Top Tens in 2016: Patent, Trademark, Copyright and Trade Secret Cases

Stephen McJohn
Suffolk University Law School

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ABSTRACT—The Supreme Court issued several rulings that affect incentives in patent law. The Court relaxed the standard for the award of treble damages, narrowed the damages awards for infringement of design patents, and upheld key parts of the new procedures for challenging the validity of patents before the United States Patent and Trademark Office (USPTO). After numerous decisions holding claimed inventions to be outside patentable subject matter in the wake of the Supreme Court’s 2014 Alice decision, the Federal Circuit rejected some challenges on those grounds, evincing a split among the circuit’s judges on the bounds of patentable subject matter. Several decisions affected legal boundaries: whether federal copyright law preempted state law rights for resale royalties and right of publicity, and whether trade secret law preempted claims for unjust enrichment. Courts continue the trend to limit injunctions, where parties have delayed or seek overbroad orders. Trademark decisions stretched the limits of the Lanham Act, to reach foreign sales of goods bought in the US and protection of foreign marks within the US, as well as to trigger nationwide US trademark protection upon the most minor use of a mark. In copyright, evergreen issues include the scope of fair use and the conditions for immunity for internet service providers. Trade secret saw a new federal trade secret act, along with cases on all the major elements of trade secret misappropriation in such areas as beehive foraging and bacon cooking.

This paper uses the collection of cases to conjecture a little on cognitive factors that affect judicial reasoning. Judges have the same cognitive biases as other humans. We can read judicial decisions, speculatively, with an eye toward how the judges unconsciously seek

* Professor of Law, Suffolk University Law School. This listing and analysis are decidedly subjective, and all the usual disclaimers apply. Comments welcome: smcjohn@suffolk.edu.
cognitive ease. The paper also discusses how the holdings of some cases may affect the subsequent decision process in some intellectual property matters.

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Several notable recent Supreme Court cases in patent law tend to weaken the power of patent holders. Alice, along with this term’s Cuozzo and Apple decisions cut back on patentable subject matter. Halo, by contrast, strengthens patents by reducing the showing required to recover treble damages. The Federal Circuit had followed a test requiring “objective recklessness,” meaning that there would not be enhanced damages if there was a substantial question as to validity of the patent or infringement by the defendant. The Supreme Court rejected that test as too rigid. The Court agreed that treble damages should be granted only in egregious cases, but held the determination of whether a case was egregious should be left to the discretion of the trial court, guided by the factors identified in the case law, not the strict determination of objective recklessness. As in several cases discussed below, the Supreme Court was less concerned than the appellate court that trial judges would unfairly use hindsight to second-guess the decisions of parties in intellectual property litigation. The Halo effect on litigants may be to discourage litigation for better (where clear infringers abandon meritless defenses) or worse (where non-infringers settle litigation or agree to licenses for fear of treble damages). Without enhanced damages, a defendant with a weak case nevertheless has a strong bargaining position. A party facing a likely loss (the defendant) is likely to be risk-seeking (amenable to taking chances to

3 Halo, 136 S. Ct. at 1923, (discussing In re Seagate Technology, LLC, 497 F. 3d 1360, 1368, 1371 (Fed. Cir. 2007) (en banc)).
4 Halo, 136 S. Ct. at 1932–35.
5 Not to be confused with the “halo effect” in psychology. See DANIEL KAHNEMAN, THINKING FAST AND SLOW 82–85 (2011).
avoid liability), where a plaintiff with a strong case is likely to be risk-avoiding (amenable to settling for a lower amount than its expected gains, to avoid even the small chance of losing). The second scenario would seem less likely. Even if *Halo* lowers the bar for treble damages, the standard is still egregiousness, and few possible infringers will think themselves likely to fit that standard.

B. *Cuozzo Speed Techs., LLC v. Lee*

The 2011 America Invents Act (AIA) introduced post-grant challenges to the United States patent system. Before the AIA, litigation was the only route to invalidate a patent, by raising invalidity, in an infringement case or by filing a declaratory judgment action. The AIA allowed anyone to file an administrative proceeding before the USPTO, seeking a declaration that a patent was invalid (although the grounds available are narrower than those in litigation). The Patent Trial and Appeal Board (PTAB) has invalidated numerous patents. The hundreds of post-grant proceedings that were initiated are now yielding many appeals to the Federal Circuit followed by petitions to the Supreme Court. *Cuozzo*, was the Supreme Court’s first opinion in a post-grant proceeding. The Court upheld key aspects of the PTAB’s implementation of post-grant procedures. First, the PTAB may use the broadest reasonable construction of patent claims, an approach which tends to help challengers. Broader claims are more likely to be anticipated by earlier technology. Second, the Court affirmed the PTAB’s application of the statute to hold that decisions to initiate proceedings are not appealable. Implicitly, the Court rejected the view of post-grant proceedings stated by the dissent below, which compared them to substitutes for trial in district court. Rather, the Court treated them as a different creature, proceedings within an administrative agency. That makes it more likely post-grant proceedings will survive the challenge that they represent an unconstitutional delegation of Article III judicial powers. The Court had ruled that Congress had impermissibly vested judicial power in bankruptcy courts by allowing them to resolve state law tort claims. By contrast, the PTAB is strictly limited to reviewing decisions of patentability, which would seem well within the recognized exceptions.

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C. Coalition for Affordable Drugs VI, LLC v. Celgene Corporation

Congress created the post-grant proceedings as exemplified in Cuozzo partly as a response to what some term “patent trolls,” parties extracting licensing fees by wielding patents of dubious validity. Unlike litigation, there is no standing requirement for post-grant challenge. Rather, it is an administrative procedure that may be initiated by anyone. This made possible what some have termed “PTAB trolls,” parties that initiate post-grant proceedings against a patent (most likely a highly valuable patent such as a popular pharmaceutical) purely as an investment device: “The Coalition for Affordable Drugs, a wholly owned subsidiary of Bass’s Hayman Credes Master Fund LP, has challenged numerous drug patents at PTAB, reportedly as part of a short-selling strategy aimed at driving down the price of drug company stocks.” In Celgene, the PTAB determined that the claims were not patentable. From a policy point of view, one could argue that the case simply shows the procedures provide incentives for challenges to patents that should not have issued, not limited to those directly affected by the patents, such as competitors or end users of the invention.

