: http://www.therecorder.com/id=1202657274343/Viewpoint%3A-Roberts-Court-Reins-In-the-Federal-Circuit#ixzz33Ckp7ELJ

# PATENT REFORM IN THE UNITED STATES

**by Mohammad Rahman - Sunday, July 13, 2014**

http://www.msbaips.org/patent-reform-in-the-united-states/

By: Mohammad S. Rahman[1]

Patent reform has received a tremendous amount of attention lately.[2] The U.S. Congress has signaled a willingness to address bad faith patent infringement assertions brought forth by non-practicing entities (a.k.a. "Patent Trolls") only to fall short of promulgating federal legislation directed to the issue. Recently, Senator Patrick Leahy (Vermont) of the Senate Judiciary Committee removed several pieces of proposed patent reform legislation focused on anti-troll matters until at least 2015, presumably not to interfere with the Congressional elections in November 2014.[3] Various other bills are currently pending in Congress, but no further progress is expected on these bills for the time being.[4] Undeterred, various individual states have taken it upon themselves to pass anti bad faith patent infringement assertion legislation (hereinafter "anti-troll legislation"). In several states, such bills have been signed into law, some are awaiting signing by the executive branch, and in other states the bills are somewhere in the legislative process (e.g., in committee, or under further study, etc).

As of the writing of this article, the following states have passed and signed anti-troll legislation: Alabama[5], Georgia[6], Idaho[7], Louisiana[8], Maine[9], Maryland[10], Missouri[11], Oklahoma[12], Oregon[13], South Dakota[14], Tennessee[15], Utah[16], Vermont[17], Virginia[18], and Wisconsin[19]. In many of these states the laws substantially mirror each other and the legislative histories are fairly non-contentious with many legislative votes resulting in unanimous passage and without any vetoes from the executive branch. Accordingly, patent reform aimed at curbing bad faith practices by patent trolls is something that has easily transcended across party lines. The following states have passed anti-troll legislation and await signature by the respective Governor of that state: Illinois[20] and New Hampshire[21]. Again, these bills are quite similar in scope and verbiage to the laws enacted by the other states mentioned above, and it is expected that executive approval will result. The following states have introduced anti-troll legislation: Connecticut[22], Kansas[23], Kentucky[24], Mississippi[25], Nebraska[26], New Jersey[27], North Carolina[28], Ohio[29], Pennsylvania[30], Rhode Island[31], and South Carolina[32]. The bills in these states also tend to echo the language in the other states' similarly enacted laws or pending bills. In some cases, the bills have been tabled for further debate or study at a later time (e.g., once the legislative session reopens in the various states).[33] However, as more states continue to enact corresponding legislation and as more states begin executing the components of the various laws, it is only a matter of time before more states enact their own versions of anti-troll legislation.

Most of the above laws and/or proposed bills generally have several common elements including (1) prohibiting asserting a claim of patent infringement in bad faith; (2) authorizing the state's Attorney General to investigate bad faith patent infringement; (3) allowing targets of bad faith infringement suits to bring civil actions to recover damages (including possibly punitive damages), court costs, and attorney's fees; (4) allowing state courts to consider certain factors to determine whether bad faith has occurred including factors related to the specificity (or lack thereof) of the asserter's demand letter; and (5) requiring patent asserters to post a bond in the amount of the alleged infringer's likely cost to litigate the claim or some other amount if the alleged infringer establishes a reasonable likelihood that a bad faith assertion of patent infringement has been made. The Illinois and Wisconsin bills/laws focus on the unfair or deceptive patent infringement demand letters themselves.[34] No bond is required in the Illinois, Louisiana, Maryland, Nebraska, Oregon, or Virginia bills/laws.[35] The first state to enact the anti bad faith law was Vermont.[36] It appears most of the other states have used the Vermont law as a guide for their own bills/laws.

While the specifics of patent law are subject to federal preemption, the various states' bills and laws focus on the tortious activities surrounding sending deceptive and bad faith demand letters by patent trolls and making bad faith claims of patent infringement (e.g., through demand letters), and not the mechanics of patent infringement, patent claim construction, or any other component of federal patent law. Bad faith, deception, fraud, and unfair competition are torts in the various states based on state or common law, and therefore the various states have jurisdiction to curb the bad faith aspect of bringing forth patent infringement suits from patent trolls who are using the litigation or the threat of litigation as a tool to extort rather than seeking legitimate redress. Thus, while a patent lawsuit is pending in federal court, a corresponding bad faith, deceptive, or unfair competition lawsuit could be pending in state court.

Interestingly, some of the states that are absent from the above lists for considering anti-troll legislation are five states with some of the most active patent producing entities: California, Michigan, New York, Texas, and Washington. Additionally, the state with several pro-business laws intact, Delaware, is also nowhere to be seen in the above lists. While bills have not been formally proposed in these states, it is probable that they soon will be introduced given the overwhelming desire to address and overcome the patent troll dilemma and to foster and promote technological and economic advancement without fear of baseless claims of patent infringement.

In addition to legislative efforts, some recent court decisions have tried other means of achieving anti-troll patent reform. The Federal Trade Commission (FTC) has attempted to prevent an entity, MPHJ Technology Investments, LLC (MPHJ), from asserting claims of patent infringement due to purported unfair deceptive trade practices.[37] The FTC originally sought permanent injunctive and other relief against MPHJ's practice of sending patent assertion letters to thousands of businesses citing violation of Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a).[38] MPHJ was attempting to sell licenses under its acquired patents and purportedly threatened small businesses with imminent patent infringement litigation if the target did not enter into a license.[39] The FTC alleged that MPHJ never intended to engage in any litigation, and in fact did not engage in any litigation, and thus its demand letters were deceptive as merely being a mechanism to force a license with small businesses through the threat of imminent litigation.[40] The FTC further alleged that the demand letters falsely suggested that a substantial number of other businesses had purchased proper licenses from MPHJ as a result of similar demand letters, when apparently no licenses had been sold to such other targets.[41] MPHJ disagreed with the FTC's allegations and filed its own complaint against the FTC for its actions in attempting to suppress MPHJ's abilities to assert its patent rights.

MPHJ indicates that the FTC's complaint suggests that if any U.S. patent owner threatens another party with a patent infringement suit, even against a single infringer, and then fails to promptly bring such as suit, then that U.S. patent owner has committed an unfair trade practice, unless that patent owner can prove that it intended to bring suit at the time it made such a threat.[42] MPHJ suggests that the FTC's imposed burden is improper, with the issues still unresolved in the ongoing case.

Other attempts through the courts to achieve anti-troll patent reform have not met with success. A target of patent troll litigation unsuccessfully attempted to invoke the Racketeering Influenced and Corrupt Organizations (RICO) Act against a patent troll attempting to assert its acquired patent.[43] The target, FindTheBest.com (FTB), claimed that Lumen View Technology, LLC (Lumen) made baseless patent infringement claims in order to extort licensing fees.[44] FTB indicated that Lumen's actions were in violation of the RICO Act, 18 U.S.C. §§ 1961, 1962(c) & (d).[45] The court indicates that a viable RICO claim pursuant to 18 U.S.C. § 1962(c) must properly assert "(1) conduct (2) of an enterprise (3) through a pattern (4) of racketeering activity."[46] Here, the court finds no RICO case for alleged fraudulent assertion of patent infringement, and indicates that recognizing meritless litigation, patent infringement or otherwise, as a RICO violation would result in providing "complainants unprecedented access to federal courts and the treble damage remedy authorized under RICO" and would risk "chilling parties' resort to the judicial system to resolve their disputes."[47] However, FTB was initially successful in prevailing in the patent infringement suit by having the court declare the asserted patent(s) invalid.[48] Accordingly, FTB further successfully moved to declare that the original patent infringement suit brought by Lumen was exceptional under 35 U.S.C. § 285, and thus FTB was entitled to attorney fees as the prevailing party.[49] Thus, while a RICO claim proved to be unsuccessful in this case, targets of patent troll lawsuits have shown to explore new options in defending against assertions deemed to be meritless.

The trend amongst the states is to protect companies from non-practicing entities, who have used patents as a means to extort rather than to progress the sciences. Thus far 15 states have joined the anti-troll fight by fully enacting bad faith anti-troll legislation. Moreover, 13 other states have introduced anti-troll bills. As more states continue to enact anti-troll legislation, others may quickly join the process else risk being considered as anti-business states.

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[2] Patent Progress (http://www.patentprogress.org) provides a valuable synopsis of various patent reform measures across the U.S. Some of the data in this article was derived from the Patent Progress website, and the author recommends visiting their website for continuous updates on these matters.

[3] Patent Transparency and Improvements Act (U.S. Senate Bill S.1720); Patent Quality Improvement Act (U.S. Senate Bill S.866); Patent Abuse Reduction Act (U.S. Senate Bill S.1013); Patent Litigation Integrity Act (U.S. Senate Bill S.1612).

[4] Innovation Act (House of Representatives Bill H.R.3309); Transparency in Assertion of Patents Act (U.S. Senate Bill S.2049); Trade Protection Not Troll Protection Act (House of Representatives Bill H.R.4763); Demand Letter Transparency Act (House of Representatives Bill H.R.3540); Patent Litigation and Innovation Act (House of Representatives Bill H.R.2639).

[5] Alabama – Senate Bill S.B. 121 was signed into law on March 18, 2014.

[6] Georgia – Act 513 was signed into law on April 15, 2014 and it is effective on July 1, 2014.

[7] Idaho – Idaho S.B. 1354 was signed into law on March 26, 2014 and it is effective on July 1, 2014.

[8] Louisiana – Senate Bill S.B. 255 was signed into law on May 28, 2014.

[9] Maine – Maine S.P. 654, which was signed into law in April 2014.

[10] Maryland – Maryland S.B. 585 was signed into law on May 5, 2014.

[11] Missouri – Missouri S.B. 706 was signed into law on July 8, 2014.

[12] Oklahoma – House Bill H.B. 2837 was signed into law on May 16, 2014.

[13] Oregon – Oregon S.B. 1540 was signed into law on March 3, 2014.

[14] South Dakota – South Dakota S.B. 143 was signed into law on March 31, 2014.

[15] Tennessee –Tennessee H.B. 2117 was signed into law on May 1, 2014.

[16] Utah – Utah H.B. 117 was signed into law on April 1, 2014.

[17] Vermont – Vermont was the first state to enact anti-troll legislation. Act 44 was signed into law on May 22, 2013.

[18] Virginia – House Bill H.B. 375 was signed into law on May 23, 2014.

[19] Wisconsin – Wisconsin S.B. 498 (Act 339) was signed into law on April 24, 2014.

[20] Illinois – The Illinois Legislature passed S.B. 3405, and is awaiting the Governor's signature.

[21] New Hampshire – The New Hampshire legislature passed Senate Bill S.B. 303, and is awaiting the Governor's signature.

[22] Connecticut – The Senate passed S.B. 258. The House is considering the bill.

[23] Kansas – House Bill H.B. 2663 was introduced in the House, but it stalled in committee.

[24] Kentucky – The Senate passed S.B. 116, which is now being considered by the House.

[25] Mississippi – The House passed H.B. 521, but it stalled in the Senate Judiciary Committee.

[26] Nebraska – Nebraska has a unicameral legislature and has considered L.B. 677. The bill is "indefinitely postponed".

[27] New Jersey – Senate Bill S. 1563 was introduced in the Senate.

[28] North Carolina –The House passed H.B. 1032. It is currently being considered by the Senate.

[29] Ohio – House Bill H.B. 573 was introduced in the House.

[30] Pennsylvania – Senate Bill S.B. 1222 was introduced in the Senate.

[31] Rhode Island – Senate Bill S.B. 2822 was introduced in the Senate. The Senate Judiciary Committee voted to hold the bill for further study.

[32] South Carolina – House Bill H. 4629 was introduced in the House.

[33] *See* notes 26 and 31 *supra*.

[34] *See* notes 19 and 20 *supra*.

[35] *See* notes 8, 10, 13, 18, 20, and 26 *supra*.

[36] *See* 17 *supra*.

[37] *MPHJ Technology Investments, LLC, et al. v. Federal Trade Commission, et al.*, Civil No. 6:14-cv-00011-WSS, (W.D. Tex. January 13, 2014).

[38] *Id*.

[39] *Id*.

[40] *Id*.

[41] *Id*.

[42] *Id*.

[43] *Findthebest.Com, Inc. v. Lumen View Tech, LLC*, 13 Civ. 3599 (DLC), 2014 WL 2050610 (S.D.N.Y. May 19, 2014).

[44] *Id*. at 2.

[45] *Id*.

[46] *Id*. at 8 *(citing Sedima S.P.R.L. v. Imrex Co., Inc.,* 473 U.S. 479, 496 (1985)).

[47] *Id*. at 11 (*citing Deck v. Engineered Laminates,* 349 F.3d 1253, 1258 (10th Cir. 2003)).

[48] *Lumen View Technology, LLC v. Findthebest.com, Inc.,* 13 Civ. 3599 (DLC), 2014 WL 6164341 (S.D.N.Y. Nov. 22, 2013).

[49] *Lumen View Technology, LLC v. Findthebest.com, Inc.,* 13 Civ. 3599 (DLC), 2014 WL 2050610 (S.D.N.Y. May 30, 2014).

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# Limelight Networks, Inc. v Akamai Technologies, Inc., 572 U.S. ______ (2014): Inducement Requires Direct Infringement

**by Jaconda Wagner - Sunday, July 13, 2014**

http://www.msbaips.org/limelight-networks-inc-v-akamai-technologies-inc-572-u-s-______-2014-inducement-requires-direct-infringement/

By: Jaconda Wagner, Esq.

In the 1990s, several issues threatened the stability of the internet. Researchers, including those who invented the patents-in-suit, set about devising a solution. Dr. Tom Leighton, a theoretical mathematics professor at MIT, and his graduate student, Danny Lewin, conceived of a solution that relied on a "content delivery network." In 1998, the inventors founded Akamai to develop their inventions which were assigned to MIT and exclusively licensed to their company. Akamai soon established itself in the marketplace, acquiring Apple and the US Government as customers.

