Top Tens of 2013: Patent, Trademark, Copyright, and Trade Secret Cases

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By Stephen McJohn*

INTRODUCTION

¶1 In 2013, the Supreme Court continued its recent concentration on patent law. The Court decided four patent cases: it held isolated human DNA is not patentable; lawsuits alleging legal malpractice in patent cases are to be litigated in state, not federal, court; seeds grown from genetically modified patented seeds cannot be resold; and that reverse-payment settlements between brand name and generic pharmaceutical companies are subject to scrutiny under antitrust laws. The only trademark case the Court decided addressed an issue with more impact on patent law than trademark law: whether a rights holder can destroy jurisdiction in a declaratory judgment case by promising not to sue. Meanwhile, a lower court imported into trademark law a principle from patent law: that fraud in the prosecution of a trademark may support an antitrust action.

¶2 First sale, or exhaustion, proved to be a pressure point. Courts looked at how much control a rights holder has on authorized products released to the market. The Supreme Court held that copyright is not infringed when books printed overseas with the permission of the copyright holder (and intended for foreign markets) are imported into the United States. Other copyright cases addressed whether first sale authorized resale of digital works, whether a digital clipping service violated copyright, and whether an artist’s adaptation of authorized photo prints qualified for fair use. In patent law, the Court considered the application of exhaustion to an invention using one type of code—modified DNA. While holding that exhaustion did not authorize the sale of second-generation patented seeds, the Court carefully limited its holding to leave room for later case development, rather than making a broad holding with respect to such “self-replicating” products like biotech and software.

¶3 The holders of copyrights, patents, and trademarks often seek to use secondary liability to find defendants with deeper pockets and to cut off the infringing activity at a critical point in the supply chain. Although the rules on secondary liability are quite different in each area, the general principles show increasing convergence. For example, the owner of a swapmeet could avoid liability for known infringement by its vendors only by instituting a bona fide program to address infringement, rather than token measures—a common law standard similar to copyright’s statutory scheme for internet service providers, who must administer a bona fide program to address notices of infringement. Analogously, in patent law, a party with good faith belief in non-infringement could not

* Professor of Law, Suffolk University School of Law. This listing and analysis are decidedly subjective, and all the usual disclaimers apply. Comments welcome: smcjhn@suffolk.edu. This article provides a snapshot of 2013. Many cases described as pending will have been decided upon publication.
be liable for inducing patent infringement. In addition to sale, another critical point in the supply chain is importation. In effect, the Supreme Court held that a copyright holder does not have the right to create separate foreign and domestic markets. In patent law, the Federal Circuit held that International Trade Commission procedures may not be used to exclude infringing products where there is no real domestic production or patent licensing program to protect. An ITC procedure thus may not be used simply for leverage where the dispute is limited to a single potential licensee.

¶4 Courts continue to seek the borders of protectable matter, but in each area the border issues are quite different. Myriad, the DNA case, marks the third recent Supreme Court case seeking to differentiate patentable subject matter from the nonpatentable domains: abstract ideas, natural physical phenomena, and laws of nature. Despite the Court’s broad guidance, the lower courts have continued to find no clear boundary of patentable subject matter. Copyright cases looked to whether terraforming in a virtual world created a fixed copyrightable work and whether diagrams describing theories showed noncopyrightable ideas or copyrightable expression. These frontier issues, however, have perhaps less impact than the continuing issue of the extent of fair use. Trademark cases sought the line between protectable trademark and patentable functional matter. In trade secret law, an increasing split appeared with respect to how much protection information in computer systems would receive, especially where the information is protected less by security measures than by contracts, such as employment contracts or web site terms of use.

I. Patent

A. Ass’n for Molecular Pathology v. Myriad Genetics, Inc.¹

Myriad addressed an issue with considerable practical importance for biotechnology, but also one of philosophical interest: are human genes patentable? After decades of the Court not addressing the issue, Myriad is the third Supreme Court decision in the last four years on patentable subject matter. In 1980, the Court held in Diamond v. Chakrabarty that a genetically engineered microorganism was patentable.² Chakrabarty emphasized that not everything is patentable, repeating three judicially-created exceptions: “laws of nature, physical phenomena, and abstract ideas.”³ Around that time, the Court also decided three difficult to reconcile cases concerning inventions involving computers: Gottschalk v. Benson,⁴ Parker v. Flook,⁵ and Diamond v. Diehr.⁶ Over the following decades, the Federal Circuit struggled to define the boundaries of the judicially-created exceptions, formulating a number of tests, including the machine-or-

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¹ 133 S. Ct. 2107 (2013).
² 447 U.S. 303, 310 (1980).
⁴ 409 U.S. 63 (1972).
⁵ 437 U.S. 584 (1978).
transformation test, the useful-concrete-tangible test, the rule against patenting “mental steps,” and the applied-algorithm test.\(^7\)

The Supreme Court returned to the issue of the scope of patentable subject matter in 2010, holding in \textit{Bilski v. Kappos} that the Federal Circuit’s machine-or-transformation test should not determine patentable subject matter.\(^8\) \textit{Bilski} held that a broadly claimed method of hedging was an abstract idea and so not patentable.\(^9\) The Court then addressed the exception for laws of nature in \textit{Mayo Collaborative Services v. Prometheus Laboratories, Inc.}, holding a diagnostic method was not patentable.\(^10\) The claimed method, which consisted of measuring metabolite levels in the patient’s blood and adjusting medication accordingly, simply identified a law of nature—the relationship between metabolite levels and the effect of medication—and then followed “well-understood, routine, conventional activity previously engaged in by scientists who work in the field.”\(^11\)

\textit{Myriad} addressed the remaining exception to patentable subject matter: physical phenomena. This exception clearly bars a patent on a human gene as that gene appears in the body, but \textit{Myriad} provides some guidance on how different a chemical must be from the natural form to be patentable. The Court held that a patent was not available for isolated DNA, “specific segments of DNA—for instance, a particular gene or part of a gene—which can then be further studied, manipulated, or used.”\(^12\) DNA identical to that in the body is not patentable, although its shape is different and it is no longer entangled with other materials.\(^13\) Patent protection can be obtained, however, for complementary DNA, a synthetic molecule which consisted only of the DNA which matched the sequence in humans that codes for genes.\(^14\) In effect, \textit{Myriad}’s patents were not valid where they simply claimed DNA sequences matching those in the body (a product of nature), but were valid where they claimed portions of DNA sequences (a “molecule that is not naturally occurring”) created by discarding DNA that did not code for amino acids.\(^15\)

The practical effect of \textit{Myriad} may not be great. \textit{Myriad}’s DNA patents would have expired in 2015.\(^16\) Isolated DNA claims are evidently invalid, but claims on complementary DNA, along with method claims, may still be enforced. Indeed, \textit{Myriad} has actively enforced its other claims after the decision.\(^17\) More broadly, it remains to be seen how \textit{Myriad} applies to other inventions closely related to scientific discoveries, such as molecules crafted to have the same property as newly-discovered natural molecules. \textit{Myriad} does clarify that the three exceptions—“[l]aws of nature, natural phenomena, and

\footnotesize{\begin{itemize}
\item 130 S. Ct. 3218, 3225-27 (2010).
\item Id. at 3231.
\item Id. at 3299.
\item Id. at 1298.
\item Id. at 1289, 1297-98 (2012).
\item Id. at 2118.
\item \textit{Myriad Genetics, Inc.}, 133 S. Ct. at 2112.
\item Id. at 2119.
\item Id.
\end{itemize}}
abstract ideas—are not independent; rather, the reasoning behind each will affect cases in the other categories. *Myriad* also takes a broad, practical approach to patentability, without seeking to draw predictable bright line rules.

**B. Gunn v. Minton**

Courts often have to draw the line between federal law and state law in intellectual property cases. The question may be substantive, involving such questions as whether federal patent law preempts state trade secret law, or whether federal copyright law preempts state laws on misappropriation or rights of publicity. *Gunn* dealt with the jurisdictional issue of whether federal or state courts should hear malpractice claims in patent cases. The Federal Circuit had generally held that where such cases depended on interpreting patent law, they were subject to federal jurisdiction. The Supreme Court in *Gunn* cut back drastically on federal jurisdiction for state law malpractice claims involving patents. The Court reasoned that a malpractice claim based on alleged faulty patent prosecution involved not a real question of patent law, but rather questions of fact involving hypothetical patents. For federal jurisdiction, the patent issue must be “substantial.” Although the issue was substantial as between the parties, it was not substantial in terms of its impact on federal patent law:

Because of the backward-looking nature of a legal malpractice claim, the question is posed in a merely hypothetical sense: If Minton’s lawyers had raised a timely experimental-use argument, would the result in the patent infringement proceeding have been different? No matter how the state courts resolve that hypothetical “case with a case,” it will not change the real-world result of the prior federal patent litigation. Minton’s patent will remain invalid.

The Court further reasoned that allowing state courts to address such hypothetical questions would not interfere with federal court power to decide patent issues because the state court’s interpretation would not be binding authority on federal courts.

*Gunn*’s specific holding will affect only patent malpractice cases. More broadly, it indicates the Supreme Court is less concerned than the Federal Circuit about the “patent appeals court” having an iron grip on patent law, subject only to the Supreme Court’s supervisory role. This could play into such issues as when the Federal Circuit is obliged to follow precedent from other circuits and whether the Federal Circuit must give deference to lower courts when hearing appeals on such matters as grants of attorney’s fees or patent claim construction.

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18 *Myriad Genetics, Inc.*, 133 S. Ct. at 2116.
20 *Id.* at 1062.
22 *Gunn*, 133 S. Ct. at 1067.
23 *Id.* at 1065.
24 *Id.* at 1066-67.
25 *Id.* at 1067.
C. Bowman v. Monsanto Co.\textsuperscript{26}

¶11 Monsanto’s patented Ready Roundup seeds have “a genetic modification that enables soybean plants to survive exposure to glyphosate, the active ingredient in many herbicides.”\textsuperscript{27} When Monsanto sells those seeds to farmers, it cannot sue them for using the seeds. This unsurprising result flows from the doctrine of patent exhaustion: where the patent holder authorizes the sale of a product embodying the invention, the patent holder implicitly allows the owner to use the product.\textsuperscript{28} The “initial authorized sale of a patented item terminates all patent rights to that item.”\textsuperscript{29} Otherwise, every buyer would have to get an explicit license, which would unnecessarily complicate sales—or defeat their purpose.