Celgene can appeal the invalidation of its patent to the Federal Circuit. Had Celgene won, the challenger likely could not have appealed the decision, under the holding in Phigenix. Anyone can challenge a patent’s validity before the USPTO, an Article I body. But an appeal to a court requires the party to meet the requirements of Article III standing, a particularized harm from the patent (such as a claim of infringement.) So the mix of cases that reach the Federal Circuit will not include unsuccessful challenges brought by parties not involved in an actual controversy involving the patent.

D. Samsung Elecs. Co. v. Apple Inc.

Samsung copied the patented design of Apple’s iPhone. The question on appeal was whether damages would be reckoned by considering the market for smartphones, or just by the amount properly apportioned to the shape of the iPhone, as opposed to its other features, such as software. Samsung rejected a line of cases holding that, in design patent infringement cases, the proper measure of damages was the infringer’s total profits from

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8 IPR2015-01092 (October 26, 2016).
10 Phigenix, Inc. v. ImmunoGen, Inc., 845 F.3d 1168 (Fed. Cir. 2017)
the relevant product. The statute does appear to grant total profits: one who makes or sells “any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit.” But the Court held that the relevant “article of manufacture” was not the product (the iPhone) but rather the component embodying the patented design. Accordingly, the Court held that where a product has multiple components, damages would be the portion of profits allocable to the component with the infringed design. So, when Samsung infringed the design patent of the Apple iPhone shape, profits would be reckoned by the component, not the entire phone.

E. Enfish, LLC v. Microsoft Corp.\textsuperscript{13}

In recent years, the Federal Circuit has held dozens of patents invalid for failing to claim patentable subject matter under the 2014 Supreme Court decision \textit{Alice Corp. v. CLS.}\textsuperscript{14} This year saw the pendulum swing back with the Federal Circuit upholding patents, as in \textit{Enfish}, that were not much different than ones previously invalidated.\textsuperscript{15} \textit{Enfish} also shows the Federal Circuit struggling to apply the test from \textit{Alice}. \textit{Alice} held outside patentable subject matter patent “claims . . . designed to facilitate the exchange of financial obligations between two parties by using a computer system as a third-party intermediary.”\textsuperscript{16} The Court formulated a two-part test from its earlier cases:

First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts [Laws of nature, natural phenomena, and abstract ideas]. If so, we then ask, “[w]hat else is there in the claims before us?” To answer that question, we consider the elements of each claim both individually and “as an ordered combination” to determine whether the additional elements “transform the nature of the claim” into a patent-eligible application.”\textsuperscript{17}

\textsuperscript{12} Id. at 432 (quoting 35 U.S.C. § 289).
\textsuperscript{13} Enfish, LLC v. Microsoft Corp., 822 F.3d 1327 (Fed. Cir. 2016).
\textsuperscript{14} Alice, 134 S. Ct. at 2347; Dennis Crouch, Federal Circuit’s Internal Debate of Eligibility Continues, PATENTLY-O (November 16, 2016), http://patentlyo.com/patent/2016/11/internal-eligibility-continues.html [https://perma.cc/N4J3-6QRN].
\textsuperscript{16} Alice 134 S. Ct. at 2352.
\textsuperscript{17} Id. at 2355 (citations omitted).
The claims met the first test, being “drawn to the concept of intermediated settlement,” an abstract idea. Nor did they supply an “inventive concept,” under the second step: “The method claims do not, for example, purport to improve the functioning of the computer itself. . . . Nor do they effect an improvement in any other technology or technical field.”

*Enfish* applied the second part of the *Alice* test to see if the claims met the first part of the test: “Therefore, we find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the *Alice* analysis.” The claims were deemed to be “directed to a specific improvement to the way computers operate, embodied in the self-referential table.” That seems to suggest that any method that improves computer functionality (as opposed to a method simply implemented on a computer) would survive the *Alice* test. But that seems hard to square with *Benson*, which held that method for converting binary numbers, a key method for improving computer functioning, was a nonpatentable abstract idea. In any case, it seems that identifying an idea, for the relatively new test for patentable subject matter, will be no easier than in copyright, which likewise excludes ideas from protection, without any definition of “idea.”

**F. LendingTree, LLC v. Zillow, Inc.**

Meanwhile, a number of cases continued to invalidate patents as claiming unpatentable subject matter, including some patents that would have broad scope. *LendingTree* is a good example. The claim was directed to an abstract idea; namely, a loan-application clearinghouse or, more simply, coordinating loans. Indeed, claim 1 is directed to a practice similar to “fundamental economic practice[s]” found abstract by the Supreme Court. *Alice*, 134 S. Ct. at 2357. Like the concepts of risk hedging in *Bilski*, 561 U.S. at 611, and intermediated settlement in *Alice*, 134 S. Ct. at 2356, the

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18 Id. at 2356.
19 Id. at 2359 (citations and quotation omitted).
20 *Enfish*, 822 F.3d at 1335.
21 *Enfish*, 822 F.3d at 1336.
24 *LendingTree, LLC v. Zillow, Inc.*, 656 F. App’x 991 (Fed. Cir. 2016).
concept of applying for loans and receiving offers is also long prevalent in our financial system.26

Nor did the claim direct that abstract idea to a specific patent-eligible application. The case illustrates well how Alice has provided a straightforward means to bar overly broad patents, whereas in the past it would have been necessary to show that the invention was not new or was obvious, issues which require establishing the extent of the relevant prior art.

G. Rapid Litig. Mgmt. v. CellzDirect, Inc.27

Alice, Enfish and LendingTree all concerned whether the patent at issue impermissibly claimed an abstract idea. The Alice test applies to three nonpatentable areas: laws of nature, natural phenomena, and abstract ideas. The Supreme Court’s 2012 Prometheus decision cast doubt on the patentability methods in the life sciences, especially diagnostic methods (a large class, including many inventions directed to personalized medicine) and other life sciences inventions. Just as Alice did not define an “idea,” Prometheus did not define a “law of nature.” The claimed method in that case was using the results of a test for the level of a metabolite in a patient’s blood to prescribe the dosage of a pharmaceutical. Alice identified the abstract idea in the case, the concept of intermediated settlement. Prometheus held that the claimed method impermissibly claimed a law of nature, but did not identify the law of nature. The patentee evidently believed that certain dosages would be more effective, but had not enunciated a law of nature that directed that result. So, Prometheus left application of the rule very undefined.

