IP/Technology: Year in Review and Trends for 2010

January 29, 2010
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PRESENTERS

Suzanne Wilson
Diane Lambillotte
Sean Morris
John Ulin
James Blackburn
Technology & Consumer Protection:

Internet Privacy, the Federal Trade Commission, and Smartphone Issues

Sean Morris
Arnold & Porter LLP, Los Angeles
Focus on Privacy

This is “another watershed moment in privacy, and [ ] the time is ripe for the Commission to build on the February [2009] behavioral targeting principles and to take a broader look at privacy writ large.”

-- FTC Chairman Leibowitz, December 2009
Some Key Privacy Concepts

- Personally Identifiable Information (PII)
- Behavioral Advertising
- Retention of Data
- “Third-Party” v. “First-Party” Collection
- Cloud Computing
Backdrop: Where Has The Privacy Issue Been?

- **FTC**: Over a Decade of Looking at the Issues
- **Self-Regulation, Plus FTCA Section 5 = ?**
  - Notice & Consent
  - Self-Regulation
    - Industry Drafted Guidelines (e.g., Network Advertising Initiative)
    - “Self-Regulatory Principles for Online Behavioral Advertising” (2/12/09)
    - “Beyond Voice -- Mapping the Mobile Marketplace” (April 2009)
    - “Guides Concerning the Use of Endorsements in Advertising” (10/16/09)

- **Results?**
  - *Sears Holdings*, for example
  - Where does this leave “consent”?
The “Roundtables”

“[H]ow best to protect consumer privacy while supporting beneficial uses of information and technological innovation.”

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So, Where Are We Headed?

- **FTC Looking For More**
  - “We do feel that the approaches we’ve tried so far – both the notice and choice regime, and later the harm-based approach – haven’t worked quite as well as we would like.” (Chairman Leibowitz)
  - “The economists also pointed out the limits of disclosure. They noted that consumers engage in bounded rationality when they tend to discount long-term negative effects [] of giving up their privacy.” (David Vladeck, Director for the Bureau of Consumer Protection)

- **Consumer Groups Looking For More**
  - Not happy, even when positive changes made
  - 12/17/09 – FTC Complaint filed objecting to Facebook changes
Congress – Give More?

- Rep. Rick Boucher (D-Va.)
- Draft Legislation would address:
  - Data collection and use limits
  - Increased consumer notice and transparency
  - Enforcement
- FTC would be given regulatory authority to enforce privacy principles
- From notice and consent to prescriptive model
Smartphones & m-Commerce: Privacy 2.0?

- Behavioral Marketing & Location-Based Services
- Notice & Consent – Whole Other Level?
- “[N]otice and the ability to opt out may provide adequate consumer protections when it comes to using a consumer’s location information to determine which banner advertisements the consumer receives when the consumer uses a mobile device to access a webpage. On the other hand, consumers may expect a more robust notice provision and an opt-in process to consent to their location information being disclosed to other individuals as part of a family or friend finder application.”

Why Does It Matter?

- The FTC Itself Matters
- Private Litigants Often Look to FTC
- Affects Wide Variety of e-Commerce Activity
- Important to Consumers
Endorsements

  - Section 5 compliance requires companies to disclose if product ‘reviews’ not posted by customers and/or reviewers compensated

- Lifestyle Lift & Astroturfing
  - ‘Anonymous reviews’
  - NY Attorney General action
  - Settlement = $300,000 in penalties and costs

- Implications for other undercover, stealth marketing strategies
2009 Trademark Law Year in Review

Suzanne V. Wilson
January 29, 2010
TRADEMARK DILUTION
Trademark Dilution:

- “A gradual diminution in the mark’s distinctiveness, effectiveness and, hence, value. This kind of infringement corrodes the senior user’s interest in the trademark by blurring its product identification or by damaging positive associations that have attached to it.”
  - *Ameritech, Inc. v. American Information Technologies Corp.*, 811 F.2d 960 (6th Cir. 1987)

- Hypothetical examples of dilution by “blurring”:
  - Kodak pianos
  - Barbie aspirin
  - Google mouthwash
Trademark Dilution by Blurring and the 2006 Trademark Dilution Revision Act

- Overruled *Victoria’s Secret* decision by Supreme Court
- “Dilution by Blurring”: association arising from the similarity between a mark and a famous mark that impairs the distinctiveness of the famous mark.
- 6 Relevant Factors:
  - Degree of similarity of the mark and the famous mark
  - Degree of distinctiveness of the famous mark
  - Extent to which owner of famous mark has substantially exclusive use of the mark
  - Degree of recognition of the famous mark
  - Whether user of non-famous mark intended to create an association
  - Any actual association between the mark and the famous mark
Dilution?
Dilution?