\textsuperscript{26}133 S. Ct. 1761 (2013).
\textsuperscript{27}Id. at 1764.
\textsuperscript{28}See id.
\textsuperscript{29}Id. at 1766 (quoting Quanta Computer, Inc. v. LG Elecs., Inc., 553 U.S. 617, 625 (2008)).
\textsuperscript{30}Id. at 1765.
\textsuperscript{31}Id. at 1763.
\textsuperscript{32}Id. at 1766-67.
\textsuperscript{33}Id. at 1767.
\textsuperscript{34}Id. at 1769.
\textsuperscript{35}133 S. Ct. 2223 (2013).

¶12 The issue in \textit{Bowman} was whether patent exhaustion applies when the authorized seeds grow into corn and produce seeds of their own.\textsuperscript{30} The Supreme Court held that the second-generation seeds were “additional copies,” not subject to the patent exhaustion doctrine.\textsuperscript{31} The seeds could be used as feed (which Monsanto permitted), but not grown to make more plants, which in turn would make more seeds.\textsuperscript{32} Otherwise, farmers would “need only buy the seed once, whether from Monsanto, a competitor, or (as here) a grain elevator. The grower could multiply his initial purchase, and then multiply that new creation, \textit{ad infinitum}—each time profiting from the patented seed without compensating its inventor.”\textsuperscript{33}

¶13 Biotechnology and computer science both involve self-replicating technology. How those technologies will develop is hard to predict. The \textit{Bowman} court was careful not to create a strait-jacket for the future of patent law: “Our holding today is limited—addressing the situation before us, rather than every one involving a self-replicating product. We recognize that such inventions are becoming ever more prevalent, complex, and diverse. In another case, the article’s self-replication might occur outside the purchaser’s control. Or it might be a necessary but incidental step in using the item for another purpose.”\textsuperscript{34}

D. Federal Trade Commission v. Actavis\textsuperscript{35}

¶14 When a patent case settles, the alleged infringer is likely to pay an agreed sum to the patent holder. In some pharmaceutical cases, the opposite happens. When a pharmaceutical patent holder sues the maker of a generic version of the drug, the parties may settle with the generic maker agreeing to stay out of the market for a period of time in return for a payment from the patent holder. This looks like an antitrust case, where competitors strike an agreement that will drastically affect the market price, because
generics generally sell for much less than branded pharmaceuticals. But the Eleventh Circuit had held, in line with a number of other courts, that such an agreement is “immune from antitrust attack so long as its anticompetitive effects fall within the scope of the exclusionary potential of the patent.” Such courts reasoned that a patent is intended to give control over the relevant market to the patent holder. Moreover, there is a strong policy in favor of encouraging settlement of disputes. Few disputes are as complex and expensive as pharmaceutical patents lawsuits.

The Supreme Court took a different approach. A valid patent does give the right to control the market for the patented product. But, the Court noted, “[t]he patent here may or may not be valid, and may or may not be infringed.” In addition, the patent does not prevent the sales of competing products that are not covered by the patent claims. Making reverse-payment settlements immune from antitrust attack could allow holders of invalid patents to nevertheless control the market or holders of valid patents to extend their control beyond the patent. The Court did not hold that reverse payment settlements were presumptively violations of antitrust law, like price-fixing agreements between competitors. Rather, it held that such agreements would be subject to antitrust scrutiny under the rule of reason. A party complaining of the agreement, such as the Federal Trade Commission, would still have the burden of showing that its anticompetitive effects outweighed its pro-competitive effects.

The case could have considerable impact beyond pharmaceutical patent litigation. Potential competitors often enter into transactions involving patents, such as joint ventures, cross-licensing, marketing, and service agreements. Actavis makes it more likely that such transactions could be attacked on antitrust grounds.

*E. CLS Bank Int’l v. Alice Corp.*

*CLS Bank* shows that although recent Supreme Court cases may have provided guidance on the scope of patent subject matter, they have left the boundaries uncertain. The entire Federal Circuit sat en banc to hear the case, but did not reach a clear conclusion. The patents at issue covered “a computerized trading platform used for conducting financial transactions,” which would reduce settlement risk by “relying on a trusted third party to ensure the exchange of either both parties' obligations or neither obligation.” A divided panel of the Federal Circuit had previously held that the claimed invention was not an unpatentable abstract idea like the method of hedging risk in *Bilski.* Rather, it was patentable as “the practical application of a business concept in a specific

36 Id. at 2227 (quoting FTC v. Watson Pharms., Inc., 677 F.3d 1298, 1312 (11th Cir. 2012)).
37 See, e.g., Watson Pharms, Inc., 677 F.3d at 1306-07.
38 Actavis, Inc., 133 S. Ct. at 2231.
39 Id. (stating that the owner of a valid patent may “charge a higher-than-competitive price for the patented product. But an invalidated patent carries with it no such right. And even a valid patent confers no right to exclude products or processes that do not actually infringe.”).
40 Id.
41 Id.
42 Id. at 2236-37.
43 Id.
45 Id. at 1274.
The dissent viewed the asserted patent claims as “abstract ideas repackaged as methods and systems.” The judges voted to rehear the case en banc, but no specific view gathered a decisive majority. Rather, the court simply issued a four line, per curiam opinion affirming the holding of the district court that the claims were not directed to patentable subject matter, followed by lengthy concurring and dissenting opinions that set forth non-binding views of various groups of circuit judges. CLS Bank shows how elusive the boundaries of patentable subject matter remain.


Soverain Software collected considerable revenue by licensing a patent that covered online shopping carts. The Federal Circuit invalidated the patent on the grounds that the invention was obvious. The claimed invention, with broad application in electronic commerce, was held to be obvious in the light of a similar system, the CompuServe Mall, which operated on a pre-Internet network. The networks and software may have been different, but the court agreed with Newegg that “a person of ordinary skill could have adapted the CompuServe order command to known browser capabilities when these capabilities became commonplace, and that it was obvious to do so.” After Soverain Software, patents which simply involve translating activities to the Internet environment from other environments (whether computer networks or the “real world”) are very likely obvious. Genuine inventive activity must be required in adapting or reconceptualizing activities in order to qualify for patent protection.

The court’s discussion of secondary considerations is also noteworthy. Commercial success may be a factor supporting a determination of nonobviousness. If a product or method is widely sold or licensed, that can indicate that it was not an obvious invention. Soverain argued that its patented software had been sold and licensed to a good number of customers. But the court noted that the software itself was not used or was quickly abandoned by those who purchased it. Rather, “licenses were taken to avoid the costs of litigation.” Such success in obtaining licenses weighed little. This holding has considerable import for future cases involving patent assertion entities (also known by

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47 Id. at 1356.
48 CLS Bank Int’, 484 F. App’x at 559.
49 CLS Bank Int’, 717 F.3d at 1273.
51 526 F. App’x 966 (Fed. Cir. 2013).
53 Soverain Software LLC, 705 F.3d at 1347.
54 Id. at 1338-41.
55 Id. at 1340 (footnote omitted).
56 King Pharms., Inc. v. Eon Labs, Inc., 616 F.3d 1267, 1280-81 (Fed. Cir. 2010) (holding that commercial success did not indicate nonobviousness, where no connection shown between the patented feature and the drug’s alleged commercial success).
57 Soverain Software LLC, 705 F.3d at 1346.
58 Id.
59 Id.
such terms as “patent trolls” and “non-practicing licensors,” depending on one’s point of view). Success in getting licenses may not be weighed as evidence that the asserted patent is a valid one.

¶20 Ceats held that a software patent on a method of assigning airline seats was invalid because the invention was not new in light of references, which included technical specifications, a checklist, and user video.\textsuperscript{60} Akin to Soverain Software, Ceats shows that simply doing something in software for the first time should not support a patent. It likewise has broad implications for software patents, because software often involves taking existing processes and making them more efficient.

G. Cooper Notification, Inc. v. Twitter, Inc.,\textsuperscript{64} Function Media, L.L.C. v. Google, Inc.\textsuperscript{62}

¶21 Cooper Notification and Function Media reflect the important role claim interpretation plays in determining the scope of software patent protection. Cooper Notification owns a patent, based on an application filed in 2004, “which discloses a system of mass messaging in which a message is sent to one or more communication gateways that forward that message to individual users.”\textsuperscript{64} That could also describe Twitter.

But patent rights depend not on the general description of the invention, but rather what the applicant specifically claims. The relevant claim is much more specific:

12. A communication system comprising:

\textsuperscript{60} Ceats, Inc. v. Cont'l Airlines, Inc., 526 F. App’x 966, 970-73 (Fed. Cir. 2013).
\textsuperscript{61} 545 F. App’x 959 (Fed. Cir. 2013).
\textsuperscript{62} 708 F.3d 1310 (Fed. Cir. 2013). On the subject of claim interpretation, two cases illustrate the patent holder is stuck with the claims she drafted. In Alexsam, Inc., v. IDT Corp., 715 F.3d 1336 (Fed. Cir. 2013), the patent holder was required to prove a negative; the patent claimed a payment system that, among other elements, included point-of-sale devices had not been modified. Because no witness testified that the device had not been modified, infringement was not shown. \textit{Id.} at 1342. In Piggy Pushers, LLC v. Skidders Footwear, Inc., 544 F. App’x 984 (Fed. Cir. 2013), a patent that claimed a child’s sock was not infringed by a very similar device that was a shoe. Such cases do have the virtue of limiting patents to their claims, but may encourage circuitous drafting.
\textsuperscript{64} 545 F. App’x at 960.
a first messaging subsystem which may be coupled to an alert originator and to one or more communication gateways, wherein each of the gateways is also coupled to at least one user terminal, and wherein the first messaging subsystem associates a unique set of message parameters with each of the communication gateways;

wherein the first messaging subsystem is configured to transmit at least one gateway message to a plurality of the user terminals via the one or more communication gateways, in accordance with each set of the unique message parameters for each communication gateway, upon receiving a first message from the alert originator;

wherein the first messaging subsystem is configured to reformat, for each of the one or more gateway messages, the first message received from the alert originator to a format in which the communication gateway associated with the gateway message will accept and perform operations in response to the incoming gateway message; and

wherein the first messaging subsystem is configured to form an address for each of the one or more gateway messages to include the domain name information associated with the communication gateway or the user identification information associated with the registered user receiving the second message.65

Twitter’s service did not fall within the patent claim because Twitter does not send the same gateway message to all users; instead, it sends it to a location from which separate messages are sent out. It achieves the same result, but it is implemented differently.66

65 Id. at 962-63.
66 See id.
Function Media likewise declined to read software patent claims broadly enough to cover later-developed technology. Search engine advertising did not infringe a software patent that relied on terms such as “seller,” “buyer,” “publisher,” and “media venues.” Those terms would not be read in an unnaturally broad way to make them applicable to displays on search pages of internet users.