CellzDirect upheld a patent on preserving a type of liver cell, in the face of the argument that it was directed at an unpatentable law of nature. The inventors had discovered that, contrary to belief in the field, that some fraction of the cells would survive being frozen and thawed multiple times. They patented the process of “(A) subjecting previously frozen and thawed cells to density gradient fractionation to separate viable cells from non-viable ones; (B) recovering the viable cells; and (C) refreezing the viable cells.”28 The court held that the claim was not directed at the discovery, but was rather were “directed to a new and useful laboratory technique for preserving hepatocytes.”29 Notably, the court did not consider what Alice

26 LendingTree, at 996.
28 Id. at 1045.
29 Id. at 1048.
identified as the key policy issue, whether the patent would effectively preempt the field, giving the inventors a monopoly on their discovery.30

H. UltimatePointer, L.L.C. v. Nintendo Co.31

A key step in patent litigation is claim interpretation—determining the scope of the patent claims. In interpreting claims, most cases state that reference to the written description in the patent is necessary only if the claims are ambiguous or otherwise require additional interpretive material.32 UltimatePointer seems to take a broader approach. The court limited claims to the description of the invention in the patent application’s specification, without first determining that the claims were ambiguous. The question was whether the term “handheld device” in the claim meant a “handheld direct pointing device.”33 The court held it was, because the invention described in the written description was a direct-pointing system and the description disparaged indirect-pointing systems.34

30 Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2354 (2014) (“We have described the concern that drives this exclusionary principle as one of pre-emption.”).
33 UltimatePointer, 816 F.3d at 823.
34 Id.
Drawing from U.S. Patent No. 7,121,489 in Allied Erecting

I. Trustees of Columbia Univ. v. Symantec Corp.\textsuperscript{35} Allied Erecting & Dismantling Co. v. Genesis Attachments, LLC\textsuperscript{36}

Both cases show how courts must sometimes deal with readings that lead to illogical results. Trustees of Columbia held that a claim that, applied to the real world, would be nonsensical: “the claims describe the step of extracting machine code instructions from something that does not have machine code instructions. . . . The claims are nonsensical in the way a claim to extracting orange juice from apples would be, and are thus indefinite.”\textsuperscript{37} Allied Erecting dealt with the argument that an invention could not be rendered obvious by combining features from two previous references, where those devices could not have been physically combined. The court reasoned that the impossibility argument was a red herring, if it would be obvious to combine features from the two devices to make the invention.\textsuperscript{38}

\textsuperscript{35} Trs. of Columbia Univ. v. Symantec Corp., 811 F.3d 1359 (Fed. Cir. 2016).
\textsuperscript{36} Allied Erecting & Dismantling Co. v. Genesis Attachments, LLC, 825 F.3d 1373 (Fed. Cir. 2016).
\textsuperscript{37} Trs. of Columbia Univ., 811 F.3d at 1366–67 (citations and quotation omitted).
\textsuperscript{38} Allied Erecting, 825 F.3d at 1381.
J. Arendi S.A.R.L. v. Apple Inc.\textsuperscript{39}

The PTAB has, under the new post-grant proceedings, invalidated many patents as obvious. \textit{Arendi} signals that the Federal Circuit will require convincing reasons. The Supreme Court established in \textit{KSR}\textsuperscript{40} that common sense may be used in finding a patent obvious, meaning that obviousness does not require that there be teaching, suggestion or motivation in the prior art to make the invention. The issue in \textit{Arendi} was whether it would be obvious, based on common sense, to add the option to search for a telephone number detected in a document, when the “Add to address book” option is chosen, in the image above.\textsuperscript{41} Under \textit{Arendi}, it is not enough simply to state that the invention is obvious: “Based on this prior precedent, we conclude that ‘common sense’ can be invoked, even potentially to supply a limitation missing from the prior art, it must still be supported by evidence and a reasoned explanation.”\textsuperscript{42}

\textsuperscript{40} KSR Int’l Co. v. Teleflex Inc., 550 U.S. 398, 421 (2007).
\textsuperscript{42} Id. at1363.
II. TRADEMARK

Real McCoy?


Is an app store like a swap meet? Some owners of swap meets have been held secondarily liable for trademark infringement by sellers at the meet.\footnote{Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259 (9th Cir. 1996).} The owner of the Free Kick Master mark brought an action on that theory against Apple, Google, and Amazon, on whose sites various infringing apps could be found. But, unlike the swap meet cases, the defendants did not have knowledge of the infringing activity, a requirement for contributory liability. So the common law standard for secondary liability in trademark hinges on the extent of knowledge, which is the key issue in copyright cases as well, although under the statutory scheme providing immunity for internet service providers, discussed below.


In 2014, the Supreme Court in \textit{Octane Fitness}\footnote{Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749 (2014),} announced a more flexible standard for awarding attorney’s fees in patent cases, holding that the trial court should look to the totality of the circumstances. Extending to trademark law the standard for awarding attorney’ fees awards in patent cases. \textit{Octane Fitness} rejected the standard applied by the Federal Circuit as “unduly rigid,” a characterization the Court has often used in rejecting the Federal Circuit’s interpretation of intellectual property law. \textit{Sunearth} followed other circuit courts in applying the \textit{Octane Fitness} standard,
announced in a patent case, to trademark cases under the Lanham Act. The rule may be particularly apt in adjusting the incentives for trademark owners, providing an apt counter to the loss aversion and over-weight of risk that may lead some trademark owners to pursue baseless claims of trademark infringement.47

C. Wreal, LLC v. Amazon.com48

The holder of the FyreTV mark for streaming video services filed a trademark infringement action about two weeks after Amazon began using the mark, Amazon Fire TV.49 The plaintiff then did little for five months, and then filed a motion for a preliminary injunction.50 The Eleventh Circuit affirmed denial of the injunction, because the unexplained delay showed that the plaintiff was not at risk of imminent irreparable harm, a necessary showing.51

D. Trader Joe’s Co. v. Hallatt52

Trader Joe’s also tested the limits of trademark law. The Ninth Circuit held there was sufficient effect on United States commerce to bring a trademark infringement action under the Lanham Act, where the defendant allegedly purchased Trader Joe’s goods in the US and resold them using that trademark at “Pirate Joe’s” in Canada, without adhering to quality controls.