- Levi Strauss pocket
- Abercrombie & Fitch Pocket
Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d 97 (2d Cir. 2009):

- The Second Circuit analyzed dilution under the TDRA.
- Starbucks sued Wolfe’s for trademark infringement and dilution, among other things, based on Wolfe’s use of the CHARBUCKS marks for coffee.
- After a bench trial, the district court found in favor of Wolfe’s, and, while the case was on appeal, Congress enacted the TDRA, and the case was remanded. The district court again found for Wolfe’s, and Starbucks appealed.
The Second Circuit held:

- Agreed that STARBUCKS and CHARBUCKS are only “minimally similar.”
  - But the similarity of the marks is only one factor and should not be dispositive.
  - The TDRA does not require “substantial” similarity
- Dilution by blurring does not require a showing of “bad faith” or actual confusion.
- Dismissal of the tarnishment claim affirmed.
- Wolfe’s parody defense rejected because the CHARBUCKS mark was used to denote Wolfe’s coffee, not to comment, parody, or criticize Starbucks’ coffee.
Will the 9th Circuit Agree with Charbucks?

- On appeal: **Levi Strauss v. Abercrombie & Fitch**
- Litigation over pocket stitching on Abercrombie’s Ruehl jeans
- Jury verdict for Abercrombie on infringement and unfair competition grounds
- Bench trial on trademark dilution claim held that marks must be “identical or nearly identical” to prove dilution
- Court also found that survey indicating “association” between the Ruehl jean and Levi Strauss was not persuasive
If you want to file a dilution claim . . .

- Consider your choice of venue. It will be some time before the Ninth Circuit decides the *Levi Strauss* appeal. In the meantime, courts in the Ninth Circuit may require a higher level of similarity between the claims.

- Dilution cases are still challenging and can be expensive. The federal courts continue to grapple with the concept of dilution and the application of the 2006 TDRA. As a result, the law in this area will continue to develop and, as in *Starbucks*, differing interpretations may lengthen the litigation.
SEARCH ENGINE KEYWORDS AND TRADEMARK INFRINGEMENT
Search Engine Keywords
Keywords as Use in Commerce

- *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d. Cir. 2009)
  - Revisited “use in commerce” standard previously analyzed in pop-up advertisement context in *1-800 Contacts*.
  - Rescuecom sued Google over the sale of keywords that included the RESCUECOM mark, including Google’s use of its Keyword Suggestion Tool.
  - Google moved to dismiss, claiming that Rescuecom failed to state a claim because Google did not “use in commerce” Rescuecom’s trademarks.
  - The district court, relying heavily on the pop-up advertisement case *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir. 2005), agreed because Google’s programs did not “exhibit” the RESCUECOM marks.
**Hearts on Fire Co. v. Blue Nile,**

- Motion to Dismiss denied:
  - Competitor's adoption of owner's trademark as search engine keyword constituted “use” within meaning of Lanham Act
  - Use of trademark by defendant Internet diamond retailer as keyword trigger for sponsored links whose text did not contain trademark of plaintiff diamond wholesaler was actionable

- Additional confusion factors relevant:
  - Mechanics of web-searching and browsing
  - Content of the search results webpage *and* the website that the ads link to
  - Sophistication of plaintiff’s customers
  - Specific context of the consumer’s search
  - Duration of any resulting confusion
Pending Challenges to Adwords and Keywords Programs

- **FPX v. Google, et al**, putative class action pending in Eastern District of Texas alleging trademark infringement on behalf of all trademark owners in Texas whose marks have been sold by Google and other search engines as keywords
  - **Current status**: Motion for Class Certification due in Fall 2010