67 U.S. Patent No. 6,446,045 B1 fig. 4f (filed Jan. 10, 2000).
69 Id. at 1319-24.
A patent holder may use federal lawsuits against infringers. A more effective approach sometimes is to use a proceeding before the International Trade Commission to exclude infringing imports. This gets the articles before they reach the domestic market and avoids the substantive and procedural problems of suing foreign entities. Importers may be easier to identify than domestic infringers. A patent licensor may be able to exclude imports even if it could not get an injunction in court because reasonable royalty damages may be sufficient to show lack of irreparable harm. An ITC proceeding, however, may only be used if “an industry in the United States, relating to the articles protected by the patent . . . exists or is in the process of being established.” This

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70 716 F.3d 596 (Fed. Cir. 2013). Another important case for international enforcement, which sometimes can be best done using secondary liability, is Commil USA, LLC v. Cisco Sys., Inc., 720 F.3d 1361 (Fed. Cir. 2013), which held that good faith belief in non-infringement negates the scienter requirement for active inducement.


72 eBay Inc v. MercExchange, L.L.C., 547 U.S. 388, 391-94 (2006) (rejecting the Federal Circuit’s rule that courts should issue permanent injunctions against patent infringement absent exceptional circumstances and requiring that courts consider such factors as whether “remedies available at law, such as monetary damages, are inadequate to compensate for that injury”); Interdigital Commc’ns., LLC v. ITC, 707 F.3d 1295 (Fed. Cir. 2013) (holding that patent holder may bring ITC exclusion action even if patent holder does not manufacture the invention in the United States). Patent holders have had considerable success before the ITC, although that may be changing. See Michael G. McManus, Section 337 Caseload and Win Rate Revert to Norms, PATENTLY-O (Oct. 30, 2013, 10:39 AM), http://patentlyo.com/patent/2013/10/section-337-caseload-and-win-rate-revert-to-norms.html.

requirement of a domestic industry to protect can be met by showing substantial investment in licensing of the patent.\footnote{74 \textit{Id.} § 1337(a)(3).}

\paragraph{¶25} Motiva held a patent on a "Human Movement Measurement System."\footnote{75 \textit{Motiva, LLC}, 716 F.3d at 597.} Motiva sought an ITC exclusion order to bar import of Nintendo video games. But the only investment in licensing that Motiva could point to was a patent lawsuit that it had also brought against Nintendo in federal court.\footnote{76 \textit{Id.} at 597-98.} "Motiva's litigation against Nintendo was not an investment in commercializing Motiva's patented technology that would develop a licensing program to encourage adoption and development of articles that incorporated Motiva's patented technology."\footnote{77 \textit{Id.} at 601.} Licensing may be used as basis for ITC jurisdiction, but is not a general ground that any patent holder may use simply to get before the ITC.

\section{FRANDs and Frenemies: Microsoft Corp. v. Motorola, Inc.\footnote{78 No. C-10-1823JLR, 2013 WL 2111217 (W.D. Wash. Apr. 25, 2013).}}

\paragraph{¶26} Microsoft and Motorola were both parties to standard-setting organizations that created industry standards for wireless communication technology. As part of joining, parties agreed to license patents necessary to implement the standards.\footnote{79 Id. at *1-2.} They agreed to offer such licenses on reasonable and non-discriminatory terms and conditions ("RAND," sometimes known as FRAND by adding "fair").\footnote{80 Id. at *2.} Motorola offered to license its patents to Microsoft for use with the Xbox video game console and other products, but at a royalty rate higher than Microsoft was willing to pay.\footnote{81 Id. at *2-3.} The court looked at a number of factors in arriving at a royalty rate, which was considerably below that which had been offered by Motorola. The court considered the list of factors that courts use in infringement actions in order to assess damages based on a reasonable royalty rate, appropriately modified to adapt to the context of standard-setting patents:

1. The royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty.

2. The rates paid by the licensee for the use of other patents comparable to the patent in suit.

3. The nature and scope of the license.

4. The licensor’s established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.

5. The commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promoter.
6. The effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales.

7. The duration of the patent and the term of the license.

8. The established profitability of the product made under the patent; its commercial success; and its current popularity.

9. The utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results.

10. The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.

11. The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.

12. The portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.

13. The portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

14. The opinion testimony of qualified experts.

15. The amount that a licensor and a licensee would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement.\(^2\)

This case sets an important precedent for industry standard patents that are subject to standard-setting agreements. Standard-setting organizations are common in a number of industries. Patents held by members often apply to the technology necessary to implement the agreed-upon standards. *Microsoft Corp. v. Motorola* shows that courts, although often reluctant to set the terms of transactions, will set prices where necessary. The case also indicates that courts are likely to take the approach that once a patent holder has encouraged reliance on its invention in setting an industry standard, it will no longer have the ability to withhold permission until it receives agreement to the terms it sets, as is generally the rule.\(^3\) Rather, the court, borrowing from a measure of damages

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\(^{2}\) *Id.* at *17 (quoting Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)).

\(^{3}\) See *id.* at *18.
for patent infringement, sought to set royalty rates according to the terms that the parties would likely have reached in a hypothetical negotiation.  

J. Rates Technology, Inc. v. Speakeasy, Inc.  

Rates Technology balances two policies with broad effect on patent litigation and licensing practice. Under the Supreme Court’s decision in Lear, Inc. v. Adkins, a no-contest clause in a patent license is generally not enforceable. To encourage parties to test the validity of patents, neither an agreement not to challenge the patent nor the doctrine of licensee estoppel prevent an alleged infringer from arguing that the patent should not have been issued. Otherwise, patent license agreements would routinely include no-contest clauses, barring challenges by licensees, the parties often most likely to have reason to complain of dubious patents. If Lear were taken to the extreme, however, it would be difficult to settle patent lawsuits. If no-contest clauses in settlement agreements were not enforced, an accused infringer could settle, then effectively renege by challenging the patent again. To facilitate settlement, courts have held Lear inapplicable to litigation settlement agreements.  

Rates Technology involved an intermediate case—settlement of a dispute that had not yet resulted in a case filed in federal court. Although recognizing the importance of encouraging settlement, the court held that pre-litigation agreements not to contest patent validity were not enforceable. Without litigation, parties would not have the benefit of discovery to uncover documentary evidence and witness testimony that could clarify whether the patent was likely valid. Moreover, a contrary rule would encourage patent holders to characterize every license, where possible, as a settlement agreement. Many license agreements follow a cease-and-desist letter or other demand for payment, so characterizing licenses as settlements would be easily accomplished.

II. Trademark

A. Already, L.L.C., dba Yums v. Nike, Inc.  

Disputes about intellectual property rights often lead to lawsuits. Most often, the rights holder sues for infringement, seeking damages or an injunction. In some cases, however, the possible infringer will bring a declaratory judgment action, seeking clarification that it is not infringing, such as a ruling that a patent is invalid. The Federal Circuit had held that patent licensees in good standing could not bring declaratory actions against the relevant patent holder. The court’s theory was that if the licensee was in good standing and so not subject to suit, there was no controversy between the parties. The Supreme Court rejected that rule in MedImmune, holding that a declaratory judgment

84 See id. at *20.
85 685 F.3d 163 (2d Cir. 2012), cert. denied, 133 S. Ct. 932 (2013).
87 See id. at 672-74.
88 Flex-Foot, Inc. v. CRP, Inc., 238 F.3d 1362, 1367-70 (Fed. Cir. 2001).
89 Rates Technology Inc., 685 F.3d at 171-72.
90 133 S. Ct. 721 (2013).
action could be brought if there was an actual controversy, such as a dispute about the validity of the patent.\footnote{MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007).} After MedImmune, patent holders had to be more careful about asserting their rights. Before sending even a cease-and-desist letter, the patent holder had to consider the risk that the recipient would take it to court.\footnote{As the Court put it, “[t]he question is whether a covenant not to enforce a trademark against a competitor's existing products and any future ‘colorable imitations’ moots the competitor's action to have the trademark declared invalid.” Already, LLC, 133 S. Ct. at 725.} Already addressed the issue of whether the rights holder can destroy jurisdiction by committing not to sue for infringement, and so making the dispute moot.\footnote{Id.} Nike had sued Already, alleging infringement of its Air Force 1 trademark for shoes. Already filed a counterclaim, alleging that the mark was invalid.\footnote{Id.} Nike later filed in court a covenant not to sue, and sought dismissal of both sets of claims.\footnote{Id. at 728.} The covenant stated that

\[\text{[Nike] unconditionally and irrevocably covenants to refrain from making any claim(s) or demand(s) . . . against Already or any of its . . . related business entities . . . [including] distributors . . . and employees of such entities and all customers . . . on account of any possible cause of action based on or involving trademark infringement, unfair competition, or dilution, under state or federal law . . . relating to the NIKE Mark based on the appearance of any of Already’s current and/or previous footwear product designs, and any colorable imitations thereof, regardless of whether that footwear is produced . . . or otherwise used in commerce before or after the Effective Date of this Covenant.}\]

The Supreme Court held that “voluntary cessation” of enforcement could destroy jurisdiction, provided that it “could not reasonably be expected” to resume its enforcement efforts.”\footnote{Id. at 728.} Nike’s actions met the test because of the broad, irrevocable covenant not to sue, which covered not just Already, but also Already’s distributors and customers.\footnote{Id. at 727.} There could no longer be fear of a trademark action, so there was no actual controversy for a court to resolve.\footnote{Id. at 728.}

Already establishes that a rights holder may avoid litigation, but only by expressly and irrevocably abandoning the ability to sue. The case adds a new layer of strategy to intellectual property enforcement.