Limelight, a direct competitor, began offering its content delivery services in late 2001. In the spring of 2004, Akamai and Limelight began discussions concerning the possible acquisition of Limelight by Akamai. In the fall of 2004, Akamai choose not to proceed and terminated discussions. The discussions resumed in early 2006, but were terminated by Limelight in June, 2006, after it found funding. On September 5, 2006, Akamai filed suit in Massachusetts against Limelight alleging patent infringement under both 35 U.S.C. § 271(a) (direct) and § 271(b) (inducement).[1]

On February 28, 2008, a jury found that Limelight infringed independent claims 19 and 34 and dependent claims 20-21 of US Pat. No. 6, 108,703 (the '703 Patent), which issued on August 22, 2000. The jury also found that none of the infringed claims were invalid due to anticipation, obviousness, indefiniteness, lack of enablement or written description. The jury awarded Akamai damages of $40.1 million in lost profits and $1.4 million in reasonable royalties from April 2005 through December 31, 2007, plus prejudgment interest, along with price erosion damages in the amount of $4M for a total award of $45.5 million.

The two independent claims, 19 and 34, covered methods that required tagging some of the embedded objects in a content provider's web page so that requests for those objects resolve to a domain name other than the content provider's domain name. Claim 19 also required serving the requested web page from the content provider's domain. It was undisputed that Limelight did not itself perform every step of the asserted claims, specifically the tagging. However, Limelight provided the information necessary for its customers, the content providers, to modify their web pages or internet address routing information to use the Limelight service. The divided process was explicitly set forth in Limelight's standard customer contract.

At issue was whether Limelight induced it customers to infringe Akamai's patents. As Limelight did not perform all the steps, Akamai presented a theory of joint liability, relying on the reasoning expressed by the Federal Circuit in *BMC Resources, Inc. v. Paymentech, L.P.,* 498 F. 3d 1373, 1378-80 (Fed. Cir. 2007) (citation omitted). *BMS*

*Resources* held "[i]nfringement requires, as it always has, a showing that a defendant has practiced each and every element of the claimed invention," and joint liability may be found when one party "control[s] or direct[s]" the activities of another party.[2] *Id*. The jury ruled in favor of Akamai. Following the verdict, Limelight moved for judgment as a matter of law (JMOL) of noninfringement on the ground that substantial evidence did not support the verdict that Limelight directs or controls all the steps in the asserted claims.

Initially, the district court denied the motion "because, unlike in *BMC Resources*, here there was evidence that not only was there a contractual relationship between Limelight and its customers, but that it provided those customers with instructions explaining how to utilize its content delivery service." *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 614 F. Supp. 2d 90, 119 (D. Mass. 2009) ("*JMOL Opinion*").

Subsequently, the Federal Circuit issued its decision in *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), applying *BMC Resources*, and holding that an accused infringer's control over its customers' access to an online system, coupled with instructions on how to use that system, was not enough to establish direct infringement. *Id.* at 1328-30. Limelight filed a motion for reconsideration, which the district court granted finding: 1) there was "no material difference between Limelight's customers deciding what content, if any, they choose to have delivered by Limelight's CDN and only then perform the "tagging" and "serving" steps; and 2) the form contract does not *obligate* Limelight's customers to perform any of the method steps. Akamai appealed.

The Federal Circuit, starting from the proposition that "direct infringement requires a single party to perform every step of a claimed method," went onto explain that the requirement is satisfied even though the steps are undertaken by multiple parties if a single defendant "exercises 'control or direction' over the entire process such that every step is attributable to the controlling party." The Federal Circuit also stated, "mere 'arms-length cooperation' will not give rise to direct infringement by any party" and affirmed the district courts' grant of the JMOL. *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1313, (Fed. Cir., 2011). Akamai appealed.

The Federal Circuit granted *en banc* review,[3] and vacated the panel's decision. In doing so, the court indicated that it was unnecessary to revisit its § 271 (a) analysis as the issues could be resolved through an analysis of the induced infringement doctrine. In resolving the issue via induced infringement, the court reconsidered and overruled its 2007 decision in *BMC Resources* and held that "all the steps of a claimed method must be performed in order to find induced infringement, but that it is not necessary to prove that all the steps were committed by a single entity." *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F. 3d 1301, 1319 (Fed. Cir., 2012) (*per curiam*). The court concluded that the "evidence could support a judgment in [Akamai's] favor on a theory of induced infringement" under § 271 (b). 692 F. 3d at 1319 1319 (2012). Limelight sought certiorari, which the Supreme Court granted. The question before it was "whether a defendant may be liable for inducing infringement of a patent under 35 U.S.C. § 271 (b) when no one has directly infringed the patent under § 271 (a) or any other statutory provision. The Court answered no.

The Court noted that 'neither the Federal Circuit nor the respondents dispute the proposition that liability for inducement must be predicated on the direct infringement.' *Limelight Networks, Inc. v Akamai Technologies, Inc.*, 572 U.S. ______ (2014) (slip op., at 4-5.). Justice Alito, who delivered the Court's unanimous opinion, indicated that it is for good reason as the case law leaves no doubt that inducement liability may arise only with direct infringement (citing *Aro Mfg. Co v Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961). Justice Alito went onto to observe that "one might think that this simple truth is enough to dispose of this appeal[,] [b]ut the Federal Circuit reasoned that a defendant can be liable for inducing infringement under § 271 (b) even if no one has committed direct infringement within the terms of § 271 (a) (or any other provision of the patent laws)." (See 692 F. 3d at 1314). Justice Alito stated that "[t]he Federal Circuit's analysis fundamentally misunderstands what it means to infringe a method patent." Slip. Op. at 5.

Again observing that a patent is not infringed unless all the steps are carried out, Justice Alito states, "[t]his principle follows ineluctably from what a patent is: the conferral of rights in a particular claimed set of elements." *Id.* Citing to *Warner-Jenkinson Co.* v. *Hilton Davis Chemical Co.*, 520 U. S. 17, 29 (1997), the Court reaffirms that "a patentee's rights extend only to the claimed combination of elements, and no further." The Court stated, "[t]he Federal Circuit's contrary view would deprive §271(b) of ascertainable standards." Slip op. 6. Justice Alito goes on to query situations where the court would be pressed to ascertain what constitutes infringement, finds support in its reading of the statute in § 271 (f) (1) and indicates Congress can modify the statute for other instances of infringement if it so chooses. The Court leaves no doubt that a patent is not infringed unless all the steps are carried out, even in divided infringement cases, which typically cover method patents. Given the Court's definitiveness on the issue, and the Federal Circuit's apparent misreading, one must ask what precipitated the confusion. The backstory.

Akamai had filed a number of infringement suits seeking to protect its market share by enforcing its patent rights. This enforcement has served to disrupt the content delivery network marketplace. This is evidenced in the number of tech industry giants, including Google, Cisco, eBay, Facebook, and Oracle, who petitioned the Supreme Court in favor of Limelight. Apparently, the tech companies believed that "divided infringement" would encourage suits by "patent trolls."[4] Large life sciences companies, like Johnson and Johnson, filed a brief in support of Akamai through the Pharmaceutical Research and Manufacturers of America.

The court spent a couple of paragraphs discussing whether a party might avoid liability for infringement by dividing performance of a method patent's steps with an entity that it neither directs or controls. It commented that the Federal Circuits interpretation of § 271 (a) in *Muniauction* would engender this issue, not its holding in the present case, and maintained that an alteration of the patent law to avoid such acts was not justified and would be unwieldy. Despite its observation regarding *Muniauction*, the court declined to review its merits stating that the *Muniauction* was based upon § 271 (a) and the question before it focused on § 271 (b). The matter was remanded for further proceedings that were not inconsistent with the Court's holding. Whether "patent troll" activity increases remains to be seen, but one should expect a number of reconsiderations in cases that relied on the Federal Circuit's *en banc* holding.

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**WAGNER LAW** is a full service IP practice that prepares and prosecutes domestic and foreign patent applications, particularly in the medical device, biotechnology, chemical and pharmaceutical areas, registers trademarks, conducts due diligence and clearance studies, and advises on copyrights, unfair competition, trade secrets, and technology transfer.

Jaconda Wagner, principal of **WAGNER LAW**, has 20 years of legal experience. Her primary practice, intellectual property, includes drafting and prosecuting patent applications, strategically developing IP portfolios, conducting due diligence and FTO analyses, drafting opinions and supporting IP litigators in the development of enforcement and defense strategies, and drafting IP agreements. Ms. Wagner has a breadth of experience, which was obtained in academia, government, corporate, and law firm environments, that enables Ms. Wagner to evaluate and approach projects in a broad, efficient and effective manner. Ms. Wagner has a keen interest in social justices and devotes a portion of the practice to civil rights, consumer fraud and civil remedies for victims of crimes.

[1] Akamai ultimately withdrew its § 271 (b) induced infringement argument and tried its case under joint infringement pursuant to § 271 (a).

[2] Note that the trial court originally instructed the jury that joint liability required a showing that a party "control[s] and direct[s]" the activities. A correction was sent to the jury changing "and" to "or".

[3] It also heard McKesson Technologies v. Epic Systems Corporation.

[4] It is interesting to note that the owner of the Akamai patents is a university – MIT. Many who seek to regulate "patent trolls" would make an exception for universities and government agencies that obtain patent positions.

# Lexmark Int'l, Inc. v. Static Control Components, Inc., 134 S. Ct. 1377 (2014) (false advertising)

**by Bryan Utter - Sunday, July 13, 2014**

http://www.msbaips.org/lexmark-intl-inc-v-static-control-components-inc-134-s-ct-1377-2014-false-advertising/

By Bryan Utter, Esq.

In its unanimous decision in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), the U.S. Supreme Court settled the question of how courts are to determine if a plaintiff has standing to bring a false advertising claim under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). In so doing, the Court put to rest an issue that had long divided the Circuits.

In the underlying case, Static Control alleged that Lexmark sent notices to third-party printer cartridge remanufacturers that damaged Static Control's reputation and sales. Static Control manufactures microchips, which it sells to the remanufacturers, who in turn install the chips in Lexmark printer ink/toner cartridges. The microchips override Lexmark-installed hardware and software that prevent the cartridges from being reused. According to Static Control, Lexmark's notices stated that the use of Static Control's microchips was illegal. *Id.* at 1383-85.

The District Court initially dismissed Static Control's claim for lack of "prudential standing." Applying a standard used in the Third, Fifth, Eighth, and Eleventh Circuits, the District Court held that Static Control could not bring a claim because its injury was "too remote" and because the remanufacturers were the "more direct plaintiffs." *Id.* at 1385. The 6th Circuit reversed, applying the prudential standing test used in the Second Circuit, holding that Static Control had standing because it had a "reasonable interest" in its business reputation and sales, and a "reasonable basis for believing that the interest is likely to be damaged by the alleged false advertising." *Id.*

*Certiorari* was granted to determine the "appropriate analytical framework for determining a party's standing to maintain an action for false advertising under the Lanham Act." *Id.* Ultimately, the Court overruled both of the above tests, a third test used in the Seventh, Ninth, and Tenth Circuits, and the application of the doctrine of prudential standing in is entirety. Instead, the Court said, "the question this case presents is whether Static Control falls within the class of plaintiffs whom Congress has authorized to sue under §1125(a). In other words, we ask whether Static Control has a cause of action under the statute." *Id.* at 1387.

Under the Lanham Act, as modified by the Trademark Law Revision Act of 1988, a private right of action is granted to "any person who believes that he or she is likely to be damaged by" a violation of Section 43(a). In *Lexmark*, the Court states that this broad grant nevertheless requires a given plaintiff to have suffered an injury to one or more interests that "fall within the zone of interests protected by the [Act]." *Lexmark Int'l, Inc.*, 134 S. Ct. at 1388.

The interests protected by the Act are a party's interest in its business reputation and its interest in present or future sales. 15 U.S.C. § 1127; *Lexmark Int'l, Inc.*, 134 S. Ct. at 1389. Because these are both commercial interests, the act does not extend to consumer claims or claims by a business deceived by a supplier, despite the language of the Act granting a cause of action to "any person."*Lexmark Int'l., Inc.*, 134 S. Ct. at 1390.

Additionally, even if a plaintiff's interests fall within the Lanham Act's zone of interests, the plaintiff must demonstrate that the injuries it suffered were proximately caused by the defendant's false advertising. In the Court's words, the plaintiff, "ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff." *Id.* at 1391.

The Court held that Static Control, in its counterclaim against Lexmark, sufficiently demonstrated that it had suffered harm to interests that fell within the zone of interests protected by the Lanham Act, and that those interests flowed from Lexmark's deceptive advertising. *Id.* at 1393-94.

In sum, Static Control had a cause of action under the Act because it alleged that Lexmark disparaged Static Control's business reputation, which resulted in diminished sales of Static Control microchips to ink cartridge remanufacturers, the sole market for Static Control's microchips, which resulted in harm to consumers by removing lower-cost, remanufactured printer and toner cartridges from the market, all to the benefit of Lexmark. *Id.* at 1394-95.

Following *Lexmark Int'l, Inc*, a plaintiff will no longer have to contend with the prudential standing doctrine in false advertising cases brought under the Lanham Act. Instead a plaintiff, "must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." *Id.* at 1395.

It should be noted that false advertising claims are not the only claims that may be brought under Section 43(a). A party may also bring a claim for false affiliation. Static Control made no such claim in *Lexmark Int'l, Inc.* Therefore, the doctrine of prudential standing could still be held to apply to false affiliation claims brought under the Act. Nevertheless, in light of the unanimity of the Court's decision and how thoroughly it rejected the manner in which the doctrine has been applied by the Circuits, it is difficult to see how a defendant in a false affiliation action could succeed on a motion to dismiss based on prudential standing.

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# Octane Fitness, LLC v. ICON Health & Fitness, Inc.: Rejecting Brooks Furniture's Rigid Standard for Fee-Shifting in Patent Litigation

**by Peter Anthony Jackman - Sunday, July 13, 2014**

http://www.msbaips.org/octane-fitness-llc-v-icon-health-fitness-inc-rejecting-brooks-furnitures-rigid-standard-for-fee-shifting-in-patent-litigation/

By Peter A. Jackmam

On April 29, 2014, the U.S. Supreme Court issued a unanimous decision that greatly liberalized the standard by which district courts award attorney fees to the prevailing parties of a patent litigation ("fee-shifting"). Prior to this decision, fee-shifting was limited to cases involving "material inappropriate conduct" or where the basis for the case was "both 'objectively baseless' and 'brought in subjective bad faith.'" *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1751 (2014) (quoting *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381 (Fed. Cir. 2005)). However, in *Octane Fitness*, the Court rejected such restrictive standards. *Octane Fitness,* at 1755. The Court held that the *Brooks Furniture* standard was "unduly rigid, and it impermissibly encumber[ed] the statutory grant of discretion to district courts." *Id.* With this decision, the Supreme Court restored the discretionary power back to the district courts, once again making fee-shifting a realistic possibility in "exceptional" patent infringement cases.