- **Vulcan Golf**, putative class action alleging that Google’s Adwords program funds typosquatting domain name activities
  - **Current status**: Class certification denied (12/2008); Google’s summary judgment motion pending
PROCEDURAL ISSUES
Hensley Mfg. v. ProPride, Inc., 579 F.3d 603 (6th Cir. 2009)

- Under Twombly and Iqbal, a trademark plaintiff must allege facts to support each of the elements of the claim.
- “Mere speculation is insufficient”
- If the facts reveal that confusion is not likely – or that an affirmative defense exists – dismissal may occur.
- Hensley Mfg. attached copies of the challenged advertising to the complaint.
- Dismissed with prejudice. No likelihood of confusion.
Preliminary Injunctions and Product Recalls

- *Marlyn Nutraceuticals Inc. v. Mucos Pharma GMBH*, 571 F.3d 873 (9th Cir. 2009): Adopted 3rd Circuit Standard
  - Willful or intentional infringement by defendant
  - Whether the risk of confusion to the public and injury to the trademark owner is greater than the burden of the recall to the defendants; and
  - Substantial risk of danger to the public due to the defendant’s infringing activity
Stay of Litigation for NAD Analysis

- **Verizon v. AT&T** (S.D.N.Y.):
  - AT&T filed NAD challenge
  - Verizon filed a declaratory relief claim
  - AT&T moved for stay to allow NAD to complete analysis
  - Stay Granted

- **Expedia v. Priceline** (W.D.Wash):
  - Expedia filed NAD challenge
  - Expedia then filed federal advertising claim
  - Priceline moved for stay, which NAD supported
  - Stay Denied
Trademark Prosecution: Bose and its Implications
U.S. Patent & Trademark Office Filing “Tips”

Diane M. Lambillotte
Arnold & Porter LLP, Los Angeles January 29, 2010
Fraud on the PTO - *In re Bose Corporation, 580 F.3d 1240 (Fed. Cir. 2009)*

- Standard for “fraud on the PTO” pre-Bose

A brief review of the facts of Medinol

- Owner of NEUROVASX mark alleged in its Statement of Use during application process that the mark had been in use for two items -- "medical devices, namely, neurological stents and catheters."

- Registration was issued in 2000.

- In 2002, Medinol filed a Petition to Cancel the registration based on fraud on the PTO alleging that the mark had not been used on both items.
TTAB Found Fraud under *Medinol* Facts

- TTAB ordered that the NEUROVASX registration be cancelled.

- “A trademark applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which it knows or *should know* to be false or misleading” (emphasis added).

- *Medinol* made fraud claims more viable by expanding the inquiry from what a declarant subjectively knew to what declarant objectively *should have known*.
As a result . . .

- . . . under Medinol, a party could claim and prove fraud in trademark opposition and cancellation proceedings by merely proving that a declaration had been filed containing material misstatements of use.

- . . . a strict liability standard was effectively created since the element of “intent” in fraud claims was eliminated.

- . . . registrations were ordered cancelled by the TTAB.
**In re Bose -- Facts of the Case**

- Registration for WAVE issued in 1991 for several items in Class 9.

- In renewing the registration in 2001, Bose’s general counsel signed a declaration stating that Bose was continuing to use the WAVE trademark on “audio tape recorders and players” even though Bose had ceased making those particular products.

- The declaration was based on the belief that the company’s ongoing repair and related shipping services constituted the requisite use in commerce necessary to support a declaration of continued use.
In re Bose, cont.

- In 2003, Bose filed a Notice of Opposition against an application for the mark HEXAWAVE claiming likelihood of confusion with its prior WAVE registration, along with other marks.

- Defense counterclaimed for cancellation of the WAVE mark on grounds of fraud on the PTO, claiming that the WAVE mark was not in use with “audio tape recorders and players” in the registration as Bose’s declaration had alleged.
In re Bose -- The TTAB Ruling

- The TTAB determined that the repair and related shipping activities were not use in commerce and that Bose’s general counsel should have known this when he signed the declaration of continued use.

- The TTAB ordered that Bose’s WAVE registration be cancelled in its entirety.

- Bose appealed.
In *Bose*, the Federal Circuit Reversed the TTAB and Overturned *Medinol*

- Fraud on the PTO occurs only if the applicant *knowingly* makes a false, material representation with the *intent to deceive* the PTO.
- “There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.”
- Proven by “clear and convincing” evidence.
- The court held that Bose did *not* commit fraud in renewing its WAVE mark.