“RStudio” and “ER/Studio” were trademarks used in the software industry. At first glance, they seem confusingly similar, meaning that only the mark with priority would be valid.\footnote{490 F. App’x 491 (3d Cir. 2013).} But a little explication showed that people in the relevant markets should be
readily able to distinguish them. “R” is a computing language often used in connection with advanced statistics applications. “ER” referred to “entity relationships.” The marks find quite different uses in software, although they both deal with data. “Studio” is often used in software to refer to a development tool. Software makers that want broader protection must seek more distinctive marks.

Kinbook likewise held that superficially similar marks were not confusingly similar in the marketplace context. “Kinect” for a hands-free video-game interface was held not to infringe “Kinbox” for social networking software. The first syllable, “Kin,” is similar. But its meaning is subtly but distinctly different in the two marks, connoting general social connection in the first and blood kinship in the second. The products might both be considered computer products, but in very different fields.

C. Southern Snow Manufacturing Co., Inc. v. SnoWizard Holdings, Inc.

Southern Snow held that fraud in the prosecution of a trademark claim, as with patent, may be the basis of an antitrust claim. The 1965 Supreme Court decision in Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., established that enforcement of a fraudulently obtained patent could be the basis of an antitrust action, as long as the other elements were shown. The question in Southern Snow was whether the doctrine would extend to trademarks.

Patents, like copyright, give a set of exclusive rights. Only the patent holder may sell the patented invention. A patent does not necessarily establish a monopoly, because other goods may compete in the same market with the patented invention. But a patent can be a potent weapon against actual and potential competitors. A trademark gives a much narrower right, the right to prevent others from using confusingly similar symbols on competing goods. The Supreme Court, however, has held that an antitrust violation may rest on abuse of other types of administrative proceedings, such as opposition to granting a trucking firm an operating license. Moreover, dicta in earlier cases had stated that abuse of a trademark might be an antitrust violation. The Southern Snow court, although recognizing that only rarely would other necessary elements such as market power be shown, held that a cause of action could lie.

103 Id. at 28-33.
105 Id. at 463-64.
106 Id. at 465-66.
108 Id. at 7-8.
111 See Southern Snow, No. 06-9170, slip op. at 8 (“the enforcement of restrictive provisions in a license to use . . . a trademark may violate the Sherman Act.”) (quoting Vendo Co. v. Lektro-Vend Corp., 433 U.S. 623, 652 (1977) (Stevens, J., dissenting)); Car-Fresher Corp. v. Auto Aid Mfg. Corp., 438 F. Supp. 82, 86-87 (N.D.N.Y 1977) (holding “[t]here is no doubt that a trademark may be utilized in such a manner as to constitute a violation of antitrust laws,” and “trademark laws may not be used to monopolize with respect to a certain product”).
112 See Southern Snow, No. 06-9170, slip op. at 8 (“Although it is equally clear that the nature of a trademark, which does not in any way represent a monopoly conferred upon a particular product, will make it particularly difficult to establish that ‘the plaintiffs' actions have led to or resulted in a dangerous probability that it will gain a monopoly over the product in issue.’”) (footnote omitted) (quoting Car-
D. Abraham v. Alpha Chi Omega

¶37

For decades, Paddle Tramps sold paddles adorned with the insignia of college fraternities and sororities. Those organizations sporadically sent letters, either ordering him to cease and desist or inviting him to join in their licensing organization. Finally, they sued for infringement. Abraham upheld the ruling that the proprietor of Paddle Tramps was not entitled to damages. Laches may bar damages where a plaintiff inexcusably delays bringing suit and a damages award would cause undue prejudice to the defendant. The decades of inaction with knowledge of the alleged infringement while Paddle Tramps further invested in the business met that standard. Although plaintiffs did not receive the remedy of damages, the court did uphold an injunction against further infringement. It found prejudice to Paddle Tramps was outweighed by the policy of avoiding consumer confusion as to endorsement of the paddles by the fraternities and sororities. In effect, laches acted as a revocable license. The trademark holders’ delay allowed Paddle Tramps to use the marks without payment, but by bringing the action they terminated that implied permission.

E. Groeneveld Transportation Efficiency, Inc. v. Lubecore International, Inc.

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113 708 F.3d 614 (5th Cir. 2013), cert. denied, 134 S. Ct. 88 (2013).
114 Id. at 617-18.
115 Id. at 622-25.
116 Id. at 627-28.
117 Id. at 627.
118 730 F.3d 494 (6th Cir. 2013).
119 Id. at 501.
¶38

Product design is protected as a trademark only if it is not functional. Groenveld claimed trade dress protection in the design of the base and reservoir of a grease pump.\textsuperscript{120} It alleged Lubecore infringed by copying that design, rather than using an alternative. Groenveld argued that the design was not functional because many other designs could accomplish the same task. Indeed, other competitors in the market used different configurations. Because the design was not a competitive necessity, Groenveld argued, it was not functional.\textsuperscript{121}

¶39

The court rejected that argument, holding that competitors are not required to look for alternative designs to avoid infringing product design trade dress. Otherwise, a party could effectively have exclusive rights in utilitarian aspects of a product, the equivalent of a patent, under trademark law. Rather, competitive necessity only comes into play in “esthetic functionality” cases, where a feature that is normally esthetic (such as color) becomes functional because consumers require products in that market to bear that color, for a reason other than the reputation of the seller.\textsuperscript{122}

\textit{F. Coach, Inc. v. Goodfellow}\textsuperscript{123}

¶40

Internet service providers can avoid liability for their customers’ copyright infringement by instituting programs to respond to notices of infringement, terminate accounts of repeat infringers, and address cases of known infringement. The copyright statute sets out a detailed statutory scheme.\textsuperscript{124} \textit{Goodfellow} looked at the issue of secondary liability in trademark, in the low-tech setting of a swap meet. Coach sent a number of letters putting Goodfellow, the swap meet operator, on notice of sales of counterfeit Coach goods.\textsuperscript{125} In the ensuing litigation, Goodfellow argued that it should not be liable for the infringement by vendors.\textsuperscript{126} Goodfellow took a number of remedial measures: “Goodfellow distributed pamphlets to vendors, posted copies of a ‘counterfeit is prohibit’ sign, and called a meeting with vendors to address the selling of counterfeit goods.”\textsuperscript{127} But the program was executed in perfunctory fashion:

However, the pamphlets were distributed randomly and incompletely; the signs that were posted were actually intended to address a growing problem with counterfeit currency, not counterfeit products; attendance at the meeting with vendors, scheduled on a day when the flea market was not open for business, was voluntary and attended only by some vendors; and communication was frustrated by language differences.\textsuperscript{128}

\textit{Goodfellow} uses common law theories of secondary liability in trademark to create similar incentives to the statutory scheme of safe harbors in copyright.\textsuperscript{129} Service

\begin{footnotes}
\item[120] \textit{Id.} at 504.
\item[121] \textit{Id.} at 504-09.
\item[122] \textit{Id.} at 506.
\item[123] 717 F.3d 498 (6th Cir. 2013).
\item[125] \textit{Coach, Inc.}, 717 F.3d at 500.
\item[126] \textit{Id.} at 501-02.
\item[127] \textit{Id.} at 501.
\item[128] \textit{Id.}
\item[129] See \textit{id.} at 504-05.
\end{footnotes}
providers may avoid liability for their customers’ actions only by putting into effect bona
fide programs to address notices of infringement and deal with known infringers.

G. Eastland Music Group, L.L.C. v. Lionsgate Entertainment, Inc.130

¶41 As the Seventh Circuit noted, Eastland Music’s rap duo Phifty-50, “according to its
web site www.phifty-50.com, has to its credit one album (2003) and a T-shirt.”131 Eastland
brought a trademark infringement alleging that Lionsgate infringed the Phifty-50 mark by
titling a movie “50/50.”132 The court affirmed dismissal of the case.133 The
decision is notable because the court ruled as a matter of law that “50/50” for the title of a
movie about someone with even chances of surviving cancer could not cause confusion
with “Phifty-50.”134 The case could be dismissed at the outset, without the defendant
incurring the costs of discovery, let alone a trial. This makes it less likely in a clear case
that the defendant will simply settle in order to avoid the costs of depositions,
interrogatories, market surveys, consultants and other costs of trademark litigation.135

¶42 The case is also notable for a leading federal judge nonchalantly relying on
Wikipedia:

The phrase 50/50 or a sound-alike variant (50-50, fifty-fifty, fifty/fifty) has been
in use as the title of intellectual property for a long time. Wikipedia lists eight
2011. See http://en.wikipedia.org/wiki/50/50. Six of these movies predate
Eastland Music’s use. The 1982 film is by and about a rock band. Wikipedia lists
three TV shows with that title, plus an episode of a fourth show. It also lists three
songs whose titles contain the phrase 50/50. One of these is Frank Zappa’s 1973
song “50/50”. Then there’s “50/50 Luv” released in 1995 by the rap group B.G.
Knocc Out & Dresta.136

¶43 A civil procedure purist might quibble with the court foreclosing discovery by the
parties, but relying on market information outside the record.

H. Nguyen v. Biondo137

¶44 Nguyen shows that the policies with respect to encouraging challenges to invalid
intellectual property remain quite different in patent and trademark. Defendants
purchased a hair and nail salon and, contrary to the sales agreement, continued to use its
trademark, “Tipsy.”138 Sued for infringement, defendants contended that the mark was

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130 707 F.3d 869 (7th Cir. 2013), cert. denied, 134 S. Ct. 204 (2013).
131 Id. at 870.
132 Id.
133 Id. at 872.
134 Id. at 871.
135 See id. at 870 (“Eastland Music tells us that, had the complaint survived a motion to dismiss, it would
have served extensive discovery requests, and it seems confident that defendants would have settled rather
than borne the expense of compliance.”).
136 Id. at 871.
137 508 F. App’x 932 (11th Cir. 2013).
138 Id. at 934.