## The *Brooks Furniture* Standard

Section 285 of the Patent Act provides that "[t]he court in *exceptional cases* may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (emphasis added). For much of the statute's history, the district courts applied the provision in a discretionary manner, "consider[ing] the totality of the circumstances" in determining whether a case was "sufficiently 'exceptional' to warrant a fee award." *Octane Fitness* at 1753-54.

However, in 2005, the Federal Circuit rejected the more relaxed approach in favor of a "more rigid and mechanical" fee-shifting standard. *Octane Fitness,* at 1754. In *Brooks Furniture v. Dutailier International*, the Federal Circuit held that there were only two circumstances in which a case was deemed "exceptional" for purposes of § 285: (1) "there [was] some material inappropriate conduct related to the matter in litigation," or (2) "the litigation [was] brought in subjective bad faith, and . . . [was] objectively baseless." *Id.* (quoting *Brooks Furniture*, at 1381 (Fed. Cir. 2005)). The court also held that the party seeking attorney fees must establish the "exceptional" nature of the case "by clear and convincing evidence." *Id.*

## The *Brooks Furniture*'s Definition of "Exceptional" Rejected

According to the Court, *Brooks Furniture*'s definition of "exceptional" was inappropriate, as it was not in line with the intent of Congress. *Id.* at 1757. With the addition of the words "exceptional cases" to § 285 of the Patent Act, Congress never intended to "substantively alter the meaning of the statute." *Id.* at 1754. It merely wanted "to 'expres[s] the intention of the [1946] statute as shown by its legislative history'" and to clarify the courts' historically discretionary approach in interpreting that intent. *Id.* at 1753, footnote 2 (quoting S. Rep. No. 82-1979, p. 30 (1952)).

The Court emphasized that the "Patent Act does not define 'exceptional'", and therefore construed the term "'in accordance with [its] ordinary meaning.'" *Id.* (quoting *Sebelius v. Cloer*, 133 S. Ct. 1886, 1889 (2013)). And both today and back in 1952 when § 285 was codified, the term "'[e]xceptional' meant 'uncommon,' 'rare,' or 'not ordinary.'" *Id.* at 1756. Material misconduct, bad faith, or some other "'vexatious[], wanton[], or . . . oppressive'" act was not a necessary element. *Id.* at 1757 (quoting *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 526 (C.A.D.C. 1985)).

With this definition in mind, the Court held that "exceptional" cases as those that simply "stand[] out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id.* at 1756. And in determining whether a case satisfies this definition, the Court recognized the district courts' complete "discretion [over the matter], considering the totality of the circumstances." *Id.*

## The *Brooks Furniture*'s Standard of Proof Rejected

In addition to rejecting *Brooks Furniture's* definition of "exceptional," the Court also rejected the Federal Circuit's requirement that parties seeking attorney fees in patent litigations establish their case by "clear and convincing evidence." *Id.* at 1758. The Court noted that there was "nothing in § 285 [to] justif[y] such a high standard of proof." *Id.* Moreover, "patent-infringement litigation ha[d] always been governed by a preponderance of the evidence standard." *Id.* Accordingly, the Court held that patent litigants need only establish their entitlement to fees under §285 by the preponderance of the evidence standard. *Id.*

## Future of Fee-Shifting in Patent Litigations

Although the ultimate ramifications of the *Octane* decision remain to be seen, the Court's new standard for fee-shifting in patent litigations should make attorney fees more frequently pursued and readily available to prevailing parties in many patent infringement cases. This is especially true in light of the Court's unanimous decision in *Highmark Inc. v. Allcare Health Mgmt. Sys*. 134 S. Ct. 1744 (2014), also issued on April 29, 2014. In *Highmark*, the Court held that because district courts have great discretion as to whether a case is "exceptional," such decisions may only be reviewed "on appeal for abuse of discretion." *Id.* at 1748 (holding that the text of § 285 expressly states that district courts have discretion in making the determination and deference should be given to the district courts because they are in a better position to decide whether a case is exceptional).

Until such time it becomes more clear how district courts will determine whether one case stands out from another with respect to the substantive strength of a party's litigating position or the unreasonable manner in which the case was litigated, potential patent plaintiffs should conduct due diligence prior to filing suit and litigation counsel should be mindful of their conduct during the litigation. Otherwise, such litigants may not only end up losing the case but also paying the opposing party's attorney's fees under the Supreme Court's new fee-shifting standard.

**About Peter A. Jackman and Daniel K. Choo**

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# The Federal Circuit Expands Obviousness-Type Double Patenting in Gilead v. Natco

http://www.msbaips.org/the-federal-circuit-expands-obviousness-type-double-patenting-in-gilead-v-natco/

By Gaby L. Longsworth, Ph.D., Esq., Eric Steffe and Marsha Gillentine

**The Federal Circuit Expands Obviousness-Type Double Patenting in *Gilead v. Natco***

A decision handed down by the Federal Circuit in *Gilead Sciences v. Natco Pharma* (Fed. Cir., April 22, 2014) adds another layer of complexity to the already-complicated law of obviousness-type double patenting (ODP).

In a split panel decision with Judge Rader dissenting, Judge Chen and Judge Prost held that, "under the circumstances of this case", an earlier-filed, earlier-expiring, but later issued patent can properly serve as a reference to reject a later-filed, later-expiring, but earlier-issued patent for obviousness type double patenting.

The two Gilead patents at issue in this case, U.S. Patent Nos. 5,763,483 and 5,952,375, are commonly owned, and have common inventors, but issued out of separate families without a common priority claim. The application resulting in the '375 patent was filed before, but issued after the '483 patent. Due to its earlier filing date, the '375 patent also has an earlier expiration date. The claims in the '375 and '483 patents cover obvious variants of certain antiviral compounds and methods for their use. The following timeline illustrates the relevant dates:

The district court below held that a later-issued but earlier-expiring patent cannot serve as a reference in an ODP rejection against an earlier-issued but later-expiring patent, a holding that was consistent with other district court decisions in *Abbott Labs. v. Lupin Ltd.*, 2011 WL 1897322 (D. Del. May 19, 2011) and *Brigham & Women's Hosp. Inc. v. Teva Pharm. USA*, Inc., 761 F. Supp. 2d 210 (D. Del. 2011), but contrary to the Board of Patent Appeals and Interferences' decision in *Ex Parte Pfizer, Inc.*, 2010 WL 532133 (Bd. Pat. App. & Interf. Feb. 12, 2010).

On appeal, the Federal Circuit focused on the question: "Can a patent that issues after but expires before another patent qualify as a double patenting reference for that other patent?" The Federal Circuit held that it can, vacated the judgment of the district court and remanded the case for further proceedings.

Specifically, the Federal Circuit stated that "it is a bedrock principle of our patent system that when a patent expires, the public is free to use not only the same invention claimed in the expired patent but also obvious or patentably indistinct modifications of that invention." And according to the court, that principle is violated if, when the patent expires, the public is unable to practice obvious modifications of the invention claimed due to a second, later-expiring patent with claims to obvious modifications of that earlier invention. In *Gilead*, even though the '375 patent expires on February 27, 2015, the '483 patent effectively extends the inventors' term of exclusivity another twenty-two months because the '483 patent does not expire until December 27, 2016.

The ruling in *Gilead* could have major ramifications for the term of a significant number of existing patents. This is particularly true in the biotech and pharma industries where prosecution of multiple applications in the same family and related families is common. In addition, as discussed in more detail below, absent careful prosecution valuable patent term may be lost due to the doctrine of ODP.

The doctrine of ODP was judicially created to prevent the issuance of claims in a second patent that are not "patentably distinct" from the claims of a first patent. According to the doctrine, a patent owner should not be able to obtain a second patent with a longer patent term claiming the same or similar invention as an earlier patent. In addition, ODP arose to prevent multiple lawsuits by different patent owners based on essentially the same invention.

To obviate an ODP rejection, an applicant may file a Terminal Disclaimer (TD) to disclaim the term of a second patent extending beyond the term of the reference patent, if the reference patent and the second patent or pending application are commonly owned or subject to a joint research agreement (JRA) as set forth in 35 U.S.C. § 103(c)(2) (3). Thus, if there is a common inventor but different ownership and no JRA, a TD cannot be filed to obviate the rejection as was the case in *In re Hubbell*, 709 F.3d 1140 (Fed Cir. 2013) where the Federal Circuit affirmed the PTO's decision to reject CalTech's patent application for ODP.

In addition, if only one claim in an issued patent is anticipated or held obvious over a claim in an earlier issued reference patent, the patent owner must file a TD over the reference patent. Thus, filing a TD truncates the term of the entire patent based on an ODP rejection of a single claim. Moreover, while a TD can be filed during litigation after a finding that the challenged patent is invalid for ODP, a TD cannot be filed if the earlier-issued reference patent has already expired as in *Boehringer Ingelheim Int'l GmbH v. Barr Labs., Inc.*, 592 F.3d 1340, 1347 (Fed. Cir. 2010).

Because filing a TD requires disclaiming any patent term extending beyond the expiration date of the reference patent, any Patent Term Adjustment (PTA) that had accrued in the earlier-filed application could be lost. According to 35 U.S.C. § 154(b)(2), filing a TD truncates PTA.[1]

In *Gilead*, the '375 and '483 patents issued out of separate families. However, if future holdings extend this case to applications issuing out of the same patent family, it will add new complexity to prosecuting patent applications and invalidating patents.

As one example, if a parent patent receives significant PTA, one should reconsider whether to permit continuation applications to issue (that may receive less or no PTA) as under the logic of this case, the later-issued but earlier-expiring continuation application (CON) could serve as the basis of an ODP rejection. The rationale behind ODP is to prevent an "unjustified" extension of time by the patentee to exclude others from making or using the invention claimed in the earlier-issued reference patent. One could argue that PTA is not an "unjustified" extension by the patentee – rather it is a result of delay by the Patent Office. However, the Federal Circuit did not address whether the extension in *Gilead* was "unjustified" and therefore it is unclear whether such an argument would be successful in an ODP challenge.

Clearly, filing CONs to seek further embodiments of an invention has been pretty standard practice in the biotech and pharma industry for many years. While still viable, one should no longer permit CONs to issue "blindly."

One way to try to get around ODP would be to elicit a restriction requirement (RRQ) in applications, so that all divisional applications are shielded from an ODP rejection in accordance with 35 U.S.C. § 121. One drawback is that § 121 protection is available only to divisional applications filed pursuant to a RRQ, but not continuation or continuation-in-part applications. Thus, it is critical to specify, when possible, that a child application is a divisional and not a continuation application. *See Pfizer Inc. v. Teva Pharmaceuticals Inc.*, 518 F.3d 1353 (Fed. Cir. 2008)and *Amgen Inc. v. F. Hoffman-La Roche Ltd.*, 580 F.3d 1340 (Fed. Cir. 2009). Also, for § 121 to apply, consonance with the claim groupings in the original RRQ must be maintained in all future continuation and divisional applications. In other words, the later application or applications must strictly follow the claim groupings set forth in the PTO's restriction requirement. *See Symbol Techs., Inc. v. Opticon, Inc.*, 935 F.2d 1569, 1580 (Fed. Cir. 1991)and *Gerber Garment Tech., Inc. v. Lectra Sys., Inc.*, 916 F.2d 683, 688 (Fed. Cir. 1990).

Although not at issue in *Gilead*, careful consideration should be given before including a "laundry list" of uses when drafting patent applications. While it is well-settled that ODP rejections must be based on the claims of a reference patent (rather than the disclosure), an exception to this rule is where a later-filed application attempts to claim a "method of use" described in the reference patent. In such a scenario, the Federal Circuit has upheld ODP rejections even where the described "method or use" was not claimed in the reference patent. *See Geneva Pharmaceuticals, Inc. v. GlaxoSmithKline PLC*, 349 F.3d 1373 (Fed. Cir. 2003); *Pfizer, Inc. v. Teva Pharmaceuticals USA, Inc.*, 518 F.3d 1353, 1363 (Fed. Cir. 2008); and *Sun Pharmaceutical Industries, Ltd. v. Eli Lilly & Co.*, 611 F.3d 1381 (Fed. Cir. 2010).

Perhaps the reach of the court's holding in *Gilead* will be clarified in further Federal Circuit decisions, but in the meantime, one should take care when prosecuting applications in the same or related families.

[1] Incidentally, while outside the scope of this paper, filing a TD does not truncate Patent Term Extension (PTE) under 35 U.S.C. § 156. *See Merck & Co. v. Hi-Tech Pharmacal. Co., Inc.*, 482 F. 3d 1317 (Fed. Cir. 2007).

# Extending Copyright's Time in the Ring: Petrella v. MGM and the Fight Over Raging Bull

**by Andrew Goldman - Sunday, July 13, 2014**

http://www.msbaips.org/extending-copyrights-time-in-the-ring-petrella-v-mgm-and-the-fight-over-raging-bull/

by Andrew S. Goldman, Esq.

June 9, 2014

*Petrella v. Metro-Goldwyn-Mayer, Inc.*, No. 12-1315, 572 U.S. ___ (2014)

As far as damages in copyright infringement cases are concerned, the Supreme Court, in a case centered on the Academy Award-winning boxing film *Raging Bull*, just laid the defense of laches out cold.

In *Petrella v. MGM*, the Court addressed the question of whether the equitable defense of laches may bar on an infringement claim filed within the Copyright Act's three-year statute of limitations, even where the plaintiff waited eighteen years to file suit.   Reversing the Ninth Circuit, the Court held in a 6-3 decision that laches cannot bar a claim for damages for retrospective relief three years back from the time of suit, though may still be available as a defense to injunctive relief. The ruling potentially extends a copyright holder's ability to sue for damages to the full term of the copyright where the infringement is ongoing, and is likely to have widespread repercussions in creative industries.

The story of this case begins decades ago, as far back as 1963—the year that Frank Petrella wrote and registered the copyright for the screenplay of tragically self-destructive boxing champ Jake LaMotta. In 1976, Petrella assigned his rights in the screenplay, including renewal rights, to a production company, who then sold the motion picture rights to MGM in 1978. In 1980, MGM released the film *Raging Bull*, directed by Martin Scorcese and starring Robert De Niro; the film won two Oscars, including a Best Actor win for De Niro and his brutal, intense portrayal of La Motta, and is widely considered a classic. MGM continues to market the film in new formats, including DVD and Blu-ray.