*In re Bose Corporation*, 580 F.3d 1240 (Fed. Cir. 2009)
What now?

- Have we simply reverted back to the pre-*Medinol* days?
Impact of *Bose* on *PTO Filings*

- Some have argued that *Medinol* served a useful “policing” function, without which applications and registrations would be full of “deadwood” and inaccurate statements of fact.
- Owners and applicants may breathe a little easier, but they should remain vigilant about confirming the accuracy of information provided in an application or any filing with the PTO.
- Will more stringent standards be implemented?
Impact of Bose on TTAB Proceedings

- Opposers must now provide proof of a registrant’s intent to deceive the PTO.
  - Explicit allegations of the circumstances constituting fraud.
  - Pleadings of fraud made “on information and belief” where there is no separate indication that the pleader has actual knowledge of the facts supporting a claim of fraud are insufficient.
  - Proof of intent must be “clear and convincing.”

- In practice, a party may have to refrain from pleading fraud until after discovery has revealed facts sufficient to satisfy the pleading requirement.

- Summary judgment for fraud may now be virtually impossible because of disputed issues of fact.
Future TTAB decisions will provide additional guidance

- What is an Honest Misunderstanding or Inadverterence?
  - The law is unclear (e.g., in *Bose*, there was no published decision stating whether warranty repair services constituted “use in commerce”)
  
  - Inconsistent facts (e.g., good faith investigation suggested use in commerce had occurred)

- “Ignorance of the law is no excuse”! (“I didn’t understand what “use in commerce” meant.”)
Future TTAB decisions will provide additional guidance

- Does Reckless Disregard for the Truth amount to fraud?
  - Recent TTAB decision suggests that a “reckless disregard for the truth” may suffice to show fraud.

  *DaimlerChrysler Corp v. American Motors Corp.*, Cancellation No 92045099, Jan. 14, 2010

  - Reckless disregard might include:
    - Claimed failure to understand basic trademark law
    - Failure to conduct even a rudimentary investigation of and turning a blind eye to facts claimed in application/registration

  - Difficult issue to decide on summary judgment.
After Bose, what other challenges may trademark owners be facing?

- Will the scrutiny shift from assertions regarding use to statements of *bona fide intent* to use?

- Will challenges to an owner’s valid *bona fide* intent be on the rise?
A statement of *bona fide* intent

- “*The applicant has a bona fide intention to use or use through the applicant's related company or licensee the mark in commerce on or in connection with the identified goods and/or services.*” 15 U.S.C. §1051(b)
  - Intent-to-use (ITU) applications
  - Section 44 and Madrid applications
    - Even though *use* does not have to be attested to—or specimen submitted—to obtain registration, applicant must still *allege* a *bona fide* intent to use the mark on each and every item in the application.
Strategy re *Bona Fide* Intent to Use

- **Applicants**: On or before the ITU application date, create and/or maintain documentary evidence demonstrating an intent to use the mark.

- **Opposers**: Consider asserting a lack of *bona fide* intent to use in proceedings challenging an ITU application. If there is no documentary evidence supporting the intent to use, the burden of proof will shift to the applicant.
USPTO Practice “Tip”

- **Webpages as Specimens of Use for Goods**

- Can a webpage be an acceptable specimen for *goods*?

- Webpages can often be acceptable as promotional or advertising material for *services*. 
In re Michael Sones, ___ F.3d ___, 2009 WL 5085349 (Fed. Cir. Dec. 23, 2009)

- ONE NATION UNDER GOD for “charity bracelets”

- The TTAB rejected a specimen of use from a website that did not include a picture of the product.
  - TTAB decision rested on precedent involving catalog specimens.
  - That precedent had been incorporated into the TMEP used by all trademark examiners.
“Photo not available”!
Result: A picture may not be required

- The Federal Circuit reversed, stating that it is not a mandatory requirement that an Internet specimen contain a picture of the goods.

- The specimen need only “evince that the mark is ‘associated’ with the goods and serves as an indicator of source.”
A Few Additional Trademark Practice “Tips”:

- Using the “Voluntary Amendment” Form before an Office Action issues

- “Are You Using the Right Trademark Symbol?”