195
invalid for “naked licensing,” meaning that the mark had been licensed without control and so no longer served as a trademark. But the court applied the doctrine of licensee estoppel, which prevents a licensee from contesting the validity of the mark, on the theory that the licensee has agreed that the mark is valid by licensing its use. In patent law, as discussed above, even a licensee’s explicit promise not to contest validity does not prevent a challenge to validity.

I. Kelly-Brown v. Winfrey

In contrast to Eastland, Kelly-Brown reversed the grant of a motion to dismiss, holding that the plaintiff had plausibly alleged that there was a likelihood of confusion between the use of “Own Your Power” as a service mark for a motivational services

139 Id. at 7-8.
140 Id. at 8.
141 See supra notes 88-89 and accompanying text.
142 717 F.3d 295 (2d Cir. 2013).
143 Id. at 299.
144 Id. at 301.
145 See supra notes 130-136 and accompanying text.
business and the use of the same phrase in the magazine of media magnate Oprah Winfrey. The Fourth Circuit rejected the trademark-use approach espoused by the Sixth Circuit. Under that analysis, a court first determines whether the defendant used the symbol as a mark before looking to whether that use is likely to cause confusion.\footnote{Kelly-Brown, 717 F.3d at 305-08.} Applied to this case, a court could have held that the magazine used the phrase, but not as a trademark, and so did not infringe (although the court’s analysis on other issues indicated that it would find plausible allegation of trademark use in this case). That analysis allows trademark cases to be decided without going through the multi-factor likelihood of confusion analysis. It also allows something of a safe harbor, giving parties notice that they can use well-known phrases without fear of trademark claims, where they do not use the phrases as marks. This split between the circuits could ripen the issue for Supreme Court review.


A trademark owner seeking handover of an internet domain related to the trademark may use litigation in federal court or arbitration under the UDRP. In both settings, whether the registrant acted in “bad faith” is likely to be the determinative issue.\footnote{For example, to obtain handover of a domain under the UDRP, the applicant must show, among other things, “why the domain names should be considered as having been registered and being used in bad faith.” Rules for the Uniform Domain Name Dispute Resolution Policy para. 3(b)(ix)(3), ICANN (Oct. 30, 2009), \url{http://www.icann.org/en/help/dndr/udrp/rules}. There is also liability under the Anticybersquatting Consumer Protection Act if a person “registers, traffics in, or uses a domain name” with “bad faith intent to profit” from a trademark. 15 U.S.C. § 1125(d)(1)(A)(i) (2012).} Case law continues to give content to that vague standard.

Snap-On Incorporated brought a UDRP proceeding seeking turnover of the domain snaponsocks.com. Snap-On argued that the offer to sell Snap-On the domain for $195,000 was evidence of a bad faith intent to profit.\footnote{Snap-On Inc., No. D2013-0577, at 2.} But the panel considered that Snap-On had initiated the negotiations, but had declined to name a price. The panel construed that tactic as an attempt to bring out a high offer in order to lay the foundation for a bad faith claim.\footnote{\textit{Id.} at 6.} As a result, the asking price was not held to be evidence of bad faith in registration and use of the domain. The panel also considered the claim of bad faith undercut by the fact that the respondent created its own amateurish-looking website, rather than taking the easier route of copying such elements as the font and text colors of Snap-On’s site.


These cases are also cautionary tales for trademark enforcement. \textit{AirFX} held that a trademark owner that pursued groundless and unreasonable counterclaims in an Anti-Cybersquatting Act case would be liable for attorney’s fees. \textit{Paul} reflects the increasing
willingness of WIPO panels to refuse requests for domain name handovers. The Ron Paul election organization sought the domains ronpaul.com and ronpaul.org from a former campaign worker. The domain owner offered to hand over ronpaul.org and to sell ronpaul.com. The election campaign turned instead to a WIPO arbitration proceeding. However, the panel determined that the domain owner had a legitimate noncommercial or fair use, because the respondent used the domain to link to a legitimate, independent fan site and the site sold goods and services that promoted Ron Paul.\footnote{153}

### III. Copyright

#### A. *Kirtsaeng v. John Wiley & Sons, Inc.*\footnote{154}

*Kirtsaeng*, like the International Trade Commission cases in patent law discussed above,\footnote{155} shows a rights holder seeking to cut off the flow of goods at a critical point—importation. Supap Kirtsaeng, a citizen of Thailand, studied mathematics at Cornell University. Noticing that textbooks in the United States were pricier than their overseas edition, he saw an arbitrage opportunity. He had friends and family purchase the Asian editions in Thailand and ship them to him for resale at a profit.\footnote{156} The first sale doctrine generally allows the owner of an authorized copy to resell it. But first sale applies only to a copy “lawfully made under this title.”\footnote{157} The Second Circuit held that the first sale doctrine did not apply to copies printed abroad because U.S. copyright law applies only within the United States.\footnote{158} A copy “made under this title,” on that reading, must be made where U.S. copyright law (Title 17 of the United States Code) applies. Kirtsaeng contended that “lawfully made under this title” meant simply that making the book was not unlawful under U.S. copyright law. Wiley authorized its Asian editions, so first sale would allow a buyer to resell an authorized copy.\footnote{159}

The Court looked to the provision’s interplay with various other parts of the Copyright Act, such as provisions that make importation an infringement of the distribution right and provisions that protect the copyrights of foreign authors.\footnote{160} The issue requires unraveling the copyright owner’s right of public distribution, its lesser included rights of importation, and the first sale doctrine’s limitation on the distribution right.\footnote{161} There are policy arguments for enforcing geographic limits. A publisher could rely on the rule to make less expensive editions available in developing countries, without imperiling its domestic market price. The Court did not discuss that argument but

\footnote{153} The panel further stated that “the combination of political speech engaged in by Respondent, the substantial lack of commercial intent, and the offer by Respondent to provide the Domain Name to Complainant for free, makes it unlikely to this Panel that Complainant would have succeeded in demonstrating bad faith registration and use.” *Id.* at Section 6.B.

\footnote{154} 133 S. Ct. 1351 (2013).

\footnote{155} See supra notes 69-76 and accompanying text.

\footnote{156} *Kirtsaeng*, 133 S. Ct. at 1356.


\footnote{158} *Kirtsaeng*, 133 S. Ct. at 1357 (citing 654 F.3d 210, 218-19 (2d Cir. 2011)).

\footnote{159} *Id.* at 1358.

\footnote{160} *Id.* at 1361-62.

\footnote{161} *Id.* at 1354 (quoting statutory language granting distribution right in 17 U.S.C. § 106(3)); *Id.* at 1354-55 (quoting statutory language providing for first sale rights in 17 U.S.C. § 109(a)); *Id.* at 1367 (quoting the Copyright Act’s “importation provision,” 17 U.S.C. § 602(a)(1)).
implicitly rejected it, stating that “[a] publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.” But perhaps the determinative factor in resolving how to read the murky language was that “reliance upon the ‘first sale’ doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers.” If first sale had a geographic limit, then a book printed in France could not be sold at a bookstore or loaned by a library. A museum could not exhibit an African sculpture. A gallery could not sell a painting purchased abroad.

B. Harney v. Sony Pictures Television, Inc. 164

¶51 Photographer Harney took a photo of socialite Clark Rockefeller and his daughter leaving a Boston church. Not too long after, Rockefeller was exposed as an impostor, Christian Karl Gerhartsreiter. The photo was published widely, including an FBI "Wanted" poster, as the police hunted Gerhartsreiter. A made-for-TV movie recounted the tale, using its own version of the photo without permission from Harney. 166

¶52 Copyright protects only original creative expression. The court recognized the creativity in composing the picture, but held that Sony copied only unprotected facts: “Harney's creation consists primarily of subject matter—‘facts’—that he had no role in creating, including the central element of the Photo: the daughter riding piggyback on her father's shoulders.” The image became famous, but “we do not see how subsequent events can fortuitously transform unoriginal elements of a visual work into protectible subject matter.” 168

162 Id. at 1370.
163 Id. at 1366.
164 704 F.3d 173 (1st Cir. 2013).
165 Id. at 189.
166 Id. at 176.
167 Id. at 184.
168 Id. at 186.
¶53 In a world where video and pictures increasingly capture everything (from security cameras to Google Glass), *Harney* may affect how those that initially capture an image control its future.

C. *FireSabre Consulting L.L.C. v. Sheehy*¹⁶⁹

Copyright subsists in a creative work when the work is “fixed in any tangible medium of expression.”¹⁷¹ FireSabre, a consultant, assisted a school in building an educational project in the virtual world Second Life. FireSabre terraformed (used development tools to alter the topography and landscape) of several islands that students subsequently modified.¹⁷² As in many copyright cases, the relationship foundered and the parties disputed ownership of the work. The school contended that the terraforming work was not “fixed,” and so not subject to copyright. Rather than fixed for the ages, the work was subject to change.¹⁷³ But “fixed” under the Copyright Act requires only that the work be "sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration."¹⁷⁴ Now that many creative acts may be saved in digital form in games and in the course of everyday life, the holding has potential broad scope.