When Petrella died in 1981, his renewal rights reverted to his heirs, and Petrella's daughter, Paula, renewed the copyright in the screenplay unburdened by her father's previous assignments. But it was not until 1998 that Paula Petrella's attorney first notified MGM of her copyright and asserted that *Raging Bull* constituted an infringing derivative work.

On January 6, 2009, a full eighteen years after Paula renewed the copyright, and almost thirty years from the date of *Raging Bull*'s theatrical release, Petrella filed a copyright infringement lawsuit against MGM with the United States District Court for the Central District of California, seeking monetary and injunctive relief. Petrella alleged that the film company's production and distribution of *Raging Bull* was a derivative work that violated and continued to violate her copyright in her father's 1963 screenplay. In accordance with the three-year statute of limitations provided by 17 U.S.C. § 507(b), Petrella sought relief only for acts of infringement occurring on or after January 6, 2006.

On motion for summary judgment, MGM argued that Petrella's suit should be barred by laches. The District Court granted MGM's motion, finding that the eighteen-year delay in filing suit was unreasonable and had resulted in prejudice to the film company. On appeal, the Ninth Circuit affirmed the lower court's decision that the suit was barred by laches, finding that the suit was outside the three-year statute of limitations. The delay, motivated by Petrella's desire to let the damages accrue, was found to have caused MGM expectations-based prejudice as evidenced by the company's large investment in *Raging Bull*.

The Supreme Court reversed, in a 6-3 opinion written by Justice Ginsburg, noting first that the Ninth Circuit failed to recognize that the Copyright Act's three year statute of limitations takes account of delay, and limits retrospective relief to the three years immediately preceding the suit. *Petrella* at pp. 11-14. The Court reasoned that because Congress was explicit in creating the statute of limitations, the equitable common law defense of laches cannot bar a claim for damages. *Id.* Rejecting MGM's argument that laches must be available to prevent a copyright owner from watching and waiting, the Court found that the three-year statute of limitations was a built-in safeguard that "allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle," but that, as a trade-off, causes the copyright holder to "miss out on damages for periods prior to the three-year look-back…" *Id.* at pp. 16-17.

The Court was careful to emphasize that there may be extraordinary circumstances where the "consequences of delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable." *Id.* at p. 20. By way of example, the Court cited *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (CA6 2007). *Id.* In that case, the plaintiffs had known of the defendants' use of the plaintiff's copyrighted architectural design in the construction of a 168-unit housing development even prior to the breaking of ground. And in spite of the plaintiff filing suit within the three year statute of limitations under §507(b), on appeal the Sixth Circuit held that the plaintiffs would not be entitled to an order mandating destruction of the housing project, because the plaintiffs knew of the housing project's use of their plans and yet failed to take readily available measures to stop it, and because the requested relief would "work an unjust hardship" upon the defendants and innocent third parties.

Yet the Supreme Court found no such extraordinary circumstances in Petrella's case. The Court noted that Petrella's action was commenced within the three-year limitations period of §507(b), and that Petrella notified MGM of her claims before MGM invested millions of dollars in creating a new edition of *Raging Bull*, and that disgorgement of unjust gains would not result in a "total destruction of the film, or anything close to it." *Petrella* at p.21. The Court's lone concession to MGM was to grant the District Court the discretion to take account of Petrella's delay, if she were to prevail on the merits, when considering the appropriate injunctive relief and assessing profits. *Id.* at p.21.

The Court's decision gives copyright holders an almost limitless time within which to file a copyright infringement claim for damages, and leaves the film and music industries reaching for the bag of frozen peas. For artists who have had their work ripped off many years ago, *Petrella* may afford them or their heirs a new opportunity to right old wrongs. Less than two weeks after the *Petrella* ruling came down, the trust for Randy California, late songwriter of the obscure 1960's band Spirit, filed suit against the surviving members of Led Zeppelin alleging that they stole the classic, immediately recognizable opening bars of "Stairway to Heaven" from Spirit's instrumental song, "Taurus."[1] The discussion of the songs' similarities or differences is no longer relegated to the realm of the music-geek, but can now see its day in court, whatever the merits of the actual claim. There may be many more similar lawsuits to come.

**About Andrew Goldman**

Andrew S. Goldman focuses on copyright, trademark, and business law, in both litigation and transactional work, at Astrachan Gunst Thomas, P.C.

[1] Lisa Respers France, *Copyright Infringement Suit Filed Against Led Zeppelin for 'Stairway to Heaven'*, June 3, 2014. (Available at http://www.cnn.com/2014/06/03/showbiz/music/led-zeppelin-stairway-to-heaven-suit/)

# Federal Circuit Rules on Patent-Eligibility of Computer-Implemented Inventions: SmartGene v. Advanced Biological Laboratories

**by Duane Neil Moore - Sunday, July 13, 2014**

http://www.msbaips.org/federal-circuit-rules-on-patent-eligibility-of-computer-implemented-inventions-smartgene-v-advanced-biological-laboratories/

By Duane Moore, Esq. Cahn & Samuels, LLP

On January 24, 2014, the Federal Circuit issued a unanimous opinion, in *SmartGene, Inc. v. Advanced Biological Laboratories, SA*, No. 2013-1186, affirming the district court's finding that the claims of the asserted patents were ineligible for patent protection under 35 U.S.C. §101.

SmartGene filed a declaratory judgment action against the patentee ("ABL"), alleging non-infringement and invalidity of U.S. Patent Nos. 6,081,786 and 6,188,988, both owned by ABL. On summary judgment, the District Court found both patents invalid under section 101. ABL's patents disclose a method for guiding the selection of a therapeutic treatment regimen for a patient with a known medical condition. The method ranks therapeutic treatment regimens for the patient, and generates advisory information (e.g., drug warnings, dosage) for the therapeutic treatment regimens based on patient information and expert rules. As claimed, the method steps are performed in a "computing device" having three separate knowledge bases.

Relying heavily on its decision in *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011) and Supreme Court precedent, the Court held that the claims were directed to a patent-ineligible "mental process". In *CyberSource*, the Federal Circuit "held that section 101 did not embrace a process defined simply as using a computer to perform a series of mental steps that people, aware of each step, can and regularly do perform in their heads". *SmartGene, Inc. v. Advanced Biological Labs., SA*, 2013-1186, 2014 WL 259824 (Fed. Cir. Jan. 24, 2014). The Court also cited "Supreme Court decisions indicating that section 101 covers neither 'mental processes' - associated with or as part of a category of 'abstract ideas' - nor processes that merely invoke a computer and its basic functionality for implementing such mental processes, without specifying even arguably new physical components or specifying processes defined other than by the mentally performable steps". *Id.* (citing *Gottschalk v. Benson*, 409 U.S. 63 (1972); *Parker v. Flook*, 437 U.S. 584 (1978)).

Applying this precedent to the claims at issue, the Court held the patents invalid, since every step in claim 1 could be performed by doctors in their heads. *Id.* ("[c]laim 1 does no more than call on a 'computing device,' with basic functionality for comparing stored and input data and rules, to do what doctors do routinely").

The opinion was authored by Judge Taranto, who did not participate in the Federal Circuit's controversial and fractured decision in *CLS Bank International v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013) (en banc). Judge Taranto was joined in the *SmartGene* opinion by Judges Lourie and Dyk. Judge Lourie, Judge Dyk, and three other judges wrote a concurring opinion in *CLS Bank* affirming the district court's holding that all claims were patent ineligible under section 101. The U.S. Supreme Court will rule in the hotly-anticipated appeal in *CLS Bank* in the summer of 2014, a case that may set a precedent for the types of computerized business methods that are patentable in the United States.

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# Aereo Loses the War Before the Supreme Court

**by Timothy Sansom Faith - Sunday, July 13, 2014**

http://www.msbaips.org/aereo-loses-the-war-before-the-supreme-court/

By **Tim Faith, Esq.**

The question presented to the court was whether Aereo's conduct, in recording and re-broadcasting over-the-air television broadcasts to individual subscribers to Aereo's services, constituted copyright infringement. Aereo's service is a web-based system that permits subscribers to watch broadcast television through a web broadcast. Subscribers are able to access available television programming by selecting a specific live broadcast from a menu on Aereo's website. The system will then direct an Aereo-controlled antenna to tune in to the program and transcode the broadcast for access by the requesting subscriber. In the process, the Aereo system makes a digital copy of the over-the-air broadcast to permit streaming of the content to the subscriber. The digital copy is only made available to the individual subscriber that requested the particular broadcast.

The plaintiffs in this case are the broadcasters that transmit over-the-air television programming, along with the producers, marketers, and distributors of this content. They sought a court's order to enjoin the conduct of Aereo on the grounds that Aereo's services infringe on the public performance right provided under section 106 of the Copyright Act. Section 101 defines "public performance" to mean:

(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.

17 U.S.C. § 101.

Case law over time has helped to clarify when a performance is to the "public." In *Columbia Pictures v. Redd Horne*, 749 F.2d 154 (3rd Cir. 1984), the defendant operated a video rental and sales business. In addition, patrons of the store could rent one of eighty five private viewing booths, permitting up to four people to view a video in the store in the booth. The plaintiff had alleged that the private viewing booths constituted an unauthorized public performance, in spite of the defendant's attempt to limit the number of people who could view a tape in the store. The third circuit agreed, finding that the video store was open to the public and that it was the defendant, not the patrons, that performed the copyrighted works in the private viewing booths.

However, as technology has evolved, a separate line of cases has developed in an attempt to shield technological improvements from claims of copyright infringement. Starting with *Sony* in 1984, the Supreme Court held that the VCR could be sold, even though the people purchasing the technology might use it to record copies of copyrighted materials on television, without permission or a license from the copyright holders. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).[1] In more recent years the federal courts have sided with the music industry and found infringement with certain file sharing and peer-to-peer sharing technologies, such as Napster, Grokster and Limewire, concluding that these technologies resulted in massive and wholesale infringement.[2]

The Aereo service itself is like a cloud-based VCR, in that the service permits users to request that a particular over-the-air broadcast be recorded and transmitted via the internet to the individual requesting the recording. Aereo also went to great pains to distinguish its service from peer-to-peer sharing services by emphasizing that a user selects a broadcast he wishes to watch via the internet, and Aereo only records and directs that recording to the individual requestor, not making the copy available to any other Aereo user – even one that requests the same broadcast through the service. Unfortunately, Aereo could not prevail on these points before the Court. Instead, the Court found that Aereo's service was functionally similar to community antenna television systems ("CATV"), and that Congress had specifically amended the Copyright Act to define CATV systems as copyright infringing, overturning legislatively two Supreme Court decisions holding otherwise: *Fortnightly Corp*.[3] and *Teleprompter Corp*.[4]

In each of those cases, the defendants operated a system where the defendant would collect over-the-air broadcasts from a region and transmit those broadcasts to subscribers in another broadcast market without the payment of a royalty and without a license from the copyright holders. The Court held that these activities were outside of the scope of the Copyright Act as it stood prior to the 1976 amendments, because the CATV systems were acting more like "viewers" rather than "broadcasters" of the copyrighted content of others. This was so, according to the Court, because the CATV system "'no more than enhances the viewer's capacity to receive the broadcaster's signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer's television set.'" *Aereo, Inc.*, slip. op. at 6 (quoting from *Fortnightly Corp.*, 392 U.S. at 399). However, Congress disagreed with the conclusion of the Court and ultimately amended the Copyright Act to reach the conduct of CATV system providers, establishing a compulsory royalty regimen under section 111 of the Act.

Ultimately the Court held that Aereo was providing a service similar to the CATV systems, and, in spite of some differences that the dissent argued were significant, held that if the CATV systems were infringing, so to must the Aereo system. However, the Court did not declare that Aereo is, in fact, a cable system, which would permit Aereo to take advantage of the compulsory licensing system established by Congress. In a filing July 9, Aereo has apparently now taken the position that it is a cable system and is seeking a license to operate as such.[5] Time will tell whether Aereo will be able to operate in this manner or whether Aereo will be unable to become a "legitimate" content distributor, like some other technology innovations that had originally been declared infringing.

**About Tim Faith**

Tim Faith is an attorney in private practice and an Assistant Professor at the Community College of Baltimore County (CCBC), where he teaches business law and legal writing. Since 2009, Tim has provided legal advice on a variety of matters, including business law, copyright and trademark, and estate planning. Tim is also an information technology consultant, with over fifteen years of experience with application development, database administration, networking, and management. You can read more about Tim on his practice website, http://faithatlaw.com.

[1] Admittedly, the Sony case was about unauthorized copying, rather than public performance of, copyright works, and Sony was in the suit defending against a contributory or vicarious infringement claim, where Aereo was accused of direct infringement by publicly performing copyrighted works without a license.

[2] *See, e.g., Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *Arista Records LLC v. Lime Group LLC*, 715 F. Supp. 2d 481 (S.D.N.Y. 2010); *but see Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2nd Cir. 2008) (*cert. denied* 557 U.S. 946 (2009)).

[3] *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968).

[4] *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974).

[5] http://mashable.com/2014/07/09/aereo-cable-company/

# Google Books & Fair Use

**by Timothy Sansom Faith - Sunday, July 13, 2014**

http://www.msbaips.org/google-books-fair-use/

By **Tim Faith, Esq.**

The case brought by the Author's Guild against Google, for scanning of millions of books without any author's permission, ended without a trial when Judge Chin granted a motion for summary judgment in favor of Google at the end of 2013. In his thirty page opinion, Judge Chin agreed that Google's conduct is affirmatively protected by section 107 of the Copyright Act, which sets out the factors that courts consider when determining if a use of another's copyrighted work is "fair," meaning the defendant is not required to obtain a license or pay a royalty for the use.