- “You’re Protected Here . . . But What About Argentina, France, Uzbekistan?”
Trademark Electronic Application System (TEAS)

- **Voluntary Amendment Form (name being changed from “Preliminary Amendment Form”)**

  Use this form to request modification to an already-filed application that has not yet been examined by a USPTO Examining Attorney.

- **Result:** May be able to avoid an Office Action issuing.

- **This form can also be used to:**
  - Request a change to an already-examined application where no other mechanism exists.
  - Request a change for an application filed under the Madrid Protocol (Section 66(a)), but **only** for limited purposes.
Voluntary Amendment Form

- Examples of possible uses of Voluntary Amendment Form:
  - Correct applicant information.
  - Make non-material changes to the drawing of the mark (such as correcting typographical errors).
  - Amend the goods/services, as long as any amendment is not outside the scope of the original identification in the application.
  - Submit a signed declaration if application was filed unsigned.
Are You Using the Right Trademark Symbol?

Did you know that certain symbols can—and even should—be used by a trademark owner in the United States? These symbols, when used in conjunction with a word, logo, slogan, design, or other source indicator, provide notice that the owner is claiming trademark rights in the material preceding the symbol.

Use of the federal registration symbol “®” tells the public that the mark is registered with the US Patent and Trademark Office. The alternate notices “Registered in the US Patent and Trademark Office” or “Reg. US Pat. & Tm. Off.” can also be used. Use of the ® symbol or other registration notice is important because it gives the public notice of the owner’s rights. Without proper notice, the remedies available to a trademark owner in an infringement lawsuit can be limited. However, the ® symbol should not be used if the mark is not federally registered.

If a mark is not federally registered, the symbols TM for “trademark” or SM for “service mark” can be used rather than the ® symbol. (A service mark is a type of trademark that identifies and distinguishes the source of a service rather than a product.) The symbols TM and SM are informal designations used to communicate that the owner claims trademark rights in a word, logo, slogan, design, or other form of mark. Use of these symbols alone, however, does not guarantee that the owner will be able to use the trademark laws to protect its rights should they be challenged.

It is good practice to periodically review the way you are using (or not using) trademark symbols and registration notices, especially as you add new marks to your trademark portfolio.
You’re Protected Here...But What About Argentina, France, Uzbekistan?

Did you know that trademark rights differ by country? And that registration in the United States alone does not provide protection in other countries? Consider protecting your marks in other jurisdictions as part of your overall trademark filing strategy.

You may be able to take advantage of provisions in international treaties and agreements that give you rights in other countries.

- **If you are a U.S. applicant**, and have filed a U.S. trademark application, an application for the same mark and goods/services filed in a foreign treaty member country within six months of the U.S. application will receive a right of priority that allows the trademark applicant to claim certain rights dating back to the filing date of the U.S. application. Foreign applications may be filed after the six-month priority deadline, but they will not receive an earlier priority filing date.

- **If you are a foreign applicant**, you may be able to obtain a priority filing date for an application filed in the U.S. if the first trademark application for the same mark and goods/services was filed in a treaty member foreign jurisdiction within six months of the U.S. filing date.
Advantages of claiming priority

- *What are the potential benefits of claiming priority?*

  - Controlling your budget by spreading foreign filings over a six-month period

  - Obtaining an earlier filing date than a competitor or other applicant with an earlier actual filing date
TRADE SECRET LAW: YEAR IN REVIEW AND TRENDS FOR 2010

IP/Technology: Year in Review and Trends for 2010
January 29, 2010
James S. Blackburn
Developments in Trade Secret Law

First: Preemption of common law claims under the California Uniform Trade Secret Act, § 3426.7

“(a) Except as otherwise provided, this title does not supercede any statute relating to misappropriation of a trade secret, or any statute otherwise regulating trade secrets. (b) This title does not affect (1) contractual remedies, whether or not based upon misappropriation of a trade secret, (2) other civil remedies that are not based upon misappropriation of a trade secret, or (3) criminal remedies, whether or not based upon misappropriation of a trade secret.”

Q: What is the test for determining when a common law claim is “based upon” misappropriation? At what stage in the proceedings?