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¹⁷⁰ *Id.* at *1*.
¹⁷³ *Id.* at *4-*6.
¹⁷⁴ *Id.* at *6* (quoting 17 U.S.C. § 101 (2012)).
Cariou published photos taken over six years in Jamaica in his book, *Yes Rasta*. Prince, a successful appropriation artist, tore photos from copies of the book and altered them with paint, printing, and pasted elements. Galleries exhibited Prince’s adaptations and sold them, some for upwards of two million dollars. The Second Circuit held that Prince’s adaptations did not infringe Cariou’s copyrights, but rather were protected as fair use. The court placed great weight on its determination that the use was “transformative,” a strong factor in favor of fair use. The Supreme Court’s decision in *Campbell* made the transformative nature of a work important by holding fair use protected a rap parody version of the song *Pretty Woman*. Cariou reads *Campbell* broadly. In particular, *Cariou* rejected the trial court’s reasoning that a transformative use must be one that, like the parody in *Campbell*, comments on or criticizes the first work, or provides similar functions like providing historical context. Prince testified that he did not really have any message, let alone commentary or criticism of the photographs. But *Cariou* looked to *Campbell*’s broad language that a work may be transformative if it alters “the original with ‘new expression, meaning, or message.’” The court’s view, Prince’s work did: “[t]hese twenty-five of Prince’s artworks manifest an entirely different aesthetic from Cariou’s photographs. Where Cariou’s serene and deliberately composed portraits and landscape photographs depict the natural beauty of Rastafarians and their surrounding environs, Prince’s crude and jarring works, on the other hand, are hectic and provocative.” The court also saw little harm to the market for Cariou’s work because

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176 *Id.* at 702-03.
177 *Id.* at 699.
178 *Id.* at 709.
179 *Id.* at 705-11.
180 *Id.* at 706-07 (citing *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994)).
181 *Id.*
182 *Id.* at 706 (quoting *Campbell*, 510 U.S. at 579).
183 *Id.*
the artists served such different audiences.\textsuperscript{184} After \textit{Cariou}, an author that borrows from another but produces a work that is much different, is more likely to qualify for fair use, even if the amount used is considerable.

\textbf{E. Sofa Entertainment, Inc. v. Dodger Products, Inc.\textsuperscript{185} Seltzer v. Green Day, Inc.\textsuperscript{186}}

\textit{Sofa Entertainment} and \textit{Green Day} both involved minor uses of copyrighted works. \textit{Sofa Entertainment} held that fair use applied to the musical Jersey Boys’s inclusion of a seven-second clip of Ed Sullivan introducing the Four Seasons.\textsuperscript{187} \textit{Green Day} held that fair use applied to the use of a copyrighted street art illustration in a back-drop video used during concerts of the band Green Day.\textsuperscript{188} Both cases saw the use as transformative. The Ed Sullivan clip served as “evidence of the band's enduring prominence in American music.”\textsuperscript{189} The illustration was “only a component of what is essentially a street-art focused music video about religion and especially about Christianity.”\textsuperscript{190}

Both cases conflict with the leading case on music sampling, \textit{Bridgeport Music, Inc. v. UMG Recordings, Inc.}, which rejected fair use applied to sampling, the use of even small amounts of musical recordings.\textsuperscript{191}


\textit{Meltwater} held that fair use did not protect a news clipping service that located news stories of particular interest to its subscribers and provided clips to its customers. Meltwater's "Global Media Monitoring" service enabled "users to monitor the news based on the presence of certain words or phrases in news articles appearing on the Internet and to receive excerpts of those news articles. Meltwater use[d] automated computer programs or algorithms to copy or 'scrape' an article from an online news source, index the article, and deliver verbatim excerpts of the article to its customers in response to search queries."\textsuperscript{195} Once again, the effect on actual and potential markets weighed heavily: “[b]y refusing to pay a licensing fee to AP, Meltwater not only deprives AP of a licensing fee in an established market for AP’s work, but also cheapens the value of AP’s work by competing with companies that do pay a licensing fee to use AP content in the way that Meltwater does.”\textsuperscript{196} The court distinguished the cases that had applied fair use to search engines. Rather than thumbnail versions of photographs or snippets of text,

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{184} Id. at 708-09.
\item \textsuperscript{185} 709 F.3d 1273 (9th Cir. 2013).
\item \textsuperscript{186} 725 F.3d 1170 (9th Cir. 2013).
\item \textsuperscript{187} \textit{Sofa Entm’t, Inc.}, 709 F.3d at 1276, 1280.
\item \textsuperscript{188} \textit{Seltzer}, 725 F.3d at 1173-74, 1179.
\item \textsuperscript{189} \textit{Sofa Entm’t, Inc.}, 709 F.3d at 1278.
\item \textsuperscript{190} \textit{Seltzer}, 725 F.3d at 1176.
\item \textsuperscript{191} 585 F.3d 267 (6th Cir. 2009).
\item \textsuperscript{192} 931 F. Supp. 2d 537 (S.D.N.Y. 2013).
\item \textsuperscript{193} Civ. No. 12-528 (RHK/JJK), 2013 WL 4666330 (D. Minn. Aug. 30, 2013).
\item \textsuperscript{194} 934 F. Supp. 2d 640 (S.D.N.Y. 2013).
\item \textsuperscript{195} \textit{Meltwater U.S. Holdings, Inc.}, 931 F. Supp. 2d at 543.
\item \textsuperscript{196} Id. at 561.
\end{itemize}
\end{footnotesize}
as in those cases, Meltwater provided the very information sought and so replaced the original works.

¶59 American Institute of Physics addressed the application of fair use to works with valuable information of a different sort. The court held fair use authorized a clipping practice quite different than Meltwater. American Institute of Physics held fair use allowed law firms to make and keep electronic copies of scientific and engineering articles related to patent applications. The law firm was required to submit copies to the United States Patent Office. The plaintiffs dropped claims that submission of copies to the USPTO was copyright infringement, but pursued claims that making and retaining copies was infringement. 197 The court saw little market harm, because patent lawyers were not in the typical market—“academics, physical scientists and researchers, engineers, educators, students, and members of the general public who want to read peer-reviewed scholarly, highly specialized articles about the physical sciences and other scientific disciplines.”198

¶60 ReDigi rejected fair use as a means to translate first sale rights to the digital world. First sale authorizes the sale or distribution of an authorized copy. Someone owning authorized copies of music on a CD or flash drive could sell it. ReDigi’s service offered the functional equivalent. Customers could sell music online by agreeing to destroy their own copies after a copy was delivered to the purchaser.199 But that process involved making copies and distributing them, for the purpose of sale.200 The court held fair use inapplicable on the grounds that “ReDigi facilitates and profits from the sale of copyrighted commercial recordings, transferred in their entirety, with a likely detrimental impact on the primary market for these goods.”201 Nor did the court read first sale to apply to the practice.202 The court, noting that the statute applies first sale only to a “particular copy or phonorecord lawfully made under this title,”203 declined to extend the rights on policy grounds. Rather, it noted that the online world is different: “the first sale doctrine was enacted in a world where the ease and speed of data transfer could not have been imagined.”204

¶61 ReDigi and Meltwater can both be seen as first sale cases. Meltwater could have bought paper copies of newspapers and cut out articles for clients. ReDigi could have operated a used CD store. Making electronic copies and distributing them is similar, but not close enough for courts.

G. Authors Guild, Inc. v. Google Inc.205

¶62 Working with several research libraries, Google has scanned over twenty million books. As the court noted, the project provides several services. Google Books allows users to find books for purposes from research to inter-library lending to curiosity, and to

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198 Id. at *31.
199 ReDigi, Inc., 934 F. Supp. 2d at 645-46.
200 Id. at 648-52.
201 Id. at 654.
202 Id. at 654-56.
203 Id. at 654 (quoting 17 U.S.C. § 109 (2012)).
204 Id. at 656.
find excerpts within books. Searches receive a snippet of relevant books, along with information about the book, often including where the book may be purchased. Google Books also “greatly promotes a type of research referred to as ‘data mining’ or ‘text mining.’” Google Books permits humanities scholars to analyze massive amounts of data—the literary record created by a collection of tens of millions of books. Researchers can examine word frequencies, syntactic patterns, and thematic markers to consider how literary style has changed over time. Google has saved copies of out of print books that might otherwise have been lost over time. Digital copies can be adapted easily for readers with visual or other disabilities. Google Books also leads to sales of books.

In 2013, after nine years of litigation and attempts at settlement, the trial court granted Google summary judgment, on the grounds of fair use. The court found the use “highly 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 is also transformative in the sense that 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.” The court also found no market harm to authors, rejecting the theory that prospective readers might, rather than buy a book, use Google Books to read it one snippet at a time. In terms of fair use doctrine, this case is notable for extending the meaning of “transformative” to include uses that exploit non-copyrighted aspects of works. The result, however, is consistent with cases that applied fair use, albeit with different reasoning, to copying to get information from databases or to reverse engineer software.

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206 Id. at 287-90.
207 Id. at 287 (quoting Brief of Digital Humanities and Law Scholars as Amici Curiae at 1).
208 Id. at 293.
209 Id. at 291.
210 Id. at 292-93.
Copyright protects original, creative expression, not ideas or nonoriginal elements. Warrick argued he could copy diagrams created by Lippit because they simply embodied Lippit’s ideas about organizational management. But although “Lippitt's diagram may express an idea, Warrick could express the same ideas in his own fashion. He might have organized the components in a pie-chart-style format to show how each is a component of a larger whole. He could have approached the concept in a two-column format, listing each defect in the left column and the missing component in the right column.” Warrick also argued the diagrams lacked the necessary creativity for copyright protection, consisting simply of typical diagram elements: “Warrick says the elements of Lippitt's diagram—short labels, shapes, symbols, and selection of typeface—are not eligible for copyright protection.” But any “copyrightable work can be sliced into elements unworthy of copyright protection. Books could be reduced to a collection of non-copyrightable words. Music could be distilled into a series of non-copyrightable rhythmic tones. A painting could be viewed as a composition of unprotectable colors.” Warrick shows that a small contribution of creativity may give protection to a work that conveys mainly unprotected factual or functional information.

212 717 F.3d 1112 (10th Cir. 2013).
213 Id. at 1114.
214 Id. at 1118.
215 Id.
216 Id.
217 Id. at 1119 (citation omitted).
I. Craigslist Inc. v. 3Taps Inc.,\textsuperscript{218} Righthaven L.L.C. v. Hoehn\textsuperscript{219}

Copyright law does not allow debt collectors. If someone is owed a debt for an unpaid loan or a breached contract, they can sell that debt to someone else, who can sue to collect. But copyright limits standing; only the owner of a copyright or some of its exclusive rights may sue for infringement.\textsuperscript{220} 3Taps and Righthaven both turned on the issue of whether a license conveyed sufficient rights for the licensee to bring a copyright infringement action. In both cases, the court held that the agreements did not transfer such exclusive rights.