E. Uber Promotions, Inc. v. Uber Techs., Inc.53

Like Wreal, Uber Promotions concerned the ability to use trademark rights to get an injunction, testing the property rights of intellectual property. The court declined to give Uber Promotions (a seller of party bus services in Gainesville, Florida) a statewide injunction against Uber Technologies (“a nationally known taxi-like service”). As the court put it, “a preliminary injunction should not serve as a bazooka in the hands of a

47 See Jessica M. Kiser, To Bully or Not To Bully: Understanding the Role of Uncertainty in Trademark Enforcement Decisions, 37 COLUM. J.L. & ARTS 211 (2014) (applying concepts of overweighting improbable losses and loss aversion from Kahneman, supra note 5).
48 Wreal, LLC v. Amazon.com, 840 F.3d 1244 (11th Cir. 2016).
49 Id. at 1247.
50 Id.
51 Id. at 1247–49.
52 Trader Joe’s v. Hallatt, 835 F.3d 960 (9th Cir. 2016); see also Re-Opening Progress Shots, PIRATE JOE’S, http://www.piratejoes.ca/ [https://perma.cc/8KY8-4SZP] (photos of Pirate Joe’s, changed to Irate Joe’s after the lawsuit).
“Squirrel.” Notably, Uber Promotions relied only on its common law priority based on local use, and had not made a federal registration.

F. Belmora LLC v. Bayer Consumer Care AG

Intellectual property law is territorial, meaning rights under US trademark law apply within the US. A mark recognized in another jurisdiction may, for lack of use in the US, not qualify for protection in the US. A recurring issue is, to what extent can the foreign mark owner prevent uses in the US that may be confusing to consumers. Belmora held that the holder of a foreign trademark not used in US may bring action for trademark cancellation, false association, and false advertising.

G. Christian Faith Fellowship Church v. Adidas AG

Trademark rights depend on use of the mark. Common law rights obtain in the geographical area of actual use, but federal registration gives priority nationwide. The issue in Christian Faith Fellowship was, how much use is necessary to support registration. The court held that “the Church’s sale of two “ADD A ZERO”-marked hats to an out-of-state resident is within the powers of Congress under the Commerce Clause and, therefore, constitutes ‘use in commerce’ under the Lanham Act,” which was sufficient to support registration of the ADD A ZERO mark. The court refused to adopt a de minimis test, on the grounds that Lanham Act registration applied to the extent of Congress’s Commerce Clause powers.

ADD A ZERO hats

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54 Belmora LLC v. Bayer Consumer Care AG, 819 F.3d 697 (4th Cir. 2016).
56 Alex MacKay, Use It (in Commerce) or Lose It!, TRADEMARKOLOGY (Dec. 1, 2016), http://www.trademarkologist.com/2016/12/use-it-in-commerce-or-lose-it/ [https://perma.cc/N8ZK-JRYM].
and that sales to an out of state resident were comfortably within the powers of Congress to regulate interstate commerce.58


When an intellectual property licensor goes into bankruptcy, the rights of licensees are protected. The policy is sound. The Bankruptcy Code could simply leave it to the debtor in possession and the licensee to negotiate a resolution, but negotiating over allocating losses is much more difficult than negotiating over allocating gain.60 But in the relevant definition of “intellectual property,” Congress did not include trademark. Mission Products finessed that definition, holding that rights of trademark licensee are not protected in licensee’s bankruptcy by the Bankruptcy Code, because trademark is not included in the relevant Bankruptcy Code definition of “intellectual property,” but that the rights may still survive bankruptcy.61 Notably, trade secrets are included in the definition in the Bankruptcy Code, but the Defend Trade Secrets Act of 2016 provides that it “shall not be construed to be a law pertaining to intellectual property,”62 creating a potential conflict between two federal statutes.

I. In re JobDiva, Inc.63

Like Christian Faith Fellowship Church, JobDiva rejects stringent use requirements for registration of a mark. The Trademark Trial and Appeal

Mark as reproduced in Fed. Cir. Opinion

Like Christian Faith Fellowship Church, JobDiva rejects stringent use requirements for registration of a mark. The Trademark Trial and Appeal

59 2016 Bankr. LEXIS 4025 (B.A.P. 1st Cir. 2016)
60 Kahneman, supra note 5, at 304.
63 In re JobDiva, Inc., 843 F.3d 936 (Fed. Cir. 2016).
Board cancelled the JobDiva service mark registered in the category of personnel placement and recruitment services, because JobDiva did not sell such services to its customers, rather sold software services used by the customers to provide such services.\textsuperscript{64} The court, by contrast, took a broader view of software eligibility for service mark registration, holding that the registrant need not provide such services separately from the provision of software.\textsuperscript{65} The case has implications beyond registration. Infringement depends on a likelihood of confusion, which is more likely if the relevant marks are used in similar categories. Under the reasoning of JobDiva, a mark for software used to support services could be more readily infringed by a non-software vendor using a similar mark to provide those services.

\textbf{J. Phoenix Ent. Partners, LLC. v. Rumsey\textsuperscript{66} Warner Bros. Entertainment, Inc. v. X One X Productions \textsuperscript{67}}

One trademark casebook was quick to juxtapose these two cases.\textsuperscript{68} Dastar\textsuperscript{69} held that a trademark claim could not be used for what was really a copyright issue, the allegation that copies of public domain copyrighted films were sold in a way that mislead the public, because they were not sold by the former copyright holder. Dastar rejected that theory, because otherwise trademark could be used to give the equivalent of copyright protection.\textsuperscript{70} In Phoenix, a vendor of karaoke tracks sued bars that used copies of those tracks, made without the vendor’s permission. The vendor did not claim copyright in the karaoke tracks, but alleged trademark infringement, because its trademark would appear to users when the tracks were played. The court rejected the claim, reasoning that consumers would not be confused about who produced the tracks, rather that the trademark claim sought the equivalent of copyright, the exclusive right to perform the works in public.\textsuperscript{71}

X One X, by contrast, applied trademark to elements from copyrighted works. The defendants licensed well-known phrases and character images from such works as Gone with the Wind, The Wizard of Oz, and Tom and Jerry cartoons, to the discernment of Warner Brothers, who owned the relevant copyrights. In addition to copyright claims, Warner Brothers

\textsuperscript{64} \textit{id.} at 936–37.
\textsuperscript{65} \textit{id.} at 941–42.
\textsuperscript{66} Phx. Entm’t, LLC v. Rumsey, 829 F.3d 817 (7th Cir. 2016).
\textsuperscript{67} Warner Bros. Entm’t, Inc. v. X One X Prods., 840 F.3d 971 (8th Cir. 2016).
\textsuperscript{69} Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003).
\textsuperscript{70} \textit{id.} at 37–38.
\textsuperscript{71} Phx., 829 F.3d at 829–30.

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brought trademark claims. Unlike the content of the copyrighted works in Dastar, however, those phrases and character images had been used for trademark purposes and registered as trademarks.  