This controversy started almost ten years earlier when Google began its "Library Project" to scan and index books from a variety of library collections, including Harvard, the University of Michigan, the New York Public Library, Oxford and Stanford.[1] Millions of books were to be scanned and indexed using Google's engineering expertise and search engine, including some books that remain under copyright protection. Google also established a "Partner Program" under which Google worked with publishers and rights holders to index and display books with permission from the owner of the rights in the work.[2] By Judge Chin's decision last year, more than twenty million books had been scanned and indexed into the Google Books project.[3]

Google's database of books includes a full digital copy of each book it scans. Each such book is indexed for searching. Users can navigate to books.google.com and search through the index using queries of their own design. In response, the search engine will return a list of books from the index that are relevant to the query. Clicking on a particular book will take the user to a page which displays the cover of the book and a short summary of the content. If the book was scanned through the Partner Program, the user is able to view what the author or publisher has consented to display on the results page. If the book is in the public domain, the user is able to view the entire book and also to download the electronic version of the book. However, for books still under copyright protection but not available from the Partner Program, the search result displays the book in "snippet view."[4] "Snippet view" is the source of controversy for the plaintiffs in the *Author's Guild* because Google did not obtain permission to show portions of the indexed book in search results.[5]

Copyright infringement is the invasion of an exclusive right of an original work by another. Among the exclusive rights of authors are the rights to reproduce, distribute, and publicly display their works.[6] Fair use is an affirmative defense to a claim of copyright infringement. Under section 107, courts consider four factors when determining if a defendant's infringing use is "fair:" (a) the purpose and character of the defendant's use, (b) the nature of the plaintiff's work, (c) the amount and substantiality of the work used by the defendant, and (d) the impact of the use on the plaintiff's market for his work.[7] Determining whether fair use applies depends on the facts and circumstances of each case.[8] Judge Chin emphasizes in his opinion that "transformative" uses of copyrighted material are more likely to be a fair use. Citing *Campbell v. Acuff-Rose*,[9] the court defines "transformative" uses of a work as the creation of a new work from an old one, where the new work has a different purpose or character and the fair user alters the original expression resulting in a new work with a new meaning or message.

Fair use has been heavily litigated because the defense turns on the specific facts of each case. In addition, while the Google Books case is an important one, it is not the first case to raise the issue of fair use in the context of technology on the internet. More than ten years ago, the Ninth Circuit confronted a search engine that was sued for copyright infringement by a photographer, Leslie Kelly, whose photographs had ended up indexed into Arriba Soft Corp.'s internet image search engine.[10] In that case, Kelly created, sold and licensed landscape photographs of the American West, which he made available for sale through his website. The defendant, Arriba Soft, had crawled and indexed images available from public internet web sites, including Kelly's web site. The Ninth Circuit held that Arriba Soft's use of Kelly's photographs was transformative. Kelly's purpose in creating his photographs was aesthetic: people would purchase Kelly's works to have a framed photograph of a landscape in their home. In contrast, Arriba Soft used Kelly's photographs to create thumbnails which were placed into a search database so that search users could use keywords to find related images.[11] The thumbnails could not supplant the original aesthetic use of the works because the thumbnails were at a considerably lower resolution. Ultimately, Arriba Soft prevailed on the basis that its use of Kelly's works was a fair use.[12] Amazon obtained a similar outcome in the case *Perfect 10, Inc. v. Amazon.com*, 508 F.3d 1146 ($9^{th}$ Cir. 2007).

In the Google Books case, the court also found that Google's use of the plaintiff's works was transformative: "Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books. Google Books has become an important tool for libraries and libraries and cite-checkers as it helps to identify and find books."[13] The court continued: "Similarly, Google Books is also transformative in the sense it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new fields of research."[14]

The court held that the second factor – the nature of the plaintiff's works - also favored a finding of fair use, because most of the books indexed by Google, 93%, were non-fiction, and all of the books had been published before Google indexed them. A court is less likely to find fair use when the defendant has used highly creative works, or works that are not yet published. The court held that on balance, the third factor – the amount and substantiality of the use of the plaintiff's works by Google – weighed slightly against a finding of fair use because Google had used all of the works verbatim, though that was required for the purpose of Google's use.[15]

Finally, the court held that the last factor – the impact on the plaintiff's market for its works – also strongly supported a finding of fair use. In this case, the court found that the plaintiff's market for its original works would be very unlikely to be supplanted by the "snippet" view that was available through Google's website in response to user searches for keywords. To the contrary, the court found that Google's database would most likely enhance the sales of the plaintiff's works.[16]

As a result, the court found that Google's use of the plaintiff's works was a fair use and entered judgment for Google. The Author's Guild filed notice of its intention to appeal, and subsequently filed an appeals brief with the Second Circuit in April. Google's reply is due in July. Stay tuned for further developments!

**About Tim Faith**

Tim Faith is an attorney in private practice and an Assistant Professor at the Community College of Baltimore

County (CCBC), where he teaches business law and legal writing. Since 2009, Tim has provided legal advice on a variety of matters, including business law, copyright and trademark, and estate planning. Tim is also an information technology consultant, with over fifteen years of experience with application development, database administration, networking, and management. You can read more about Tim on his practice website, http://faithatlaw.com.

[1] http://books.google.com/intl/en/googlebooks/about/history.html

[2] *The Author's Guild, Inc. v. Google, Inc.*, 1:05-cv-08136-DC 5 (S.D.N.Y. Nov. 14, 2013) (appeal pending in 2d circuit in case number 13-4829 CV).

[3] *Id.* at 1.

[4] https://support.google.com/books/answer/43729?topic=9259&hl=en

[5] A careful reader will note that Google also has a complete digital copy of each book it scans, which Google backs up to backup media and shares with the source library that provided the work to be scanned. Plaintiffs alleged that these acts violate the authors' exclusive rights of reproduction and distribution.

[6] 17 U.S.C. § 106.

[7] *Id.* at § 107.

[8] *The Author's Guild, Inc.* at 16-17.

[9] 510 U.S. 569 (1994).

[10] *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

[11] *Id.* at 818.

[12] *Id.* at 822.

[13] *The Author's Guild, Inc.* at 19.

[14] *Id.* at 20.

[15] *Id.* at 22-23.

[16] *Id.* at 25.

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# Summary of Proposed and Final Notable Changes to 37 CFR 2, 6, and 7 (Trademarks)

**by Ivy Clarice Celestial Estoesta - Sunday, July 13, 2014**

http://www.msbaips.org/summary-of-proposed-and-final-notable-changes-to-37-cfr-2-6-and-7-trademarks/

By **Ivy Clarice Celestial Estoesta, Esq.**

Earlier this year, the U.S. Patent and Trademark Office (USPTO) proposed to amend the Trademark Rules of practice and the Rules of Practice in Filings Pursuant to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and the rules related to collective marks and certification marks. In general, the proposed changes will codify current practice set forth in the USPTO's Trademark Manual of Examining Procedure and procedural case law. To view a detailed account of the proposed amendments, please visit the USPTO's Trademark Federal Register Notices and Comments 2014 webpage (http://www.uspto.gov/trademarks/law/rules.jsp).

**Proposed changes to the Trademark Rules of Practice and the Rules of Practice in Filings Pursuant to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks**

The USPTO has proposed to revise the rules in parts 2, 6, and 7 of 37 CFR in order to streamline the process for filing, prosecuting and maintaining U.S. trademark and service mark applications and international trademark and service mark applications. Although the majority of comments submitted by the trademark community show overall support for the proposed changes, some comments raise issue with the proposed rules' potential effects on the process of filing a response to Office actions issued in U.S. trademark and service mark applications and the process for recording an assignment in an international application.

Regarding the proposed changes to the Trademark Rules of Practice, one commentator, for example, points out that the time period to respond to an Office action is inconsistently worded in proposed Rules 2.63(a)(2) and 2.63(c). Specifically, proposed Rule 2.63(a)(2) states that "the applicant shall have until six months from *the date of the Office Action*…to comply," while proposed Rule 2.63(c) states that "the applicant will have until six months from *the date of the issuance of the Office action*…to comply with the requirement." The commentator has therefore requested that both Rules be consistently worded to avoid potential confusion as to duration of the response period. Relatedly, the International Trademark Association (INTA) has raised its concern that proposed Rule 2.62, which prohibits email responses to Office actions, may affect the USPTO's current practice of encouraging information (usually email) communication between examining attorneys and applicants (or their representatives) to resolve issues via Examiner's Amendment, when possible.

Regarding the proposed changes to the Rules of Practice in Filings Pursuant to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, INTA's comments regarding the proposed revisions to Rule 7.23 are most notable. Rule 7.23 governs request for recording assignments at the International Bureau. According to INTA, the proposed revisions do not remedy the present rule's limitations on transferring ownership of international registrations that are not based on a U.S. application or registration and that do not designate the U.S. Additionally INTA thinks that the good faith effort requirement for recording assignments under proposed Rule 7.23(a)(5) does not contemplate changes in ownership resulting from inheritance, judicial decision, or mergers. INTA similarly questions the need for proposed Rule 7.23(a)(6), which INTA believes is redundant with current Rule 7.23(a)(4). Thus, INTA has suggested revisiting Rule 7.23 in general and at the least, expunging proposed Rule 7.23(a)(6).

The deadline to submit comments to the USPTO was April 23, 2014, and it how the USPTO will address the substantive issues that have been raised, particularly with regard to Rule 7.23. Nevertheless, it appears that most of the proposed amendments to the Trademark Rules of practice and the Rules of Practice in Filings Pursuant to the Protocol Relating to the Madrid Agreement will likely be adopted.

**Proposed changes to the rules related to collective and certification marks**

A collective trademark or collective service mark is used by members of an organization who meet the collective organization's standard of admission. By contrast, a certification mark is used by parties whose products or services meet the certifying organization's established standards; the users are not members the certifying organization. The current wording in the trademark and service mark application rules sometimes are not specifically suited to collective and certification mark applications. Therefore, the USPTO has proposed to revise the rules in parts 2 and 7 of 37 CFR to state clearly and provide sufficient detail regarding the requirements for collective and certification mark applications.

The revisions appear to be mainly clerical in nature, and as such, have garnered minimal comments from the trademark community. The American Bar Association Section of Intellectual Property Law (the ABA Section), for example, submitted comments that indicate the Section's general support for adopting the proposed changes with minimal revision. Specifically, the ABA Section notes that proposed Rule 2.34(a)(1)(i) regarding the applicant's verified statement in the filing basis a trademark or service mark application is potentially ambiguous. Proposed Rule 2.34(a)(1)(i) states that "the applicant’s verified statement that the mark is in use in commerce. If the verified statement is not filed with the initial application, the verified statement must also allege that the mark has been in use in commerce as of the application filing date." Since the proposed rule replaces the term "was" with the phrase "has been," the ABA Section is concerned that the proposed rule may be interpreted as requiring declarants to affirm that the mark is in use at the time of filing and that the mark has been in continuous use since that time up to the date that the verified statement is filed. Thus, the ABA Sections has recommended revising proposed rule 2.34(a)(1)(i) to state that " If the verified statement is not filed with the initial application, the verified statement must also allege that the mark was in use in commerce as of the application filing date," which is consistent with the wording in original 2.34(a)(1)(i) and would avoid possible misinterpretation.

INTA, similarly appears to support the adoption of the proposed rules with minor clarifications in Rules 2.41(e) regarding geographic indications, 2.56(d)(3) regarding forms of acceptable specimens in the absence of non-bulky alternatives, and 2.99(i) regarding the filing of a statement of use in a concurrent use application.

The deadline to submit comments to the USPTO was May 21, and it appears that the USPTO proposed amendments to the rules related to collective and certification marks will likely be adopted with minimal revisions.

**Final Changes in Requirements for Specimens and for Affidavits or Declarations of Continued Use or Excusable Nonuse in Trademark Cases**

On June 21, 2014, it will be two years since the USPTO's changes in requirements for specimens and post-registration filings went into effect. Those revisions aimed to make the United States trademark register an accurate reflection of marks that are actually in use in the United States for the goods and/or services identified in a U.S. registration. The USPTO achieved this by enhancing the authority of trademark examining attorneys with respect to specimen requirements and implementing a two-year pilot program to assess the integrity of the U.S trademark register.

*The current authority of examining attorneys*

Under the amended U.S. Trademark Rules of Practice (37 CFR Parts 2 and 7), examining attorneys have the authority to require registrants to submit additional specimens, information, exhibits and affidavits or declarations to examine a post registration affidavit or declaration of continued use or an amendment to a registered mark. Examining attorneys also have the authority to require applicants to submit more than one specimen in connection with a use-based trademark application or an allegation of use.

*The pilot program*

The two-year pilot program randomly selects 500 trademark registrations for which Section 8 or 71 affidavits are being filed and issuing a post-registration Office action requiring proof of use of the mark on two additional goods/services per class. Additional specimens filed in response to this request are reviewed according to the examination standards for use in commerce. Owners of the registrations selected have the usual post registration response period to the Office action—i.e., six months of the issuance date of the Office action, or before the end of the relevant filing period for the Section 8 or 71 affidavit, whichever is later. Owners also are not required to pay additional fees or surcharges in response to the post-registration Office action requiring additional information or proof of use, since this request is not considered a deficiency under the program.

If the owner files a response that satisfies the examining attorney's request, the registration in whole will be unaffected. In contrast, if the owner of the registration files a response that fails to include the required evidence or specimens, the Section 8 or 71 affidavit is deemed unacceptable as to the goods or services to which the requirement pertained, and those goods or services are deleted from the registration. If no response to the Office action is filed within the response period, the registration in whole is cancelled.

*The future of trademark specimens*

The examining attorney's authority to ask randomly for additional information or specimens under the pilot program will sunset on June 21, 2014. However, the examining attorney will continue to maintain its authority to request additional specimens and information when either is deemed reasonably necessary for examination of a particular Section 8 or 71 affidavit, use-based trademark application, allegation of use, and a Section 7 amendment to a registration. Thus, trademark practitioners and trademark owners appearing pro se before the USPTO should continue to be mindful of accurately identifying which goods and/or services are used in commerce with a mark when filing affidavits or declarations in an application or registration.

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# Trademark Protection for Generic Top Level Domains

**by Brian David Kaider - Sunday, July 13, 2014**

http://www.msbaips.org/trademark-protection-for-generic-top-level-domains/

By Brian D. Kaider, Esq.

In March 2014, the U.S. Patent and Trademark Office issued Examination Guide 1-14, "Applications for Marks Comprising gTLDs for Domain-Name Registry Operator and Registrar Services." The Guide outlines the requirements necessary to obtain registration for a gTLD.

What is a gTLD? The series of letters that come after the "dot" in an internet address are referred to as a "Top Level Domain" or "TLD." Extensions with only two letters are reserved as country code TLDs or ccTLDs. Those with three or more letters are called "generic" TLDs or gTLDs. Historically, gTLDs were used to signify the class of intended users of the gTLD (".COM" for commercial purposes, ".EDU" for educational institutions, etc.). However, the Internet Corporation for Assigned Names and Numbers (ICANN) has begun a program to introduce a slew of new gTLDs. Between October 2013 and May 2014, 294 new gTLDs have been delegated, including .LAWYER and .ATTORNEY. As many as 1000 more gTLDs may be released in the next few years. Some of these gTLDs may have significant value as source identifiers.