“In any action alleging the misappropriation of a trade secret under the UTSA, before commencing discovery relating to the trade secret, the party alleging the misappropriation shall identify the trade secret with reasonable particularity…”

Q: How much detail is enough detail? How particular is “reasonable particularity”?

- **Question Presented**: Are common law claims based on allegations of trade secret misappropriation preempted by the CUTSA?

- **Holding**: Yes. Common law claims are preempted when they are “based on the same nucleus of facts” as the trade secret claim.
  - CUTSA preemption **broader** than copyright preemption, which is “displacement preemption”
K.C. Multimedia – Perfect Facts Make for Imperfect Law

- Perfect set of facts for court’s decision.
  - Case decided on eve of trial, on fully developed record.
  - Plaintiff’s pleading expressly premised common law claims *exclusively* on allegations of trade secret misappropriation.
  - Plaintiff previously had argued, in opposition to a demurrer, that its common law claims were based on trade secret misappropriation to gain benefit of longer statute of limitations.

- Having all facts point toward preemption provides no guidance on what to do when the facts are mixed.
  - Multiple decisions post KC try to answer the hard questions.
Timing of Dismissal on Preemption Grounds

- Preemption dismissal should not occur before the court has determined the subject information is a trade secret under the CUTSA.
    - Preemption only applies if the information actually constitutes trade secrets.
    - Defendant “cannot have it both ways” by defending the trade secret claim on the grounds that the information is *not* a trade secret and seeking to bar common law claims on the ground that the information is a trade secret.
Pleading in the Alternative – Claims Based on Misappropriation of Non-Trade Secret Information

- No preemption if the common law claim would be viable even if the subject information is determined not to be a trade secret.
  - Both *Think Village-Kiwi* and *Petroblast* rejected preemption where the claims at issue would exist even if the misappropriated information was not a trade secret.
  - Common law misappropriation and conversion claims type of claims that would exist even if the information was not trade secret.
  - If defendants dispute whether plaintiff’s information is a trade secret, that will weigh against early dismissal on preemption grounds.
Claims Arising from Same Set of Facts But Not Based on Misappropriation

- No preemption if claims arise from “same nucleus of facts” but have nothing to do with the alleged misappropriation.
  - No preemption of claim based on interference with apartment lease which, while occurring as part of the same transactions that gave rise the trade secret misappropriation claim, was not based on misappropriation.
  - Court may “parse” the facts in the complaint, distinguishing between those that relate to misappropriation and those that do not even if they are all part of the “same nucleus of facts.”
Section 2019.210 Trade Secret Identifications

- A party alleging misappropriation must identify its trade secrets “with reasonable particularity” before commencing discovery.

  - Plaintiff must make a showing that is “reasonable”
    - Guideline “purposely vague” to achieve a just result depending on the facts of the particular situation.
    - No need for “mini-trial” on the merits of the misappropriation claim.
    - No need to define “every minute detail” of the trade secret.
    - In a highly specialized technical field, a more exacting level of particularity may be required to distinguish secrets from matters already known to persons skilled in the field.

**Question**: Is a trade secret plaintiff required to distinguish his trade secrets from matters already known to skilled persons in the field?

- Trade secrets at issue were recipe and manufacturing method for low-carbohydrate pudding.

- Defendant contended identification not sufficient because plaintiff had not distinguished his alleged secrets from generally known information.
  - Pointed to PTO rejection of patent application for pudding formula on the grounds that it was obvious to persons of ordinary skill.

- **Holding**: No, so long as the statutory purposes are met, i.e. to “help the court shape discovery,” and to “give the defendant the opportunity to develop defenses.”
  - Defendant’s argument showed they knew how to defend the case, so no need for more “particularity.”

Question: In a highly specialized technical field, must a trade secret plaintiff demonstrate how its trade secrets differed from publicly known information?

- Alleged trade secret was chemical formula for a nasal spray.
- Holding:
  - Plaintiff was “not required to convince defendants or the court in its statement that its alleged trade secrets are not generally known to the public.”
    - In other words, plaintiff didn’t have to prove its case at the identification stage.
  - However, because the trade secrets were in a highly specialized field, plaintiff was required to explain how its trade secrets differed from publicly known information.
    - Consistent with flexible standard outlined in Sputtering.
Practical Lessons

- **Preemption:**
  - In your complaint, define Trade Secrets separately from Confidential Information.
  - Plead your complaint in a manner which makes clear how your common law claims are independently viable and do not rely on trade secret facts.
  - If possible, file in federal court given the body of case law interpreting *K.C. Multimedia*.