III. COPYRIGHT

A. Kirtsaeng v. John Wiley & Sons, Inc.  

In Halo, the Court held that the trial court has discretion to identify egregious cases meriting award of treble damages for patent infringement. Kirtsaeng addressed another key aspect of attorney’s fee awards. Kirtsaeng is a copyright case, but as Sunearth indicates, the holding will likely apply in other areas of intellectual property. Kirtsaeng held that attorney’s fees may be awarded, even if a party was reasonable in being mistaken about whether there was infringement in the case. The plaintiff publisher had sued Kirtsaeng for importing foreign-made copies of its books. The case went all the way to the Supreme Court, because courts had split on copyright holder. On remand, the court denied the defendant’s application for attorney’s fees, on the grounds that the publisher had been objectively reasonable in pursuing a theory that was accepted by many courts. The case made its way to the Supreme Court again, which held that objective reasonableness was relevant, but that all relevant factors should be considered (akin to the holding in Halo on treble damages awards for infringement). The Court recognized that the “objective-reasonableness approach that Wiley favors passes that test because it both encourages parties with strong legal positions to stand on their rights and deters those with weak ones from proceeding with litigation. When a litigant—whether plaintiff or defendant—is clearly correct, the likelihood that he will recover fees from the opposing (i.e., unreasonable) party gives him an incentive to litigate the case all the way to the end.” But the Court held that objective reasonableness should be only one factor, not necessarily controlling, and “courts must view all the circumstances of a case on their own terms, in light of the Copyright Act’s essential goals.” That rule means that even a party with a strong legal position may end up paying the other party’s attorney’s fees — perhaps a useful nudge away from the overconfidence in

72 X One X, 840 F.3d at 979–80.
76 Id.
77 Id. at 1989.
their assessments that is common among experts. Overconfidence is perhaps necessary for entrepreneurs or marketers, but not may not be helpful to the dynamics of litigation, with its attendant costs.

B. VMG, LLC v. Ciccone

*Vogue’s single horn hit:*

*Love Break’s double horn hit:*

*Vogue’s double horn hit:*

Image from the VMG opinion.

Bridgeport Music, Inc. v. Dimension Films’s strict approach of “sampling is infringement,” has greatly influenced music licensing and production, leading to lower rates of sampling in popular music, especially hip hop. *VMG v. Ciccone* held the opposite, that the *de minimis* rule authorized use of small sample of copyrighted sound recording, in a song by Madonna. The producer of Madonna’s song *Vogue* had used a 0.23-second segment of horns from an earlier song, known as *Love Break*, and

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79 *Id.*
80 VMG Salsoul, LLC v. Ciccone, 824 F.3d 871 (9th Cir. 2016).
81 Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792 (6th Cir. 2005).
used a modified version of that snippet when recording *Vogue.*” This holding creates a split among the circuits.

C. *TCA TV Corp. v. McCollum* 82

When faced with a difficult question, people often shift to answering a simpler question. 83 Courts seem to do so in applying fair use. To determine whether fair use applies, Section 107 of the Copyright Act instructs courts to consider four factors, without any specific guidance as to how to weigh those factors. 84 Courts in fair use cases have placed great emphasis on whether a use is considered “transformative.” 85 *TCA TV* held that fair use did not necessarily protect incorporating portions of Abbott and Costello’s “Who’s on First?” routine into a Broadway play. The use (an introverted student performs both roles of the vaudeville routine to a fellow student, using a hand puppet) was deemed not “transformative,” an approach which is coming to dominate the unruly area of fair use. One might wonder whether courts are falling into the sort of error in *Kirtsaeng,* making a single factor determinative in what is a multi-factor analysis. Moreover, “transformative” is an extremely elusive test, as *TCA TV* illustrates. The court held the use was not transformative, because the character simply performed the routine verbatim. But one could see the use as quite transformative – going from a comedy routine hinging on two characters misunderstanding each other to a performance by a single character (who can’t misunderstand himself), in a manner (as the script directs) that is “a little aspergersy.” 86

Because fair use is a difficult assessment, 87 fair use may be underutilized due to risk aversion. 88 When parties get advice about whether a proposed use would be protected as fair use, even a lawyer giving pro bono advice might be excessively cautious, out of the fear of regret.

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83 See Kahneman, supra note 5, at 97–101 (discussing substitution of questions).
86 *TCA TV*, 839 F.3d at 176, n.8.
87 Whether fair use outcomes are complex but predictable is another question. See Michael J. Madison, A Pattern-Oriented Approach to Fair Use, 45 WM. & MARY L. REV. 1525 (2004).
Although the risk of infringement may be very low, a lawyer may overweight the small probability of infringement, especially if seeking permission is deemed the norm.  

D. *EMI Christian Music Grp. v. MP3tunes, LLC*  

The Digital Millennium Copyright Act gives internet service providers immunity for copyright infringement by their users. To qualify, providers must, among other things, implement a notice and take down procedure, take down infringing material it knows of, and terminate the accounts of repeat infringers. The provider is not required to monitor its service or affirmatively seek out infringing material. *EMI Christian* concerned the balance between the duty to terminate repeat infringers and the express lack of a duty to monitor the service or seek out infringing material.  

The court reversed partial judgment for defendants, holding that there were factual issues remaining as to whether immunity was appropriate. Defendants, on the evidence, did not qualify for immunity with respect to a number of works, because executives working for defendants themselves used the services to download infringing works. But the court went well beyond that, holding that online service providers must be scrupulous in cancelling accounts of repeat infringers. The court held that defendants failed “to track users who repeatedly created links to infringing content,” a standard which seems to require more active monitoring than simply promptly deleting infringing material. One might attribute the reasoning to the halo effect: first impressions carry much more weight than later information. Once the court determined that the company was responsible for infringement by users – because the company’s executives themselves were infringing users – it perhaps did see the need for analyzing the statute and precedent to determine whether the company was liable for other user infringement, as long as there were plausible means available for the company to discover such infringement. In cases with multiple issues, a ruling for one side on the first issues considered may increase the

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89 See Kahneman, supra note 5, at 346–49.
90 *EMI Christian Music Grp. v. MP3tunes, LLC*, 840 F.3d 69 (2d Cir. 2016).
91 17 U.S. Code § 512(c).
92 17 U.S. Code § 512(i)(1)(A). A rights holder is required to submit take-down notices only in good faith, which requires considering whether posting the material is protected by fair use. *Lenz v. Universal Music Corp.*, 815 F.3d 1145 (9th Cir. 2016) (amending its 2015 opinion).
93 17 U.S. Code § 512(m).
94 *EMI Christian Group*, 840 F.3d at 80; compare *Capitol Records, LLC v. Vimeo, LLC*, 826 F.3d 78 (2d Cir. 2016) (an employee viewing copyrighted content posted without authorization does not constitute “red-flag” knowledge sufficient to destroy DMCA immunity).
95 Kahneman, supra note 5, at 82–85.
likelihood of that side winning on other issues, even if they are logically independent.