Righthaven held that an agreement transferring rights to sue for copyright infringement will not convey sufficient rights to support standing in a copyright infringement action.\textsuperscript{221} The right to sue is itself not one of the exclusive rights. Accordingly, Righthaven’s business model, which depended on simply obtaining the rights to sue from various copyright holders and then searching for likely licensees,\textsuperscript{222} was not viable. Much possible infringement occurs in this digital age. Copyright holders will not be able to monetize it by transferring simply the right to sue, which would allow them to distance themselves from enforcement.

Craigslist requires a different sort of choice. The terms of use for Craigslist provided that Craigslist “does not claim ownership of content that its users post.” The court rejected the rather hopeful argument that such terms did not convey ownership but did convey an exclusive license by negative implication, because previous terms of use had explicitly disclaimed an exclusive license. More definitive terms will be required to support the transfer of exclusive rights.\textsuperscript{223} Craigslist puts some website owners in a tricky position. If they wish to sue for infringement of material on the site, they must have their users agree to transfer exclusive rights, something users may not wish to give up.

J. Gary Friedrich Enterprises, L.L.C. v. Marvel Characters, Inc.,\textsuperscript{224} Metropolitan Regional Information Systems v. American Home Realty Network, Inc.,\textsuperscript{225} Agence France Presse v. Morel\textsuperscript{226}

Much of intellectual property law is contract law. Marvel Characters shows that drafting a contract as broadly as possible is not always enough. The agreement expansively described the rights transferred: “forever all rights of any kind and nature in and to the Work.”\textsuperscript{227} But the agreement was not interpreted to necessarily convey the

\textsuperscript{218} 942 F. Supp. 2d 962 (N.D. Cal. 2013).
\textsuperscript{219} 716 F.3d 1166 (9th Cir. 2013).
\textsuperscript{220} 17 U.S.C. § 501(b) (“The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of § 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.”).
\textsuperscript{221} Righthaven L.L.C., 716 F.3d at 1172.
\textsuperscript{222} See id. at 1168.
\textsuperscript{223} Craigslist, Inc., 942 F. Supp. 2d at 979-80.
\textsuperscript{224} 716 F.3d 302 (2d Cir. 2013).
\textsuperscript{225} 722 F.3d 591 (4th Cir. 2013).
\textsuperscript{226} 934 F. Supp. 2d 547 (S.D.N.Y. 2013).
\textsuperscript{227} Marvel Characters, Inc., 716 F.3d at 310.
renewal term in the subject work, the Ghost Rider comics, because it did not specifically mention those rights (along with other ambiguities in the contract).228

¶69 Metropolitan Regional addressed copyright’s statute of frauds. To effectively transfer a copyright or slice thereof, there must be a signed writing, under § 204 of the Copyright Act. That writing requirement can be met, the court held, under the Electronic Signatures in Global and National Commerce Act, by a party clicking “Yes” to a terms of use agreement.229 Parties concerned about keeping their copyright should, before uploading works they have created, read the terms of use (not fun).

¶70 Agence France Presse v. Morel held that Twitter’s terms of use did not give benefits to third parties. Twitter’s terms of use allowed use of photos by Twitter. That permission did not extend to the world (basic contract law on third party beneficiaries) and so did not permit various parties to publish photos taken from Twitter.230 The terms of use granted rights only to Twitter and its partners, and the court declined to read it beyond those literal terms: “[c]onstruing the Twitter TOS to provide an unrestrained, third-party license to remove content from Twitter and commercially license that content would be a gross expansion of the terms of the Twitter TOS.”231 The case emphasizes the role of traditional contract law in the continuing evolution of cyberspace law.

K. Secondary Liability Cases

¶71 AT&T was not secondarily liable for copyright infringement in mobile messaging, such as unauthorized forwarding of multimedia messages. AT&T had limited ability to control and supervise the content of messages, and no direct financial interest in the activity.232 By contrast, a website that suggested its users use BitTorrent to share movies and provided specific technical support to share and to circumvent controls was liable for inducement of copyright infringement.233

¶72 Under the safe harbor provisions of § 512 of the Copyright Act, Internet service providers can avoid liability for material stored by users, provided they remove infringing content they have reason to know of, including responding to takedown notices.234 Video sharing service Veoh qualified for protection, where there was no showing Veoh failed to act upon knowledge of specific infringements.235 Veoh also implemented hashing software to identify infringers and terminated the accounts of repeat infringers.236 Likewise, an ISP that gathered analytical data, such as search engine traffic and keyword

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228 Id. at 314-16.
229 Metro. Reg’l Info. Sys., 722 F.3d at 600-03.
230 Agence France Presse, 934 F. Supp. 2d at 560-64.
231 Id. at 562.
232 Luvdarts, L.L.C. v. AT & T Mobility, L.L.C., 710 F.3d 1068 (9th Cir. 2013).
233 Columbia Pictures Indus. v. Fung, 710 F.3d 1020, 1031-39 (9th Cir. 2013), cert. dismissed, 134 S. Ct. 624 (2013); see also David v. CBS Interactive Inc., No. CV 11-9437 DSF (JCx) (C.D. Cal. Feb. 19, 2013) (holding that an article analyzing technical details of file sharing was not inducement of copyright infringement).
235 UMG Recordings, Inc. v. Shelter Capital Partners L.L.C., 718 F.3d 1006, 1020-23 (9th Cir. 2013).
236 Id. at 1012-13; see also Capitol Records, Inc. v. MP3tunes, L.L.C., No. 07 Civ. 9931 (WHP), 2013 WL 1987225, at *3-6 (S.D.N.Y. May 14, 2013) (holding factual determination of actual knowledge or willful blindness required to adjudicate applicability of safe harbor).
ads, did not have such necessary awareness of infringement to destroy immunity.\textsuperscript{237} But an ISP would have to respond to takedown notices received, even if they did not come in the manner most efficient for the ISP’s operations.\textsuperscript{238}

The senders of takedown notices also have the duty to send them in good faith.\textsuperscript{239} Sending a notice for works already known to be removed could rise to liability for misrepresentation.\textsuperscript{240} But one court held that investigating whether the posting was protected by fair use was not required.\textsuperscript{241} A midwife had posted a photo of herself making an obscene gesture, with a caption directed at a physician opponent. When the physician posted the photo on another blog, the midwife sent a takedown notice.\textsuperscript{242} Although the physician’s posting was likely fair use, sending the takedown notice was held to be in good faith.\textsuperscript{243}

L. Other notable copyright cases

In \textit{WNET, Thirteen v. Aereo, Inc.},\textsuperscript{244} the Second Circuit upheld the view that using individual devices to capture, copy, and retransmit broadcast programming to subscribers was not an infringing public performance.

In \textit{United States v. Liu},\textsuperscript{245} the Ninth Circuit held that criminal copyright liability requires that the defendant knew of the illegal nature of the activity.

In \textit{Marvel Characters, Inc. v. Kirby},\textsuperscript{246} certain famous comic books were held by the Second Circuit to be works made for hire, and so not subject to termination of transfers.

In \textit{Gaylord v. United States},\textsuperscript{247} a court applied the hypothetical transaction test to find a reasonable royalty measure of damages in a copyright case, something done rarely in copyright cases but commonly done in patent cases.

IV. TRADE SECRET

A. Sciento Technologies, Inc. v. Computer Associates International Inc.\textsuperscript{248}

A product idea can be a trade secret. But it is no longer a trade secret if the idea is necessarily disclosed when the product is sold.\textsuperscript{249} The concept of combining several

\textsuperscript{239} 17 U.S.C. § 512(c)(3)(A)(v) (stating that person sending takedown notice must include “[a] statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.”).
\textsuperscript{241} Id. at 335-37.
\textsuperscript{242} See id. at 341, 343-45.
\textsuperscript{244} 731 F.3d 982 (9th Cir. 2013).
\textsuperscript{245} 726 F.3d 119 (2d Cir. 2013).
\textsuperscript{246} 112 Fed. Cl. 539 (Fed. Cl. 2013) (holding that USPS would be liable for $684,844.94 for using an image of the Korean War Memorial without the authorization of its sculptor).
\textsuperscript{247} No. 04-CV-2652 (JS) (ETB), 2013 WL 1856653 (E.D.N.Y. May 1, 2013).
existing computer programs could be valuable information. Once the programs were bundled and sold, the information would be readily available to others and not subject to trade secret protection. But there could be other causes of action, such as misappropriation of an idea, breach of contract, or unfair competition.

B. United States v. Howley

Howley illustrates how criminal liability under the federal Economic Espionage Act can ratchet up the stakes and means of enforcement in intellectual property cases. Wyko had a big contract to build big tires, but had difficulty in preparing the necessary machines. Wyko sought access to similar machines at a Goodyear facility. When Goodyear needed repairs that Wyko provided, Wyko sent not technicians, but key engineers on the tire project. They surreptitiously took photos and emailed them to their Wyko accounts. Wyko’s IT manager happened upon the photos while archiving emails. Concerned about illicit activity, the IT manager anonymously emailed the photos to Goodyear. The FBI was alerted and the engineers arrested.

To violate the Economic Espionage Act, the defendant must take trade secret information, which is information that is not readily available and is subject to reasonable security measures. Although the machines were not under lock and key, Goodyear took reasonable security measures: “Goodyear surrounded its Topeka factory with a fence and required visitors to pass through a security checkpoint. Before Roberts and Howley entered the factory, they had to obtain advance permission from Goodyear, sign confidentiality agreements and agree not to take photographs during their visit.” The security measures, and Wyko’s scheming to get at the information, was sufficient evidence that the information was not readily available through other means.

C. Daniels Health Sciences, L.L.C. v. Vascular Health Sciences, L.L.C.

Information compiled, selected, and filtered from public sources may be a trade secret. A physician compiled and analyzed scientific research with respect to a dietary supplement. The information was shown in a PowerPoint presentation to potential investors, but only if they signed nondisclosure agreements. Although the individual items of research were publicly available, the compilation constituted valuable information subject to reasonable security measures.