- **Identifications:**
  - Consider hiring an expert to make sure the technical descriptions of your trade secrets pass muster, or to argue that your opponent’s do not.
2009 Copyright Law Year in Review

John C. Ulin
January 29, 2010
Fair Use On the 2008 Campaign Trail

Fairey v. Associated Press

Browne v. McCain

Fair Use?

Running On Empty
Running Blind
Running Into the Sun
But I’m Running Behind . . .
Fair Use Developments – *Salinger v. Colting*

- Sequel to *The Catcher in the Rye*
- Enjoined From Publication In U.S.
- Not a “Fair Use”

**Fair Use Factors**

1. Sequel is not a transformative use
2. “Catcher” is literary fiction – entitled to robust copyright protection
3. Substantial borrowing of copyrighted elements
4. Salinger exercised tight control over the “Catcher” copyright
Advertising & Derivative Use

- Claim by artist who created advertising images
- 2-D photo is a derivative work of the 3-D toy
- Incremental originality standard
- **Ceci n’est pas une pipe!**

- Advertising contract authorized photo
- Copyright subsists in the derivative work
- Did not specify copyright ownership
- Enforceability after contract expired
- Second similar case in two years
  - *Toyota* case in CTA10
Corporate Transactions & Copyright Ownership

- **Cincom Systems, Inc. v. Novelis Corp.**
  - Merger of one subsidiary into another
  - Results in unauthorized transfer of copyright license from first subsidiary to surviving entity in breach of license agreement

- **SCO Group, Inc. v. Novell**
  - Asset purchase agreement was ambiguous as to whether certain software copyrights were transferred
  - Seller argued that copyrights were retained and won a judgment
Internet Distribution of Copyrighted Content

- **Three Theories of ISP Liability**
  - Direct Infringement
  - Secondary Liability (Contributory & Vicarious Infringement)
  - Inducing Infringement
  - Important to Articulate Which Exclusive Right Is Asserted

- **DMCA Safe Harbors -- 17 U.S.C. § 512**
  - Balance copyright protection with encouraging technological developments
  - Protect ISPs from certain copyright liabilities, including damages
    - If they take appropriate steps to protect copyrighted content
DMCA Safe Harbor Elements

- 2009 cases focus on safe harbors for user storage websites and search engines -- 17 U.S.C. § 512(c) & (d)
- Both safe harbors require that ISPs:
  1. Do not have actual or constructive knowledge of the infringing activity
  2. Do not receive a direct financial benefit from infringing activity it has the right and ability to control; and
  3. Respond expeditiously to remove or disable infringing content upon notice
- ISP must also adopt and implement a repeat infringer policy
A Tale of Two Cases

- “Storage at the direction of a user” – 17 U.S.C. § 512(c)
- No actual knowledge & prompt response to notices
- Generalized knowledge of infringement is not a “red flag”
- DMCA does not require ISPs to implement filtering technology
- Safe harbor protected Veoh
- Appeal is pending

- “Information location tool” – 17 U.S.C. § 512(d)
- Court focused analysis on knowledge
- Gary Fung knew site was being used to distribute movies & TV shows
- No safe harbor & inducement liability
Year In Review and Trends For 2010: Patent Prosecution & Enforcement

IP/Technology: Year in Review and Trends for 2010
January 29, 2010
James S. Blackburn
In Re Bilski -- Impact on Patentability of Processes

- Federal Circuit addressed the scope of patentable processes (aka "method patents") in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*)
  - Ruling regarding patentability of method of hedging risk in commodities trading, e.g., buy low and sell high.
  - Issued in the midst of increasing criticism of the patent office for granting patents on so-called “business methods”
    - Example: Patent on “method” of preparing a tax return.
  - “Game changer”: Impacts every business that has patents or has had them asserted against them
  - Story not over: Has been briefed and argued to the Supreme Court, with decision expected mid-2010.
What Is a Method or Process Patent?