E. Estate of Graham v. Sotheby’s Inc., Cheffins v. Stewart

_Estate of Graham_ and _Cheffins_ touch on moral rights of artists. Many jurisdictions outside the US recognize “moral rights” for artists, whereas under US law artists generally must rely on the general rights afforded under copyright, trademark, and licensing law. _Estate of Graham_ invalidated the California Resale Royalties Act, which requires that when works of fine art are resold, 5% must go to the artist. The court held that the state law was preempted because it conflicted with federal copyright’s first sale doctrine, which authorizes the owner of a copy (including the original) of a work to resell it, free of obligations to the copyright holder.

One category of works does get specific moral rights (to prevent misattribution, distortion and destruction) under the Visual Artists Rights Act, Section 106A of the Copyright Act. _Cheffins_ concerned the boundaries of that set of works, “work of visual art.” Protected works include “painting, drawing, print, or sculpture,” but not “applied art.” The court followed Second Circuit case law that interpreted “applied art” to exclude protection for works that are utilitarian, such as furniture that could also be seen as sculpture. Under this approach, there was no protection for used school bus called “La Contessa, a mobile replica of a 16th-century Spanish galleon for use at the Burning Man Festival.” Although extensively adorned, the bus still functioned as a bus, at least until the festival organizers banned the drivers for unsafe driving.

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97 Cheffins v. Stewart, 825 F.3d 588 (9th Cir. 2016).
98 Estate of Graham, 178 F. Supp. at 988.
99 Cheffins, 825 F.3d at 592 (discussing protections for “works of visual art” under 17 U.S.C. § 106A).
101 Cheffins, 825 F.3d at 594 (discussing Pollara v. Seymour, 344 F.3d 265, 269 (2d Cir. 2003)).
102 Id. at 596.
Louis K. Smith, author of *The Hardscrabble Zone*, authorized a marketing company to promote his book, including providing free samples. After the campaign resulted in no sales, the author terminated the agreement. Subsequently, the author alleged copyright infringement by Barnes and Noble, which maintained a copy in one of its customers’ “lockers,” which the customer had received as a free sample. The court held that the license to the marketer to allow users to copy and share work for non-commercial use protected Barnes and Nobles even after termination, because there was no time limit on use by users of authorized samples.

The case is one of the few cases on free licensing, broadly understood. The best known free licenses (the General Public License for software and Creative Commons licenses for other works) share the general goal of making works free to share, but differ in many respects. Both, however, are by their terms non-terminable – in order to encourage others to be able to rely on material received under such a license. The license in *Smith* was not expressly nonterminable, but interpreted that way because the relevant

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103 Smith v. Barnesandnoble.com, LLC, 839 F.3d 163 (2d Cir. 2016)
terms had no express termination provision, where other terms in the license did.

There are few cases applying the GPL, Creative Commons, or similar free licenses, but that may change as works under such licenses increase in commercial importance. Linux, licensed under the GPL, runs every Android phone and most internet servers. The most Hundreds of thousands of works are under CC licenses, such as Wikipedia. Some CC licenses are for non-commercial purposes only. Indeed, a substantial portion of CC licenses permit only noncommercial uses and bar derivative works. One could explain that in terms of loss aversion\textsuperscript{104} (the concern that someone else may make a fortune on a work that was given away for free) or the endowment effect (millions of works are licensed in a way that forbids commercial use, but only a fraction of those works would appear likely to have much commercial value, perhaps meaning that authors value their works more highly than the market).\textsuperscript{105} Creative Commons itself recognizes that with an appropriate response. Rather than removing the non-commercial option, the site nudges\textsuperscript{106} creators to use a license with fewer restrictions. In general, free licensing is often seen as an issue of morality – just as copyright owners see copyright enforcement as a moral issue. That raises many interesting issues of moral psychology, with its tendency to divide people into groups and conflate justice with outcomes that serve one’s group.\textsuperscript{107} Such tendencies may encourage cooperation within the group but foster conflict with those deemed outside the group.

Many of the terms of free licenses could be litigated. Many free licenses permit only non-commercial use, but the line between a commercial and noncommercial use is murky. Free licenses routinely exclude all warranties, but the scope and effect of that exclusion could be an issue.\textsuperscript{108}

\textsuperscript{104} See Kahneman, supra note 5, at 283–86.
\textsuperscript{105} See Kahneman, supra note 5, at 292–97; but see Gregory Klass & Kathryn Zeiler, Against Endowment Theory: Experimental Economics and Legal Scholarship, 61 UCLA L. REV. 2 (2013) (expressing skepticism about the endowment effect).
G. Dryer v. National Football League\textsuperscript{109}

Dryer held that the federal copyright statute preempted state law right of publicity claims brought by former professional football players against NFL Films. The court reasoned that their claims would be the state law equivalent of copyright claims. The court distinguished the case where an announcer’s voice had been used in advertising, because that was a commercial use of the identity, as opposed to the sort of expressive use that copyright protects. Dryer viewed the players’ claims as analogous to claims brought by actors in a movie: “If [a] performer [in a copyrighted recording] later objects to the reproduction or performance of that recording in an expressive, non-advertising use, then the claim is one of copyright infringement, not of infringement of the right of publicity.”\textsuperscript{110} But football players, unlike actors or musicians, are not performing a copyrighted work. Football games are not scripted, nor was this based on some claimed copyright in the choreography of the plays. Rather, the relevant copyright was in the game footage. The court placed weight on the fact that NFL films had permission to make the films.\textsuperscript{111} But the players were not claiming to hold copyright in the films as authors; they were alleging that use of the films infringed their state law rights of publicity. A sounder way to resolve the case would the issue the court did reach, whether the First Amendment would bar such a broad interpretation of the state law right of publicity.

\textsuperscript{109} Dryer v. National Football League, 814 F.3d 938 (8th Cir. 2016).

\textsuperscript{110} Id. at 943 (quoting, in parenthetical, J. Thomas McCarthy, The Rights of Publicity and Privacy § 11.55 (2d ed. 2013)).