Prior USPTO policy did not permit registration of gTLDs as trademarks, because they were typically abbreviations of a class of intended users. In August 2013, in light of ICANN's intention to introduce a wide array of new gTLDs, the USPTO issued a draft Examination Guide amending its policy with regard to gTLDs, allowing registration of some gTLDs that consist of a coined mark. In March 2014, the guidance issued in final form.

Examination Guide 1-14 begins with the premise that a mark consisting solely of a gTLD must initially be refused registration on the basis that it fails to function as a trademark, because consumers are predisposed to view gTLDs as merely a portion of a web address. The applicant may be able to avoid or overcome such a rejection, however, by providing evidence that the mark will be perceived as a source identifier. If the applicant can provide a sufficient showing, it must also satisfy two other requirements: that it has entered into a valid agreement with ICANN designating the applicant as the entity responsible for operation of the registry for the gTLD and that the identified services will be primarily for the benefit of others.

**Evidence that the gTLD Will Function as a Source Identifier**

The primary evidence the applicant must show is that the applied for mark is the subject of one or more active prior U.S. registrations for goods or services that are related to the identified subject matter of the websites to be registered by the applicant.[1] Further, on the premise that a consumer's recognition of a gTLD as a source identifier is predicated on the applicant's prior registration of the same mark, the applicant is required to limit the "field of use" for the identified domain name registry operator and registrar services to fields that are related to the goods or services listed in the submitted prior registration.

Applicants must also provide evidence that consumers are already so familiar with the wording as a mark that they will overcome the predisposition of viewing a gTLD as merely part of an internet address and associate the mark with the registry operator as a source of the associated goods or services. Such evidence may include advertising samples, advertising budgets associated with the mark, and sworn consumer statements of recognition of the mark.

**Registry Agreement / ICANN Contract**

The registration application must include a verified statement that the applicant has a current or pending[2] Registry Agreement with ICANN designating the applicant as the registry operator for the gTLD. Further, the identification of services must indicate that the registry operator and registrar services feature the gTLD shown in the mark.

**Legitimate Service for the Benefit of Others**

Because trademark registration for a gTLD will only be issued to those operating registry or registrar services for the gTLD, the applicant must show that the services will be primarily for the benefit of others.[3] The examining attorney will issue an information request to determine whether the applicant intends to operate a registry for the applied-for mark as a gTLD, to what entities and industries the registry operator and registrar services will be targeted, and whether the applicant will register domain names for others and whether there will be any restrictions on to whom it will be available. Operating a gTLD registry only for the applicant's own employees or marketing initiatives would not qualify as a service under the Trademark Act. Registration for use by the applicant's affiliated distributors, however, would qualify.

**Discussion**

Becoming a registry operator is an arduous undertaking with many technical and logistical challenges. It is very unlikely that the average trademark owner will be willing or able to expend the time and money necessary to get a valid ICANN Registry Agreement. Consequently, it is unlikely that the average trademark owner will be able to get trademark registration of gTLDs consisting of their marks. Rather, this guidance is likely only to apply to the largest trademark owners. Indeed, getting a gTLD delegated by ICANN is an expensive proposition in its own right. The application fee alone is $185,000.

The real question, as it relates to the new trademark Examination Guide, is how the USPTO will handle requests to register a gTLD for a trademark that is owned by different companies in different fields of use. For some marks, this will not be an issue. For example, there are 98 currently active marks utilizing the name "Pepsi." All 98 are owned by Pepsico, Inc. So, if Pepsico enters into a valid Registry Agreement with ICANN for the gTLD ".PEPSI" they would likely have little difficulty securing trademark protection for that gTLD.

Conversely, there are 45 current live marks for the words "True Blue" and "TrueBlue," owned by different companies with fields of use ranging from eyewear to pet food to banking services to frequent flyer programs. Some of these companies probably would not have the resources to apply to ICANN to delegate the gTLD ".TRUEBLUE" and to then enter into a valid Registry Agreement. But, some might. JetBlue Airways Corporation, for example, owns trademark #76,378,283 for the word mark "TRUEBLUE." So, if JetBlue gets ICANN to delegate the gTLD ".TRUEBLUE" and enters into a Registry Agreement, they can apply for trademark protection for the gTLD. How will the USPTO handle that application in light of the 44 other owners of valid True Blue trademarks? Will the existence of so many other valid trademark owners preclude a finding that the gTLD can operate as a source identifier for Jet Blue? If not, will the other 44 be foreclosed from the gTLD that also consists of their mark?

As exciting as this new expansion of the internet is, it is also a time of uncertainty and concern for trademark owners. It is essential that trademark attorneys get up to speed on the issues quickly to help their clients navigate these uncharted waters.

For a discussion of protection mechanisms for trademarked terms within the new gTLDs, see http://www.kaiderlaw.com/blog/new-internet-extensions-how-to-protect-your-trademark (bit.ly/1hbyjjs).

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[1] "[t]he lack of a '.' or 'dot' in the submitted prior U.S. registration is not determinative as to whether or not the mark in the prior U.S. registration is the same as the mark in the application." Examination Guide 1-14, page 3.

[2] If applicant has a pending application before ICANN for a Registry Agreement and has otherwise demonstrated to the USPTO that the gTLD can function as a mark, the examining attorney may suspend the trademark registration application until resolution of the ICANN application.

[3] TMEP §1301.01(a)(ii)

# The European Union’s Right to Be Forgotten

**by Mark C Delbianco - Sunday, July 13, 2014**

http://www.msbaips.org/the-european-unions-right-to-be-forgotten/

By Marc Del Bianco, Esq.

There has been a lot of business and legal commentary about the European Court of Justice’s recent decision in the Google “right to be forgotten” case.[1] The holding itself is rather narrow. The ECJ, at the request of a Spaniard who felt that articles about the foreclosure of his house 15 years ago did not accurately reflect his present situation, ordered links to articles about the house sale removed from the results returned when a Google search for his name is conducted in the EU. The ECJ found that the U.S. parent Google Inc. was subject to the jurisdiction of Spanish courts and the Spanish Data Protection Authority (DPA) as a result of its operation of Google Spain SL. The ECJ held that the parent’s search function (which takes place in the U.S.) and the Spanish subsidiary’s advertising sales function (which collects personal data about EU citizens, enables the search function to be economically profitable and takes place in Spain) were “inextricably linked.” Because the combined Google entity was determining the means and purposes for processing personal data in an EU member state, the ECJ held it was a Data Controller subject to the EU Privacy Directive and to Spanish jurisdiction, at least for privacy complaints related to its search business. The ECJ stated that any request to remove links must be balanced against the “preponderant interest of the general public.” When it examined the merits of the case, it concluded that the information at issue was “inadequate, irrelevant or no longer relevant, or excessive in relation to the purposes for which [it was] processed and in the light of the time that has elapsed.” Therefore, the court ordered Google to remove links to the information from its search results in the EU.

When and how the decision can and will be implemented is up in the air. The DPAs from EU countries have begun working on guidelines for how search engines (and presumably other companies that are or may be recognized as Data Controllers) should handle “right to be forgotten” requests. Press reports indicate that the guidelines are expected to be ready in September and will standardize the process of handling removal requests and appeals of removal denials across all EU member states.

Google’s response has to date been measured. It has placed a “right to be forgotten” request form on its website and started putting together a committee of outside experts to vet difficult requests.[2] The company apparently will remove “forgettable” references only from the EU search engine results, and it has announced that it will disclose in those search results that certain URL results are omitted. Google claimed that in the first week after the decision, 41,000 EU citizens asked to remove links to outdated information about them.

The full effect of the ruling will not be known for some months. The ruling does not require deletion or takedown of the documents or any URLs, just that Google or any other Data Controller not display them in the search results. This seems an open invitation for inquiring minds to use other search engines, including the U.S. version of Google, to circumvent the ruling. The decision no doubt affects other search engines, to the extent that they have an “establishment” (i.e., an affiliate or subsidiary) in a particular EU country. Yahoo, Microsoft and other search engine operators are already receiving requests that individuals’ information be deleted or omitted from search results. They will have to create their own “right to be forgotten” processes and decision criteria. Given the lack of guidance from the ECJ, it seems likely that at least in the short term there will be little uniformity in the takedown decisions, so an individual’s data could be “forgotten” by Google but readily available in Bing and other search engines.

The logic of the ECJ decision is not limited just to search engines. It is likely to be applied to find that blog hosting companies, social media and other intermediaries are Data Controllers with establishments in the EU. There is a potential for the concept to be applied even more broadly, to any U.S. companies that publish the personal data of E.U. citizens and that can be classified as Data Processors or Data Controllers (terms of art under the EU Privacy Directive). This is important for two reasons. First, the EU concept of **personal data is broader than the U.S. notion of private or personally identifiable information. "Personal data" in the EU includes almost any information about an individual, including information obtained from public sources (such as the house sale records at issue in the Google case) and information that an individual has voluntarily disclosed publicly.**

Second, many U.S. companies may not realize that they are publishing personal data of E.U citizens. For example, the websites of many U.S. companies not falling in any of the categories above provide website search capability or links to search engines or other third party websites. The result pages of such searches could produce references to the personal data of E.U. citizens. If the U.S. company has a European affiliate or subsidiary, it may be subject to EU jurisdiction. This risk may require review and revision of the group's corporate structure and business operations.

One final issue is worth mentioning. There is an inherent tension between the right to be forgotten and two key concepts in U.S. law – the First Amendment right to free speech and the idea that truth is a defense to any sort of libel or defamation claim. At some point, these will collide. The most likely battlefield will be a blog, with an international hosting company caught between an order from a European court and a blogger's U.S. First Amendment claims. It will be interesting to see the outcome.

[1] *C-131/12 Google Spain SL, Google Inc. v Agencia Española de Protección de Datos, Mario Costeja González.*

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# O'Bannon v. NCAA: The Right of Publicity in College Athletics

**by Jan Ingham Berlage - Sunday, July 13, 2014**

http://www.msbaips.org/obannon-v-ncaa-the-right-of-publicity-in-college-athletics/

by Jan I. Berlage and Ryan A. Notton[1]

On June 9, 2014, the U.S. District Court for the Northern District of California began a three-week bench trial to decide whether, among other things, the NCAA illegally restricts athletes from being paid for the use of their names, images, and likenesses. The case, *Edward C. O'Bannon, Jr. v. National Collegiate Athletic Association, et al.*,[2] is one of many legal actions filed by current or former college athletes in the last five years seeking, in one form or another, a greater share of the profits derived from college athletics. A detailed summary of this litigation and the issues raised in the 1,000+ filings is beyond the scope of this article. This article focuses on the argument raised by the NCAA at summary judgment and various broadcast companies as *amici* that the athletes have no rights of publicity in live telecasts,[3] so that the NCAA cannot be guilty of restraining these nonexistent rights.

The TV rights are the most important financial issue in the litigation to the NCAA. Nearly 80% of the NCAA's revenues for the year ended August 31, 2013 came from multimedia agreements, with most of the money coming from its yearly installment of the $10.8 billion, 14-year deal with Turner Broadcasting System Inc. and CBS for the Division I Men's Basketball Championship.[4] Other broadcasters have spent billions to acquire the rights to televise football bowl subdivision games. Understandably protective of these financial interests, the NCAA and TV broadcasters have vigorously defended the structure of the current system that shares none of this money with the adult athletes that consumers pay to watch. Indeed, these entities argue that the athletes have no rights of publicity in a broadcast of a team sporting event because these rights vest exclusively in the producer of the event.[5]

Most states recognize that an individual has an intellectual property interest in his or her identity and should be able to control, subject to the limitations of the First Amendment, the commercial use of his or her identity. A majority of states allow an individual to recover damages when a person or entity misappropriates that individual's right of publicity by using, without authorization, the individual's name, image, likeness or other recognizable aspects of an individual's persona for the defendant's commercial advantage. While the protectable elements of a person's identity vary by state, the states that recognize this tort would allow you to properly sue someone who, without your permission, inserted your picture on their product label or advertisement. Numerous celebrities have recovered damages for the unauthorized use of their name, image, or likeness to promote a product.

The only time the Supreme Court has reviewed the right of publicity is *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S.5 562 (1977). In *Zacchini*, an entertainer, Hugo Zacchini, performed his "human cannonball" act at an Ohio fair in which he was shot from a cannon into a net approximately 200 feet away. *Id.* at 563. Mr. Zacchini requested the reporter not to film his performance but, the following day, the reporter filmed the act and the short film clip of the entire act was featured on the local news program that night. *Id.* at 564. The Supreme Court held that the First and Fourteenth Amendments did not protect the TV station from damages for its infringement of Mr. Zacchini's right of publicity. The Court explained that the Constitution does not confer a blanket right for the media to broadcast a performer's entire act without his consent. *Id.* at 575. *Zacchini* seems to foreclose the argument that the First Amendment allows the broadcast of an entire athletic event without the prior license or consent of all parties with ownership rights in that performance. But it does not answer whether college athletes hold rights of publicity in their performances.

In the authors' opinion, there is no principled reason why participants in team sporting events could not hold rights of publicity in these events. If the members of The Beatles can enforce their rights of publicity,[6] why should a group of athletes merit different treatment? Furthermore, in *Dryer v. National Football League*[7], former NFL players survived summary judgment on their right-of-publicity claims against the NFL for the use of old video footage in promotional videos. While the class action ultimately settled, the litigation suggests at least one federal judge would entertain the notion that the athletes participating in a team sporting event have rights of publicity in the broadcast of that event.

The evidentiary questions are whether the athletes waived their right-of-publicity claims by participating in sporting events they knew would be televised or whether the athletes validly transferred these rights to the NCAA via the contracts they were forced to sign to participate in NCAA collegiate athletics. The NCAA has strong defenses on these issues. But it is easy to see why the NCAA prefers to focus on whether state law recognizes a right of publicity for participants in team sporting events. After all, proving that current and former athletes gave up their publicity rights might win the battle but lose the war. A finding that NCAA athletes have rights of publicity in the use of their likenesses in TV broadcasts and that the NCAA cannot prohibit athletes from seeking compensation to license these rights would deal a major blow to the current financial model of college sports.