- What is a method patent?
  - Any procedure or series of actions that has an end or a purpose.
- Method patents range from the sublime to the silly.
In re Bilski’s Holdings

- Business method patents are not *per se* unpatentable
- Patentable process must satisfy the "machine-or-transformation" test
  - Tied to a particular machine or apparatus; or
  - Transform a particular article into a different state or thing
- Significant retrenchment from prior "useful, concrete, and tangible result" test.
  - In place since Federal Circuit *State Street* decision in 1998.
  - Test blamed for explosion of “business method” patents during last decade.
In Re Bilski -- Impact on Patentability of Processes, cont’d.

- What does it mean to be "tied to a particular machine or apparatus?"
  - Methods requiring a generic PC or the Internet are not tied to a particular machine.
  - Describing a method as “computerized” also is insufficient.
  - Generic PC may be sufficient if programming to accomplish method identified in patent.

- How much "transformation" is necessary?
  - Transformation requires more than mere data “manipulation.”
  - A claim must transform an “article,” i.e., a physical object or substance, or an electronic signal representative of a physical object or substance.
  - Transformations of abstractions such as legal obligations and business relationships are not sufficient.
The Future of *Bilski*

- *Bilski* has called into question the patentability of many patent claims, including claims directed to software implementations and business methods.
- Supreme Court review granted
  - Unclear whether Court will adopt the machine-or-transformation test, a variant of it, or an entirely new standard.
  - Oral arguments held November 2009; decision expected by June 2010
  - Significant interest in outcome – 66 *amicus* briefs filed
- In the meantime,
  - Assess the strength of pending claims performed by software and business methods under the *Bilski* test; and
  - Evaluate issued claims prior to asserting them in litigation.
Is a Written Description a Separate Requirement for Your Patent?

- Patent specifications must enable a person skilled in the art to make the invention and set forth the inventor's best mode for carrying out a claimed invention. 35 USC §112.
- Does § 112 also require a written description of the invention?
  - What is it?: Requirement that patent provide broad enough description of the claimed invention to show that the inventor was in possession of the full scope of claimed subject matter at the time of filing.
  - Prevailing view says “yes”
  - Minority says enablement and best mode are sufficient
- Pending *en banc* decision in *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 560 F.3d 1366 (Fed. Cir. 2009)
  - Reviewing panel decision holding asserted claims to be invalid for lack of written description.
Surviving a Motion to Dismiss: What is Required to Plead Patent Infringement?

- In 2009, the Supreme Court extended the heightened pleading standard of *Twombly* to "all civil actions" in *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009).
- A "short and plain statement of the claim" is no longer sufficient to survive a 12(b)(6) motion.
- Plaintiffs must now provide "fair notice" of the nature of the claim and the grounds on which the claim rests.
- Before *Iqbal*, patentees often did not disclose their infringement theories, or even the allegedly infringing product or functionality in their complaints.
Surviving a Motion to Dismiss: What is Required to Plead Patent Infringement?, cont.

- Now, plaintiffs may be required to disclose at least identify exemplary accused products.
- Plaintiffs probably will not be required to identify specific claims that the defendant allegedly infringed.
- Heightened pleading standards will likely have a greater impact on claims for indirect infringement:
  - Application of *Iqbal/Twombly* to direct infringement by FRCP Form 18 Model Patent Infringement complaint.
  - For inducement claims, plaintiff must likely allege facts supporting the requisite intent and knowledge.
  - For contributory infringement claims, plaintiff must likely allege facts showing that the accused had knowledge of the patent-in-suit.
  - Claims of divided infringement likely will require pleading showing required control by defendant over other participants in the alleged infringement.
Federal Circuit v. Runaway Damages

- In 2008, a jury found that one minor feature of Microsoft's Outlook software infringed Lucent's patent and awarded Lucent over $350 million in damages.

- Issued following growing criticism of “runaway” patent damages awards.

- Federal Circuit scrutinized award and found no substantial evidence to support it.
  - Patent related to Outlook’s “date picker” functionality.
  - Jury tasked with determining how much Microsoft would have agreed to pay Lucent following a hypothetical negotiation.
    - Amount awarded not supported by agreements in record evidence
    - Entire market value rule not applicable because no evidence customer demand for Outlook not driven by the date picker