\textsuperscript{111} Id. at 943.
H. Direct Techs., LLC v. Electronic Arts, Inc.\textsuperscript{112}

Electronic Arts (“EA”), makers of The Sims, hired Lithomania to produce a flash drive in the shape of a PlumbBob, an icon from The Sims. Lithomania in turn hired Direct Technologies (“DA”) to make a prototype. EA and Lithomania liked the prototype. Lithomania hired another company who would produce it for lower cost. They nevertheless signed a production and transfer of IP rights contract with DT, then falsely told DT that the project was on hold. After DT settled its breach of contract and fraud claims with Lithomania, it sued EA for copyright infringement. The court below held that the design was not copyrightable because it was functional and it lacked originality. The appellate court reversed, holding there was an issue of fact as to whether the design – a “futuristic cut away look . . . at a unique angle” – was “merely functional or utilitarian.”\textsuperscript{113}

Design illustration reproduced in Direct Techs.

\textsuperscript{112} Direct Techs., LLC v. Electronic Arts, Inc., 836 F.3d 1059 (9th Cir. 2016).
\textsuperscript{113} Id. at 1064–66.
I. Home Design Servs. v. Turner Heritage Homes, Inc.\textsuperscript{114} Medallion Homes Gulf Coast, Inc. v. Tivoli Homes of Sarasota, Inc.\textsuperscript{115}

From Appendix to Medallion Homes.

\textsuperscript{114} Home Design Servs. v. Turner Heritage Homes, Inc., 825 F.3d 1314 (11th Cir. 2016).

\textsuperscript{115} Medallion Homes Gulf Coast, Inc. v. Tivoli Homes of Sarasota, Inc., 656 Fed. Appx. 450 (11th Cir. 2016).
Copyright and trademark do not protect functionality; patents on inventions do.\(^\text{116}\) Home Design Services and Medallion Homes both address copyright’s line between protected aesthetic features and nonprotected functional features in architectural works. In Medallion Homes, the defendants copied a home design with “four-three split plans, that is, four-bedroom three-bathroom plans with a master bedroom on one end and three other rooms at the other end.”\(^\text{117}\) Those shared elements were held functional, affecting how the house would function as a home. Medallion Homes similarly held that copying general floor plans would not infringe, because such aspects were not protected.\(^\text{118}\)

J. Newegg Inc. v. Ezra Sutton, P.A.\(^\text{119}\)

Newegg brought to life a fact pattern raised in many a copyright class. The court held that that copying substantial portions of a co-defendant’s legal brief was not fair use.

IV. TRADE SECRET

A. The Defend Trade Secrets Act of 2016

Patent, copyright and trademark are generally federal law, as illustrated by the cases above on preemption of state law by the Copyright Act.\(^\text{120}\) There was no general federal trade secret statute. Rather, state law governed, applying common law and then the Uniform Trade Secrets Act, adopted by 47 states. In 2016, Congress enacted the Defend Trade Secrets Act (“DTSA”), which broadened the Espionage Act of 1996 into a general


\(^\text{117}\) Medallion Homes, 656 Fed. Appx. at 454.

\(^\text{118}\) Home Design Svs., 825 F.3d at 1326-1327.


trade secret act, providing for a civil cause of action and for a wide range of remedies.

The DTSA is quite similar to the UTSA, including the definition of misappropriation. The definition of a protected trade secret is also substantially similar, if anything broader because it exhaustively list many types of information. The DTSA adopted the definition under the Economic Espionage Act, which tracks the UTSA definition, but also adds several categories of information (plans, designs, prototypes, procedures, or codes), and makes clear that the protected secret may be stored in any form: “whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing.” However, the DTSA will change trade secret practice. First, the DTSA provides a federal cause of action and non-exclusive federal jurisdiction over trade secret cases. Jurisdiction extends to the limits of Congress’s Commerce Clause powers. Almost all trade secret cases have a commercial element, so federal jurisdiction will generally be available. The DTSA provides double damages for willful misappropriation and ex parte seizures with a strong showing of need. The Act makes clear that trade secrets may be protected from disclosure in litigation, such as through protective orders. The Act also provides certain safeguards, such as limits on remedies that would prevent someone practicing their profession and protections for whistleblowers. The DTSA also provides that an injunction may not issue “merely on the information the person knows,” rather requiring a showing of threatened misappropriation, thereby rejecting the doctrine of “inevitable disclosure.” The DTSA, unlike patent and copyright, does not preempt state law.

B. GlobeRanger Corp. v. Software AG United States of America, Inc.

After a “foray into the byzantine world of government contracting regulations,” the court held that a government contractor misappropriated trade secrets by studying the software code of another contractor to develop its own software. Both contractors were working on the same project to develop RFID technology for the Navy. Software AG had access to the

121 18 U.S.C. § 1836(b)(1) (“Private Civil Actions. An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce.”)
122 Id.
125 Id. at 482.
code of GlobeRanger as part of its work. Software AG also used that access to develop its own software, which the Navy then chose over GlobeRanger for a bigger project. The court rejected several arguments of Software AG. Under the aforementioned byzantine regulations, the ownership of the IP did not pass to the government, although it was partially developed for the project. The various security measures protecting use of the software qualified as trade secrets, without the need to identify one key secret access device. Software AG did “use” the software in the senses of misappropriation: not by using it to manage inventory, but by using it as a model for developing its inventory management software. The case also illustrates the latitude that courts have in trade secret cases to assess damages, due to the uncertain nature of valuing trade secrets. Damages were properly awarded based on GlobeRanger’s cost of developing the information, not be limited to the cost that Software AG saved by not developing the information itself.


In addition to its copyright holding discussed above, Direct Technologies held that the futuristic cut away design of the flash drive was not a trade secret, because it lacked the requisite type of value:

EA argues that DT’s design is not a trade secret because it has no “actual or even potential value to DT outside of a single ephemeral project for a single customer.” DT has not presented any evidence that there was value in the secrecy of its design. We affirm the district court’s grant of summary judgment on this ground.