249 Id. at *2, *5-6.
250 See id.
251 See id. at *5.
252 707 F.3d 575 (6th Cir. 2013).
253 Id. at 577-79.
254 Id. at 579.
255 Id.
256 Id. at 579-81.
257 710 F.3d 579 (5th Cir. 2013).
258 Id. at 581.
259 Id. at 583-84.
D. Airwatch L.L.C. v. Mobile Iron, Inc.\textsuperscript{260}

Where a company licenses software to customers, there is normally no trade secret in the output the customers create using the software, such as the visible information and graphics that appear on the screen.\textsuperscript{261} But if the customers agree to keep the information confidential and the company takes sufficient measures to limit access to the software, such information may remain a trade secret, as in Airwatch.\textsuperscript{262} The case also illustrates courts’ dislike of deceptive actions to get information. The defendants used false names, addresses and other information to sign up as potential customers of a competitor.\textsuperscript{263} Such a defendant is less likely to get the benefit of what was, as the court noted, a close question on whether the information disclosed was a trade secret.\textsuperscript{264}

E. Aqua Connect v. Code Rebel, L.L.C.\textsuperscript{265}

Aqua Connect also shows how contracts can protect trade secrets, even after software has been delivered to potential customers. Code Rebel downloaded Aqua Connect’s Terminal Server software. Code Rebel agreed to the EULA, which prohibited reverse engineering. The EULA was for a 14-day trial period.\textsuperscript{266} Defendants argued that once the EULA terminated, they were no longer bound by the agreement not to reverse engineer the computer software.\textsuperscript{267} The court held that although their authorization to use the software expired, the obligation not to reverse engineer the software continued: “[a]dopting Defendants’ interpretation of this EULA provision would require an absurd result where users can freely reverse engineer Plaintiff’s software once the license expires.”\textsuperscript{268} The case illustrates an important practical point that parties who sign what they think of as temporary agreements may have obligations that continue on. Before signing a nondisclosure agreement, for example, someone should carefully read it and decide whether they can abide by the restrictions.

\textsuperscript{261} Id. at *4 (stating “details that ordinary users of the software could observe’ are not trade secrets”) (quoting IDX Sys. Corp. v. Epic Sys. Corp., 285 F.3d 581, 584 (7th Cir. 2002)).
\textsuperscript{262} Id.
\textsuperscript{263} Id. at *1-2.
\textsuperscript{264} See id. at *4-5.
\textsuperscript{266} Id. at *3.
\textsuperscript{267} Id.
\textsuperscript{268} Id.
F. Lamont v. Vaquillas Energy Lopeno Ltd., LLP

Most trade secret cases involve information like customer lists or computer program source code. At issue in Lamont was whether a “Treasure Map” was a trade secret. The Lopeno Prospect Treasure Map, drawn by a geologist rather than a buccaneer, showed the likely location of a large natural gas field. The map was used by former employees to lure investors in a new company and to build a well to mine the gas. The court held the map was a trade secret, even though the first company had shown it to some potential investors without getting them to sign nondisclosure agreements.

G. Core Labs. LP v. Spectrum Tracer Services, L.L.C.

Where defendant used plaintiff’s trade secret fracking software, there was irreparable harm and a preliminary injunction was granted. Core Labs reflects the continuing strong protection given trade secrets where wrongful behavior has been established.

H. Wellogix, Inc. v. Accenture, L.L.P.

A patented invention cannot be a trade secret because the patent discloses the technology to the world. In Accenture, the defendant allegedly used misappropriated software source code to build a competing product. The plaintiff met its burden that its

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270 Id. at 206.
271 Id. at 205-09.
272 Id. at 226-27.
273 F. App’x 904 (Fed. Cir. 2013).
274 716 F.3d 867 (5th Cir. 2013).
technology contained trade secrets by showing that it contained valuable information protected by reasonable security measures. The burden then shifted to the defendant to show that the information had been disclosed by plaintiff’s patents, thereby destroying the secret. The defendant argued that there could be no trade secret because the plaintiff had patents on the subject matter. However, the patents were not introduced as evidence. Accenture shows that trade secret litigation requires careful marshaling of evidence, not just reliance on generalities.

I. CFAA Cases

The Computer Fraud and Abuse Act can be more effective than trade secret law in protecting “proprietary” information. Someone who “accesses a computer without authorization or exceeds authorized access” and obtains information may be liable under the CFAA. Courts continue to split on when computer access is unauthorized. In particular, the circuits have divided on whether access is unauthorized if someone with authority to access a computer breaches related rules, such as an employment contract or terms of use. Widespread debate about the scope and penalties of the CFAA was triggered by the suicide of Aaron Swartz, a noted software developer and open culture advocate. Swartz was under indictment for allegedly violating the CFAA by downloading academic articles en masse.

Defendants were held not to violate the CFAA when they, in the course of creating a competitor to their employer, copied files containing technical data, customer lists, and business information. “This Court declines the opportunity to expand the CFAA to include situations where an employee takes confidential information, using authorization given to him and controlled by his employer . . . .” Similarly, employees who emailed their employer’s business plans and customer data before leaving to work for a competitor did not engage in unauthorized use. Creating a false Facebook page or using others’ identities would violate the Facebook terms of service, but did not violate the

275 Id.
276 Id.
277 Id. at 875.
278 Id.
280 See WEC Carolina Energy Solutions LLC v. Miller, 687 F.3d 199 (4th Cir. 2012), stating that “two schools of thought exist” and rejecting the view “promulgate by the Seventh Circuit . . . that when an employee accesses a computer or information on a computer to further interests that are adverse to his employer, he violates his duty of loyalty, thereby terminating his agency relationship and losing any authority he has to access the computer or any information on it.” Id. at 203 (citing Int’l Airport Ctr., LLC v. Citrin, 440 F.3d 418, 420-21 (7th Cir. 2006)). It further agreed with the second view, “articulated by the Ninth Circuit,” that “interprets ‘without authorization’ and ‘exceeds authorized access’ literally and narrowly, limiting the terms’ application to situations where an individual accesses a computer or information on a computer without permission.” WEC Carolina Energy Solutions LLC, 687 F.3d at 203 (citing United States v. Nosal, 676 F.3d 854, 863 (9th Cir. 2012) (en banc)).
283 Id. at *7.
CFAA.\textsuperscript{285} Forwarding an email from a listserv, even if contrary to the governing rules, did not violate the CFAA.\textsuperscript{286} Other courts found CFAA violations in fact patterns turning on breach of contract. *Craigslist Inc. v. 3Taps Inc.* held a party’s authority to access the Craigslist site was terminated where Craigslist sent it a cease and desist letter for violating its terms of use and blocked access from IP numbers associated with it.\textsuperscript{287} Therefore, it is possible to violate the CFAA by accessing a website that is generally open to the public. Further, allegations that parties gave members of their family their passwords and allowed them to access an insurance company’s computer system was deemed to plead unauthorized access.\textsuperscript{288}

V. PENDING: THE SUPREME COURT TOOK THE FOLLOWING CASES FOR REVIEW IN 2013:


Issue: The standard for determining whether computer-related inventions are within patentable subject matter.

B. *Medtronic Inc. v. Mirowski Family Ventures, LLC*, No. 12-1128 (U.S. 2013)

Issue: correct standard for burden of proof to support declaratory judgment of non-infringement or invalidity of patent.\textsuperscript{289}


Issue: Which parties have standing to bring a false advertising claim under the federal Lanham Act.


Issue: Both involve when attorney’s fees are awarded to the successful party in a patent case—the standard of review on appeal and how to determine if a case is “exceptional” for the purposes of 35 U.S.C. § 285. The question presented in *Highmark* is, “Whether a district court’s exceptional-case finding under 35 U.S.C. § 285, based on its judgment that a suit is objectively baseless, is entitled to deference.”\textsuperscript{290} *Octane Fitness* addresses

\textsuperscript{285} Matot v. CH, 975 F. Supp. 2d 1191 (D. Or. 2013).

\textsuperscript{286} Stern v. Weinstein, 512 F. App’x 701 (9th Cir. 2013).

\textsuperscript{287} 964 F. Supp. 2d 1178 (N.D. Cal. 2013).


\textsuperscript{289} The case was decided January 22, 2014, with the Court holding that the burden of proving infringement remains with the patentee where the licensee seeks a declaratory judgment against the patentee to establish that there is no infringement. Medtronic, Inc. v. Mirowski Family Ventures, LLC, 134 S. Ct. 843 (2014).

whether the Federal Circuit’s test for granting attorney’s fees improperly limits the trial court’s discretion and favors plaintiffs.²⁹¹


Issue: Whether the defense of laches for unreasonable delay in bringing a copyright infringement case may bar an action when the statute of limitations has not run.

F. Limelight Networks, Inc. v. Akamai Techs., Inc.,
No. 12-786 (U.S. cert. granted Jan. 10, 2014)

Issue: Whether a single entity must perform all the steps of a process to infringe a process claim in a patent, or if the actions of multiple defendants will suffice.


Issue: Whether the Federal Circuit’s test for patent claims being invalid for indefiniteness is correct when the test invalidates a claim only if it is “insolubly ambiguous.”

H. POM Wonderful LLC v. The Coca-Cola Co.,
No. 12-761 (U.S. cert. granted Jan. 10, 2014)

Issue: Whether the federal Food, Drug, and Cosmetic Act’s provisions for labeling preempt actions for false advertising brought under the federal trademark statute.

I. Am. Broadcasting Cos., Inc. v. Aereo, Inc.,
No. 13-461 (U.S. cert. granted Jan. 10, 2014)

Issue: Whether a retransmission infringes copyright as a public performance when a separate antenna is used to retransmit to each of multiple customer

²⁹¹ The question presented is, “[d]oes the Federal Circuit’s promulgation of a rigid and exclusive two-part test for determining whether a case is ‘exceptional’ under 35 U.S.C. § 285 improperly appropriate a district court’s discretionary authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court’s precedent, thereby raising the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants?” Petition for Writ of Certiorari, Octane Fitness, LLC v. Icon Health & Fitness, Inc., No. 12-1184 (U.S. Mar. 27, 2013).