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[2] Case No. 4:09-cv-03329-CW.
[3] *See In re NCAA Student-Athlete Name & Likeness Licensing Litigation*, formerly a consolidated case overseen by Chief Judge Claudia Wilken: *Samuel Michael Keller v. Electronic Arts Inc. et al.*, 09-cv-01967-CW (lead case) and *Edward C. O'Bannon, Jr. v. National Collegiate Athletic Association et al.*, 09-cv-03329-CW. Brief *Amicus Curiae*, Document No. 1047-1, filed May 2, 2014 (the "Amicus Brief").
[4] *See* Audited NCAA Consolidated Financial Statements for 2012 and 2013, *available at* http://www.ncaa.org/sites/default/files/NCAA_FS_2012-13_V1%20DOC1006715.pdf

[5] Amicus Brief, at 2.

[6] *See Apple Corps Ltd. v. A.D.R.P., Inc.* 843 F. Supp. 342 (D. Tenn. 1993).

[7] *Dryer v. National Football League*, 689 F. Supp. 2d 1113 (D. Minn. 2010).

# Net Neutrality History and the Future (Part 1)

**by Lowell G Wilson - Sunday, July 13, 2014**

http://www.msbaips.org/net-neutrality-history-and-the-future-part-1/

By Lowell Wilson, Esq.

I first encountered the Internet back in about 1978 while working at a university data center. The Internet was essentially a collection of T1 lines, a few line-of-sight infrared carriers, plenty of MUXs and other sorts of modems, and the fact that it worked at all was kind of miraculous. There were dedicated regional backbone networks already in place at that point, but they were still in a somewhat nascent stage and most of us were more concerned with connecting to the next node in the network so that we could have some level of connectivity. Beyond the backbone, things were pretty *ad hoc*.

If someone had mentioned the concept of "Net Neutrality" to me back then I would have had a reflexive tendency to think in purely technical terms, and the notion that such a thing needed to be enforced by a body like the FCC would have seemed far-fetched to me. Any concept of Net Neutrality that I could have imagined back then seemed baked into the network - the whole idea was to move packets as quickly as possible along whatever route could be slapped together at any given instant in time. Since any given part of the Internet was so very prone to failure, the idea of erecting barriers was absolutely antithetical to the whole scheme of the thing. Net Neutrality was not a luxury to be ladled out to those willing to pay; if you were going to attach to the Internet, you had to pass packets along your stretch of the network without any notions of favoritism in order to make the whole thing work. After all, no two packets in a data stream were necessarily going to take the same route anyway so, in a practical sense, why worry about network neutrality? If people erected barriers, the Internet's very design would simply work around them.

That was then. Today, the Internet has been largely privatized and bandwidth to most homes is faster than a lot of the connections that made up the backbone network of mostly mainframe computers back in the late 1970s. As this privatization happened and the Internet has become ever more international in scope, many countries have decided that Internet access should be provided to citizens as a public utility, something that the citizens of those countries have decided to pay for as a government service. In the US we have decided to stick with a privately managed Internet, cobbling together a network for home users that in large part consists of the spare bandwidth capacity of cable television providers. Those cable services actually provide the "last mile" connectivity to the Internet for a huge percentage of the populace and, as such, there is no way that the Internet can simply work around them. There's an irony in this changed set of circumstances: in the old days when the Internet was relatively small it was impossible to imagine a way for any significant chunk of that network to wall itself off and create a barrier to packet carriage whereas now, not only is the idea possible, Comcast and Verizon have used their very real ability to erect such a barrier to force Netflix to pay to avoid having their packets stopped at the border. To reach a user of Comcast's network one must get packets sent to the user BY Comcast's network. In the early days, the large subnets of the Internet were some universities and maybe NASA, and they had nowhere near the number of computers that Comcast serves.

Of course, part of the reason for the American approach was that it was thought by some to be the fairer way to deploy the network; only those who wanted to use the Internet would pay for it. Remember, the Internet was privatized in the early 1980s, a time when a significant portion of the populace was becoming strongly anti-government and anti-tax, and convincing the citizens of the United States that it was a good idea for them to start paying for universal high-speed Internet services via a tax was going to be a hard sell at best. But in addition to that, when the issue really began to bubble up, Michael Powell and some of the other commissioners on the FCC believed that competition among a variety of technologies would render pointless any effort to accomplish net neutrality through regulation. This faith in "intermodal competition" led them to the belief that "Phone companies would battle cable, cable would battle satellite, and wireless and 'broadband over powerline' would take on all comers."[1] Instead, what actually happened was a series of mergers in the various industries which led to less and less competition.[2]

Looking back, the FCC's faith in intermodal competition might seem a bit ludicrous. After all, we now know that the cable companies simply consolidated to the point where most people are now living in towns where there is only one, or sometimes two, options for cable carriage. And there are no other meaningful means of access to broadband connectivity for the consumer.

But at that time it really did seem as though things might go very differently. Verizon decided to run fiber to houses, satellite companies started to offer some level of broadband service, and so on. In addition, the promise of 4G cell network connectivity suggested that cell phone providers might eventually offer a meaningful counterweight to the growing power of cable companies in the broadband arena. These factors, considered along with the fact that many Silicon Valley companies had shown a remarkable ability to brush aside seemingly impossible barriers to progress in the past made the FCC's decision seem far less silly at the time.

But over time, competition in broadband just never really took off. In retrospect it isn't hard to understand why. Laying cable is expensive, satellite lag times cause some real problems with broadband connectivity, and many of the potential competitors to the cable operators were simply able to make more money focusing their resources elsewhere. As for cell phone companies, 4G could only become a competitor in the broadband field if those companies were able to erect cell towers every few feet. Even Verizon eventually announced that they were no longer going to expand their FiOS service, choosing to focus instead on the development of cellular service; they were rewarded by Wall Street for this decision. The electric companies? They were also deregulated during this period. Those companies that didn't suffer the sort of disastrous experience of Enron focused more on merging their power companies together and pretty much ignored the burgeoning market for broadband altogether; they were power companies who followed the business school mantra of sticking with their core competencies; they saw no reason to focus on building the expertise they would need to become communications companies.

Eventually the FCC realized that deregulation had not accomplished what they had hoped for and so they issued an Internet Policy Order in 2005. Nevertheless, some suspected that net neutrality was still being compromised and in the fall of 2007 some users of Comcast's broadband service noticed that their access to the BitTorrent protocol seemed to have slowed down. They, with some help from the Electronic Frontier Foundation, eventually proved that the BitTorrent service was indeed being throttled.[3] The FCC ordered *Comcast* to stop and Comcast, resenting the FCC's interference in their network management, sued for declaratory relief and won in April 2010.[4]

The Commission had claimed its authority to regulate Comcast was "an exercise of what courts term its 'ancillary jurisdiction,' see id. at 13034–41 ¶¶ 14–22, a power that flows from the broad language of Communications Act section 4(i). See 47 U.S.C. § 154(i) ('The Commission may perform any and all acts, make such rules and regulations, and issue such orders, not inconsistent with this chapter, as may be necessary in the execution of its functions.'); see generally American Library Ass'n v. FCC, 406 F.3d 689, 700–03 (D.C. Cir. 2005)."[5] The Court in the *Comcast* decision essentially argued that the FCC had simply not stated sufficient statutory authority that would allow them to govern the operations of the Internet according to the Order they had set out.

Undeterred after the Comcast decision, the FCC doggedly issued a new set of net neutrality rules, laying out in great detail the statutory authority under which they argued that they had the power to enforce net neutrality. This time Verizon was the company that took issue with the FCC's attempt and they sued for relief. If you did not read the opening paragraph of Verizon v. Federal Communications Commission you would have assumed that the FCC won that case. The extent to which the Court backs the FCC's authority is almost breathtaking. Until, that is, one reaches Section III, a full 45 pages into the majority opinion, where the Court states that the FCC, in order to do what it wants to do, and what the Court suggests it reasonably MIGHT do, must first declare cable broadband to be a common carrier rather than an information service. Since the FCC continues to insist on the latter classification, it may not require net neutrality because "The [Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56] *subjects telecommunications carriers, but not information-service providers, to Title II common carrier regulation.* 47 U.S.C. § 153(53); Brand X, 545 U.S. at 975–76."[6]

As an overall statement of the authority the Court believes the FCC could rightly claim if cable broadband providers were treated as common carriers, the Court said that "the Commission has established that section 706 of the Telecommunications Act of 1996 vests it with affirmative authority to enact measures encouraging the deployment of broadband infrastructure. The Commission, we further hold, has reasonably interpreted section 706 to empower it to promulgate rules governing broadband providers' treatment of Internet traffic, and its justification for the specific rules at issue here—that they will preserve and facilitate the 'virtuous circle' of innovation that has driven the explosive growth of the Internet—is reasonable and supported by substantial evidence."[7]

It is worth listing some of the specific powers the Commission claimed for itself in its new Order and which the Court suggests the FCC would have if it were to make that change in classification. They could have imposed:

1. transparency requirements on fixed and mobile broadband providers under which those providers "must 'publicly disclose accurate information regarding the network management practices, performance, and commercial terms of [their] broadband Internet access services.'"[8]
2. "anti-blocking requirements on both types of broadband providers … [prohibiting] fixed broadband providers from 'block[ing] lawful content, applications, services, or non-harmful devices, subject to reasonable network management."[9]
3. "an anti-discrimination requirement on fixed broadband providers only. Under this rule, such providers 'shall not unreasonably discriminate in transmitting lawful network traffic over a consumer's broadband Internet access service. Reasonable network management *shall not* constitute unreasonable discrimination."[10]

The Commission had claimed this power under section 706 of the Telecommunications Act of 1996, stating that the Act "directs it to encourage the deployment of broadband telecommunications capability. According to the Commission, the rules furthered this statutory mandate by preserving unhindered the 'virtuous circle of innovation' that had long driven the growth of the Internet. Internet openness, it reasoned, spurs investment and development by edge providers, which leads to increased end-user demand for broadband access, which leads to increased investment in broadband network infrastructure and technologies, which in turn leads to further innovation and development by edge providers."[11]

The Court goes on to state that "[t]he question, then, is this: Does the Commission's current understanding of section 706(a) as a grant of regulatory authority represent a reasonable interpretation of an ambiguous statute? We believe it does."[12]

The Court then went on to make short work of the remaining issues raised by Verizon. Verizon had, for instance, argued that it made so sense for Congress to give both the FCC and the individual states the authority to regulate and encourage the development of "advanced telecommunications capabilities."[13] But the Court pointed out that this had happened before and there was therefore no reason to believe that Congress had not intended exactly that sort of joint authority.[14]

Verizon also argued that the power that the FCC was claiming appeared to be almost unlimited, but the Court noted that there were two limiting principles in place: "First, the section must be read in conjunction with other provisions of the Communications Act, including, most importantly, those limiting the Commission's subject matter jurisdiction to 'interstate and foreign communication by wire and radio.' 47 U.S.C. §152(a). Any regulatory action authorized by section 706(a) would thus have to fall within the Commission's subject matter jurisdiction over such communications—a limitation whose importance this court has recognized in delineating the reach of the Commission's ancillary jurisdiction."[15] "Second, any regulations must be designed to achieve a particular purpose: to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans." 47 U.S.C. § 1302(a). Section 706(a) thus gives the Commission authority to promulgate only those regulations that it establishes will fulfill this specific statutory goal—a burden that, as we trust our searching analysis below will demonstrate, is far from "meaningless." Dissenting Op. at 7."[16]

In addition to demonstrating that the Commission had the authority to regulate broadband in the way described above, the Commission had also claimed a different authority under Section 706(b) of the Act: the authority to change the definition of what constitutes broadband. That section allows the Commission to consider whether "advanced telecommunications technologies, including broadband Internet access, were . . . 'being deployed to all Americans in a reasonable and timely fashion,' [which is] the prerequisite for any purported invocation of authority to 'take immediate action to accelerate deployment of such capability' under section 706(b). 47 U.S.C. § 1302(b)."[17] In July of 2010 the Commission raised the minimum speed for network activity to be classified as "broadband" from 200 kbps to 4 mbps.[18] The rationale behind the change was that the use to which customers were now putting broadband capabilities had changed from downloading video and reading web pages at a pace that would approximate the experience of reading a book in one's possession to actually streaming video from remote sources without downloading.[19] The Commission claimed that the Act did not lock in a firm definition of broadband, leaving that instead to the Commission, and that the term's meaning would necessarily change over time based on changing demands.

With this new definition of broadband in mind, the Commission claimed that it needed to step in to force the industry to deploy the newly defined broadband in a "reasonable and timely" fashion. While acknowledging that this change in definition was suspicious, given that the Commission had recently been told it did not have the authority to regulate the industry in the way it had tried prior to the Comcast ruling, the Court ruled that "questionable timing, by itself, gives us no basis to reject an otherwise reasonable finding."[20]

In addition, the Court agreed with the Commission that evidence exists that their regulation in this area could rationally be expected to encourage the advancement of broadband. After all, the deployment of higher speed broadband had already stimulated the development of streaming video, and the higher bandwidth needed for such streaming had encouraged the deployment of still higher speed broadband.[21]

In the next section of the majority opinion the Court discussed the alleged ability of broadband providers to stifle innovation by either preventing edge providers from selling certain services, such as telephone of cable television, to the broadband provider's customers or, absent an outright prohibition, then charging edge providers more to have their packets delivered in a reasonably fast fashion to those customers (this is the Netflix situation that has been in the press so much lately - Netflix has now signed agreements with Comcast and Verizon to pass their packets through to those providers' customers on a "fast lane" to avoid buffering and other inconveniences). And again, the majority sided with the Commission, stating that such interference is far from just a theoretical possibility, but that the broadband providers certainly have the technical ability to shut down services they do not want to let through, it is clear that they have the economic and technical ability to do so.[22]

But, as noted above, the Court ultimately decided that the Commission had overstepped its authority in trying to impose net neutrality. "Given the Commission's still-binding decision to classify broadband providers not as providers of 'telecommunications services' but instead as providers of 'information services,' see supra at 9–10, such treatment would run afoul of section 153(51): 'A telecommunications carrier shall be treated as a common carrier under this [Act] only to the extent that it is engaged in providing telecommunications services.'"[23]

So the Court found that, while the rules requiring that Verizon and other broadband providers disclose their network management policies, the rules anti-discrimination and anti-blocking rules were in effect rules of common carriage and, as such, could not stand.

What does all this mean? The dance between the Court and the Commission continues. On May 15, 2014 the Commission released its Notice of Proposed Rulemaking which is essentially a backgrounder on where things stand regarding Net Neutrality, an overview of where the Commission intends to go next, and a request for public comment so that the Commission can take the pulse of the public and make sure that they don't get too far ahead or behind.