The issue could have been analyzed in more detail. Product design can certainly be a trade secret, as evidenced by Apple’s famous secrecy around upcoming products. Direct Technologies is hard to square with GlobeRanger, because both involved a subcontractor using another subcontractor’s product as a model, rather than developing its own design. Direct Technologies’ design had enough value for Lithomania to give it to

\[126\] Id.
\[127\] Id. at 496.
\[128\] Id. at 492–93.
\[129\] Id. at 497–99.
\[130\] Id. at 501.
\[131\] Direct Techs., LLC v. Electronic Arts, Inc., 836 F.3d 1059 (9th Cir. 2016).
\[133\] Direct Techs., 836 F.3d at 1071.
the lower-cost producer and for Lithomania to deceive Direct Technologies into signing over the IP rights in the design. The court’s dismissive analysis considered none of this. Rather, the court spent considerable time discussing whether Direct Technologies had no trade secret because it did not take reasonable security measures in handing over the design without getting a nondisclosure agreement from Lithomania. That issue was not clear cut, as the court noted, because in some cases taking no measures might be reasonable, if there was an implied relationship of confidentiality. Analyzing one issue at length and precisely, then deciding the point on alternative grounds with perfunctory analysis, is similar to substitution; where people ease their cognitive load by answering a different question than asked.134 Judges are human, unconsciously seeking cognitive ease. One study of parole judges found that the likelihood of them granting parole was highest after each meal break, then steadily declined until the next meal break.135

*McDonald Apiary* held that a database of beehive foraging locations in western Nebraska could qualify as a trade secret.136 The court held that the locations of the beehives could be ascertained by others, by searching the internet or by searching by driving a car around western Nebraska. But information may be a trade secret if it is not readily ascertainable by others, and there is a difference between “readily ascertainable and that which is realistically ascertainable.”137

### D. *United States v. Pu*

Pu was convicted under the Economic Espionage Act. An issue in sentencing was a finding as to the intended loss of his conduct. By contrast to *GlobeRanger* assessing damages in a civil case, the court held that the value was not appropriately based on the cost of developing the trade secret. In addition to providing yet another example of the difficulties of valuing trade secrets, the case emphasizes the patchwork of laws implicated by trade secret cases.

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135 See Kahneman, *supra* note 5, at 43–44.


138 *United States v. Pu*, 814 F.3d 818 (7th Cir. 2016).
E. Unitherm Food Sys. v. Hormel Foods Corp.\textsuperscript{139}

Unitherm alleged that Hormel misappropriated a trade secret, Unitherm’s “process for cooking sliced bacon in a spiral oven.”\textsuperscript{140} After the trade secret claim was dismissed, Unitherm sought relief for unjust enrichment. The court held that “to the extent Unitherm’s unjust enrichment claim is based on the allegations that Hormel stole the Unitherm Process, the claim fails because it is based on the same operative facts, and is therefore preempted by, Unitherm’s dismissed claim under Minnesota’s Uniform Trade Secrets Act.”\textsuperscript{141}

F. ACI Worldwide Corp. v. MasterCard Techs., LLC\textsuperscript{142}

A nonparty was not required to produce software source code in discovery, where risk to the trade secret was not proportional to the value of resolving litigation. The nonparty was a competitor to the party seeking discovery, and there were already alternate sources of relevant information. The case serves to emphasize a policy specifically incorporated in the new federal trade secret act, the need to protect trade secrets from disclosure in litigation, through protective orders and other limits on discovery.

G. Tucson Embedded Sys., Inc. v. Turbine Powered Tech. LLC\textsuperscript{143}

Tucson Embedded System illustrates a common reason for failure of trade secret claims. Tucson Embedded Systems sought to engage Turbine Powered Technology to build engine control systems to control turbine engines for use with generators at oil and gas wells. The plaintiff gave defendant access to their equipment and various facilities as part of the development process. The plaintiff claimed the defendant used that access to misappropriate trade secrets. But the plaintiff never identified the specific trade secrets, instead just generally listing types of information that defendants had access to and the general purposes such information could serve. The court held that to claim trade secret protection, information must be more specifically described than such “catch-all” phrases as processes for “retrofitting” and “modifying” an aircraft engine for use as generator.

\textsuperscript{140} Id. at *2.
\textsuperscript{141} Id. at *13.
H. Highland Capital Mgmt., LP v. Looper Reed & McGraw, P.C.\textsuperscript{144}

Highland Capital sued a former employee for allegedly misappropriating trade secrets, then sued the former employee’s lawyers, for allegedly misappropriating those trade secrets while representing him.\textsuperscript{145} The court held that the law firm was protected by attorney immunity for acts within scope of representation.\textsuperscript{146} A lawyer has immunity for alleged wrongdoing in the course of client representation, although the lawyer would not be immune for acts that were independent of the representation (such as “an attorney who participates in a fraudulent business scheme with his client or assaults opposing counsel during a trial”).\textsuperscript{147}

I. Golden Rd. Motor Inn, Inc. v. Islam\textsuperscript{148}

Trade secret misappropriation is often difficult to show. Another means that employers may use to protect information is to have employees sign promises not to work for competitors. Those promises raised public policy issues because they limit a person’s ability to make a living (and more broadly, may slow innovation). California law generally does not enforce covenants not to compete. Other jurisdictions enforce covenants not to compete, provided they are reasonable. In Golden Road Motor Inn, Nevada declined to adopt the “blue pencil” doctrine, holding that an overbroad covenant not to compete will not be reformed and enforced to a reasonable extent.\textsuperscript{149}

J. United States v. Nosal\textsuperscript{150}

Until the Defend Trade Secrets Act of 2016, there was no general federal trade secret law. But the Computer Fraud and Abuse Act has occupied much of the area. The CFAA prohibits “unauthorized access” to computers. That clearly prohibits hacking into a system to steal trade secrets. Some courts have read “unauthorized” access broadly enough to cover actions of an employee to access information in violation of the employment contract, such as downloading a customer list to take to a future employer. The bulk of trade secret cases involve employees,

\textsuperscript{145} Id. at *1–2.
\textsuperscript{146} Id. at *7–9.
\textsuperscript{147} Id.
\textsuperscript{150} United States v. Nosal, 844 F.3d 1024 (9th Cir. 2016).
especially those going to competitors, so the CFAA effectively gave federal trade secret protection to trade secrets (and other information that would not qualify as a trade secret) stored on employer’s computer networks—and today, most information goes through a computer. Other courts have read “unauthorized” more narrowly, not to cover cases where an employee had authority to access the network, but used that access in a way contrary to the employer’s interests.

_Nosal_ shows that there remain many variations of the “authorized access” question. An earlier opinion in the same case had held there was no CFAA violation by an executive recruiter using his access to get information that he later took to help start a competing firm, a narrow reading of unauthorized. But _Nosal_ followed that with a holding that could be read to fall in the broad camp. The court held that once the employee had been notified that his authority to use the employer’s computer network was terminated, he violated the CFAA by using another employee’s user name and password to access the network, to search the employer’s database of information on executives. Broadly interpreted, that could mean that password sharing violates the CFAA. But future courts could limit the holding to the facts of the case—deliberately using another’s credentials to make access that had been prohibited.