One of the first things the Notice says is that the Court tossed the Commission's ability to enforce anti-discrimination rules and anti-blocking rules, while keeping intact those requiring public notice of broadband carriers' network management policies. But, the Commission states, "This Notice begins the process of closing that gap, by proposing to reinstitute the no-blocking rule adopted in 2010 and creating a new rule that would bar commercially unreasonable actions from threatening Internet openness (as well as enhancing the transparency rule that is currently in effect)."[24]

So for now, we await the end of the comment period to see what the FCC really has in mind. The questions on which they have asked for comment suggest that they are considering a very wide range of options, from changing the standard they will use to judge openness (the new standard would only allow broadband providers to take "commercially reasonable" steps to block disfavored traffic on their segment of the Internet) to finally invoking Title II of the Communications Act and applying common carriage principles to broadband providers.

From the perspective of an technology law practitioner, there are several possible ramifications of all of this, and we really don't have to await the final set of rules to start thinking about them. To do this, let's consider some of the really basic ways in which our personal use of the Internet has already changed, bearing in mind that this really is not even the camel's nose getting into the tent, but the very tip of that nose with a whole herd of camels following behind.

Every morning I wake up to the alarm on my iPhone which has been quietly downloading emails and podcasts, double checking the local time, and so on all night long. After checking those emails I strap my iPhone to my arm and go for a run, listening to music and recording the details of the morning run. When I get home I upload all the running information to DailyMile.com and comment on what other runners I know around the world have done while I was sleeping. I then take the iPhone to the bathroom with me where I stream a Swiss jazz station I like to a wireless speaker while I shower. Once I get downstairs I fix breakfast and continue listening to that jazz station, but now I have switched the streaming from my iPhone to my Mac and it's sending the music to my family room speakers. I look over my calendar to start organizing my day and then read the virtual papers while I eat my breakfast.

After breakfast, if I am working at home that day I start drafting documents, most of which I keep on the cloud so that I can later access them from other devices at my convenience. I of course have all the usual email interruptions, professional, personal and from my Towson University students. And at some point my calendar will remind me that I have an appointment I need to get ready to leave for. Closing my Mac I hop into my car and tap on the calendar entry in my iPhone to get the address of my destination, and then I mount my iPhone to my window where it will be used as my navigator to get me where I am going.

This is all very standard stuff today but just think about how different things were 15 years or so ago. Much of what I have just described would have seemed like fantasyland. And none of this takes into account the higher bandwidth demands I will place on my Internet connection when I get home. I decided as a kid that I would root for the San Francisco Giants baseball team because my cousin was growing up in Palo Alto while I was growing up in

Baltimore. So on many evenings I will come home and turn on the MLB app on my Apple TV and watch a Giants game. If I'm more in the mood for a movie, chances are I will watch it on Netflix or HBO Go.

I have Verizon FiOS service at my house, but I have not invested in the higher speed option. And yet all of these things are possible. However, if my son, wife and I were all doing high-demand things on the Internet at the same time, I would probably have to pay for the next tier of Internet connectivity so as to have the bandwidth necessary to handle that demand.

And as I said, this really is pedestrian stuff compared to the demands we will soon be putting on the Internet. Many years ago I worked in a computer center that had a lot of Digital Equipment Corporation computers. DEC was running an ad back then to try to convince us all that distributed computing was going to be all the rage soon and that "the network is now the system." We could not yet imagine how right they were.

Consider Moore's Law, the observation made by Gordon Moore of Intel that the number of transistors you could fit on a chip doubled roughly every 18 to 24 months. This "law" has held up remarkably well for decades but it is now starting to run into some limitations imposed by the laws of physics; there tends to be too much "bleed" in circuits once you get them down to a certain size so that the possibility of shrinking them any further is no longer realistic.

However, other than engineers most people didn't much care how many transistors you could fit on a chip. Instead, most of us liked the power that the computers exhibited and the lower cost.

Today, because of virtualization and cloud computing technologies, we are still seeing costs for computing power diving downwards. And maybe more importantly, the HR costs of maintaining computing infrastructure is starting to drop rather drastically. This is because many companies are opting to store their data in the cloud rather than locally, and they are starting to buy processor cycles and software at a distance as well, meaning that they no longer have to have an $85,000/year network/hardware/software specialist on staff to manage their systems. Right now most of these leased cloud computing systems are a bit less reliable than would be ideal (check the guaranteed up-time clauses in cloud contracts very closely and then do the math to be sure that your clients are aware of what they are getting into if they plan to run mission-critical applications in a virtualized environment), but the costs are getting so attractive that many companies are going to go that route anyway and then, one would assume, companies providing those services will begin to compete on quality of service rather than pure price.

In addition, the "Internet of things" is quickly becoming a reality. In that world we will all have Next thermostats learning more and more about us so that they can properly adjust our climates, we might have heart monitors and other medical equipment running all the time, and as our population ages, more and more people will be cared for in environments where technology will let the facilities do more with fewer people. What makes all this work is constant communication between devices, large and small.

Right now in much of the rest of the world, fiber to the home either has become a reality or is quickly on the way. That means that people in those countries are starting to see effective Internet speeds of up to 1 gigabits per second. My FiOS speed is currently about 25 megabits per second for downloads and significantly slower for uploads. That's fine for the way I use the Internet now, but it won't be in the future. Even today I notice lag times with Netflix, and the MLB app's picture quality is not as good as the broadcast networks.

As was mentioned above, the FCC believes, and the Court said they were reasonable in that belief, that they have a mandate to see to it that advanced broadband technology is deployed rapidly. They have indicated that in order for that to happen, at least partial network neutrality must be a part of the American Internet.

But net neutrality, while a fine goal, may not be their biggest problem. Currently most Americans get their Internet access from a very small set of companies, and given Comcast's intent to merge with Warner Cable, that number of companies is set to get smaller. Comcast claims that there is no reason the merger should not go through since Comcast and Warner do not compete in any of the markets they serve. The problem is that they are the only service providers in most of those markets.

And the bigger problem with their domination is that they do not appear to have any incentive to deploy fiber to the household.

[1] Susan Crawford. "Captive Audience," Yale University Press, iBooks version, ch. 2, p. 98

[2] Ibid.

[3] Crawford, p. 107

[4] Ibid, p. 109

[5] Verizon v. Federal Communications Commission, http://www.cadc.uscourts.gov/internet/opinions.nsf/3AF8B4D938CDEEA685257C6000532062/$file/11-1355-1474943.pdf, p. 11. For those who prefer the official citation, the case can be found at Verizon v. Federal Communications Commission, 740 F.3d 623 (D.C. Cir. 2014). I will be citing to the online version throughout this paper.

[6] Ibid, p. 9 (emphasis added)

[7] Ibid, p. 4.

[8] Ibid, p.13

[9] Ibid

[10] Ibid (emphasis added. Later in the same paragraph the Court pointed out that the Commission had stated, "as a general matter, it is unlikely that pay for priority would satisfy the 'no unreasonable discrimination' standard."

[11] Ibid, p. 15 (citations omitted)

[12] Ibid, p. 22

[13] Ibid, p. 23

[14] Ibid

[15] Ibid, p. 26

[16] Ibid, pp. 26-27

[17] Ibid, p. 27

[18] Ibid, p. 27

[19] Ibid, p. 28

[20] Ibid, p. 31

[21] Ibid, p. 35

[22] Ibid, pp. 37-38

[23] Ibid, p. 45

[24] http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0515/FCC-14-61A1.pdf, p. 3.

# Oracle America, Inc. v Google, Inc. (Computer Code Copyrightability)

**by Michael Dale Oliver - Sunday, July 13, 2014**

http://www.msbaips.org/oracle-america-inc-v-google-inc-no-9th-cir-2013-1021-computer-code-copyrightability/

Oracle America, Inc. v Google, Inc., No 9th Cir. 2013-1021, 1022 (5/9/2014)(http://cafc.uscourts.gov/images/stories/opinions-orders/13-1021.Opinion.5-7-2014.1.PDF)

Copyrightabilty of computer source code and data has been the subject of hundreds of cases over the years, but as the court in this case noted “application of copyright law in the computer context is often a difficult task.”

Background: Google purchased a mobile phone operating system (android) and needed applications to run on it. Many applications are written in the Java language – a language that allows a developer to write code and have it work on many different operating systems. However, in order for developers to easily run their Java applications, the method, class and package names should be identical so that they do not have to edit their source code for a different version of operating system. Google sought to license the Java code from Oracle, however, the parties could not reach a deal. Google then decided to write almost all of the functionality to reproduce a Java virtual machine (the code that does things with the data and objects passed to it from the main application) – except that it decided to use identically named and structured *method, class and package names* so that pre-existing Java programs would not have to be re-coded to work with Google’s replicated version. Oracle sued Google on patent and copyright claims; it lost on all patent claims in the lower court, leaving only the copyright claims.

The issue presented was whether computer code constituting class method and package names along with their associated structure were copyrightable. In this case, Google used 37 package names, which constituted 600 class definitions and approximately six thousand method descriptions. After a jury trial in which the jury deadlocked on fair use defense, the lower court held that such code elements constituted “short titles” and/or were merged with the idea they expressed, and hence, not copyrightable. The 9th Circuit reversed and held that the overall structure was a copyright, and Google literally reproduced it, thus infringing the copyright; however, it remanded for further proceedings to determine whether Goolge's copying was a fair use.

First, the 9th Circuit overruled the lower court and held that Oracle's Java method, class and package names were copyrightable as a taxonomy – that is, that even though independently each element was not copyrightable, their sequence, structure and organization constituted an original work of authorship: as expressed by the court “an original work—even one that serves a function—is entitled to copyright protection as long as the author had multiple ways to express the underlying idea. Section 102(b) does not … automatically deny copyright protection to elements of a computer program that are functional.” In summary, the 9th Circuit stated that "[W]e conclude that a set of commands to instruct a computer to carry out desired operations may contain expression that is eligible for copyright protection. [...] We agree with Oracle that, under Ninth Circuit law, an original work—even one that serves a function—is entitled to copyright protection as long as the author had multiple ways to express the underlying idea. The use of the taxonomy here was not transformative because it served the same use as it did in the original work." Thus, the ice/function of the software was not merged into its expression.

Google also argued that it had to copy the literal variable and class names so that its actual non infringing functional code could interoperate with the programs written for Java. The court held that while this argument might affect fair use, it was not relevant to copyrightability.

Finally, Google argued that its copying use was a fair use. Fair use is a mixed question of law and fact, however, "the Supreme Court has specifically recognized that, "[w]here the district court has found facts sufficient to evaluate each of the statutory factors, an appellate court 'need not remand for further factfinding . . . [but] may conclude as a matter of law that [the challenged use] [does] not qualify as a fair use of the copyrighted work.'" *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 560 (1985).

The first factor in a fair use analysis is determining whether the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes. 17 U.S.C. § 107(1). " This factor involves two sub-issues: (1) "whether and to what extent the new work is transformative," Campbell, 510 U.S. at 579 (citation and internal quotation marks omitted); and (2) whether the use serves a commercial purpose."

Courts have described new works as "transformative" when "the works use copyrighted material for purposes distinct from the purpose of the original material." *Elvis Presley Enters., Inc. v. Passport Video*, 349 F.3d 622, 629 (9th Cir. 2003). "A use is considered transformative only where a defendant changes a plaintiff's copyrighted work or uses the plaintiff's copyrighted work in a different context such that the plaintiff's work is transformed into a new creation." *Perfect 10, Inc. v. Amazon.com, Inc*., 508 F.3d 1146, 1165 (9th Cir. 2007).

Many of the other factors weighed in favor of Oracle, but Google argued that "Google contends, however, that, although it admittedly copied portions of the API packages and did so for what were purely commercial purposes, a reasonable juror still could find that: (1) Google's use was transformative; (2) the Java API packages are entitled only to weak protection; (3) Google's use was necessary to work within a language that had become an industry standard; and (4) the market impact on Oracle was not substantial."

The court was unable to determine that enough facts had been ascertained to make the conclusion as a matter of law that Google's copying was not fair use, and thus remanded for further proceedings.

Impact of case: The lower court decision was troubling in its determination that a sequence of commands arranged in a way could not be copyrightable merely because they were functional. At the same time, expanding copyright protection to functional elements has far reaching implication for control of many objects that otherwise would not be subject to copyright protection. The 9th Circuit at least reversed the no copyright finding. However it leaves in limbo whether the copying made by Google was fair use. This means that other operating and middleware code writers should first seek a license when using an application programming interface in their own implementation of the interface. Relying on solely fair use would be risky.

Article by Michael Oliver, Esq., Oliver & Grimsley, LLC

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# The great Skee-Ball Trademark kerfuffle

**by Michael Scott Fuller - Sunday, July 13, 2014**

http://www.msbaips.org/the-great-skee-ball-trademark-kerfuffle/

By Michael Fuller, Esq.

Anyone who has ever visited Ocean City or Rehoboth Beach for vacation is familiar with the Skee-Ball bowling games that can be found in nearly any arcade. A bar in Brooklyn, NY is hoping to prove that the term "Skee-Ball" is actually generic and therefore ineligible for trademark protection.

The bar, called Full Circle, started a "Brewskee-Ball" league in 2005 at their bar. The co-owner of the Brewskee-Ball league insists that Skee-Ball Inc., the owners of the Skee-Ball mark, gave him permission to start his league and to use the Brewskee-Ball name, but in 2010 they sent Full Circle LLC a cease and desist letter ordering them to stop using the name. In 2011 Skee-Ball Inc. sued Full Circle LLC for infringing the Skee-Ball trademark. Full Circle LLC countersued, alleging that the Skee-Ball mark is generic and therefore invalid. The two cases were consolidated in the Eastern District of New York but both cases failed to progress very far beyond that.

Now Full Circle LLC has retained John Johnson and Kristen McCallion, partners at Fish & Richardson, an Am Law 100 IP firm, to reignite the case. They are petitioning TTAB to cancel Skee-Ball's registered trademark by arguing that it is a generic term that describes a sport and therefore not registrable.

If Skee-Ball Inc. doesn't respond to this argument, their mark will become generic. However, retaining Fish & Richardson will cost Full Circle LLC a lot of money, so they have actually launched a crowdfunding campaign called "Skee the People" to help with their legal costs.

So the next time you're "down the ocean" playing Skee-Ball, ask yourself—are you engaged in the sport of "skee-ball", or in your mind will it always be "Skee-Ball™"? If it's the former (and TTAB agrees with you), you could see many more Skee-Ball games in the future.

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