

SURVEY OF ADDITIONAL IP AND TECHNOLOGY LAW DEVELOPMENTS

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I. PATENT DEVELOPMENTS

A. BRILLIANT INSTRUMENTS, INC. V. GUIDETECH, LLC¹

In *Brilliant Instruments, Inc. v. Guidetech, LLC*, a declaratory judgment action for non-infringement, a divided panel of the United States Court of Appeals for the Federal Circuit held that even though an element of the claim is not in the infringing product or process, the infringing product or process may still infringe under the doctrine of equivalents.

Brilliant Instruments, Inc. (“Brilliant”) brought a declaratory judgment action of non-infringement against GuideTech, LLC (“GuideTech”) after the inventor of the patents left GuideTech to found Brilliant. The three GuideTech patents in this case involved circuits for measuring timing errors in microprocessors. One patent required two measurement circuits to be set up in parallel with each other within a “signal channel.” The two other patents required circuit components to be “operatively disposed in parallel.” Brilliant’s products sometimes operate within a single channel using two measurement circuits.

A United States District Court in the Northern District of California held that Brilliant’s products did not infringe any of the patents. The district court first found that Brilliant did not infringe the first patent because GuideTech presented insufficient evidence that Brilliant’s products had “multiple measurement circuits contained within a signal channel.” The district court also held that Brilliant did not infringe the other two patents because the components in Brilliant’s product were not set up in parallel. Because the components were not in parallel, the district court found that the products could not infringe the “operatively disposed in parallel” limitation, either directly or under the doctrine of equivalents.

The Federal Circuit, however, found that there was a genuine issue of material fact as to infringement of the first patent, and that the district court erred in granting summary judgment. The Federal Circuit noted that literal infringement could be found because the testimony of GuideTech’s expert witness showed that Brilliant’s product had multiple measurement circuits in a signal channel. Furthermore, the court explained that the claim construction language did not limit this finding.

1. 707 F.3d 1342 (Fed. Cir. 2013).

The Federal Circuit did agree with the district court that Brilliant did not directly infringe the other two patents, but it held that the district court erred in granting summary judgment based on the doctrine of equivalents, under which infringement occurs only if “any differences between the claimed invention and the accused product [are] insubstantial.” The Federal Circuit considered the proper application of the “function-way-result” and “insubstantial differences” tests for the doctrine of equivalents, which the United States Supreme Court described in *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997). The Federal Circuit reasoned that, under the function-way-result test, there was evidence that Brilliant’s circuits performed substantially the same function in substantially the same way to achieve substantially the same result as the patented claims. The Federal Circuit found that this test could be met even when the accused device did not have the claimed structure. Additionally, the court explained that the “vitiation” test is “not an exception to the doctrine of equivalents.” Particularly, the Federal Circuit found that “the vitiation test cannot be satisfied by simply noting that an element is missing from the claimed structure or process because the doctrine of equivalents, by definition, recognizes that an element is missing that must be supplied by the equivalent substitute.”

The Federal Circuit thus reversed summary judgment and remanded the case as to the first patent, finding questions of material fact on the issue of literal infringement. The court also reversed and remanded as to the two other patents in suit, finding questions of material fact as to whether or not there were substantial differences under the doctrine of equivalents.

Judge Dyk concurred with the finding of possible literal infringement on the first patent and no literal infringement on the other two patents, but he dissented as to the application of the doctrine of equivalents. He emphasized that “[t]he function-way-result test for equivalents requires ‘showing on a limitation by limitation basis that the accused product performs substantially the same function in substantially the same way with substantially the same result.’” Judge Dyk found that GuideTech’s expert witness applied this test to the invention as a whole instead of to the claim limitation at issue. Since Judge Dyk found no evidence that the difference between the claim limitation and the accused device was insubstantial, he would have affirmed summary judgment under the doctrine of equivalents.

B. *CUMMINS, INC. V. TAS DISTRIBUTING CO., INC.*²

In *Cummins, Inc. v. TAS Distributing Co., Inc.*, a unanimous panel of the United States Court of Appeals for the Federal Circuit held that res judicata (also referred to as “claim preclusion”) applied where (1) a declaratory judgment plaintiff failed to raise patent defenses in an earlier lawsuit, and (2) that earlier lawsuit reached a final resolution on the merits and involved the same parties and operative facts.

TAS Distributing Co., Inc. (“TAS”) developed and marketed patented technology for automatically starting and stopping diesel engines. Cummins, Inc. (“Cummins”) licensed this technology from TAS, agreeing to pay royalties on sales of products that used TAS’s patented technology. Cummins further agreed to a minimum \$1 million royalty payment in the first five years, to make “all reasonable efforts to market and sell [products using the TAS patents] . . . to maximize the payment of royalties [under the license],” and to make ongoing royalty payments. Cummins struggled to make sales in the market, but it paid the minimum royalty required under the contract.

In 2003, TAS sued Cummins in the Central District of Illinois for breach of license for failure to make all reasonable efforts to market and sell the products (*TAS I*). Cummins defended itself by claiming that it did, in fact, make all reasonable efforts; it furthermore counterclaimed that the license and the obligation to pay royalties were about to expire. The trial court found that TAS failed to present proof of damages, and it granted summary judgment to Cummins for no breach. It also found that Cummins had ongoing obligations to pay royalties.

In 2007, TAS sued Cummins again in the Central District of Illinois for breach of license for failing to pay royalties on sales of products incorporating TAS patents (*TAS II*). In *TAS II*, deposition testimony by the inventor of the TAS patents indicated that the inventor failed to disclose to the Patent and Trademark Office during patent prosecution that he knew of prior sales and marketing efforts of the invention before the critical date. In response, “Cummins sought leave to amend its Answer to include patent-based affirmative defenses and counterclaims. . . .” The district court denied amendment because the claims should have been brought in *TAS I* and were therefore barred under res judicata.

Before the court in *TAS II* issued the order denying amendment, Cummins filed a separate declaratory judgment action in the United States District Court for the Central District of Illinois to dismiss the other suit, claiming

2. 700 F.3d 1329 (Fed. Cir. 2012).

that the patents were invalid for inequitable conduct and invalidity, thereby voiding the license agreement (*TAS III*). Cummins argued that it should receive an equitable exception to res judicata because of the contractual misrepresentations that TAS made. The court denied Cummins's request due to evidence and testimony indicating the Cummins knew of the potentially invalidating sales when it entered into the license. Further, evidence of these sales had also surfaced in *TAS I*. Before the *TAS II* order issued, the *TAS III* court granted summary judgment to TAS because all of Cummins's claims were barred under the doctrine of res judicata. Cummins appealed.

The Federal Circuit affirmed the district court's grant of summary judgment after applying the three conditions required for res judicata in Illinois: (1) there was a final judgment on the merits, (2) the earlier and later suits involved the same causes of action, and (3) the earlier and later suits involved the same parties. Cummins challenged the district court's decision on three grounds: (1) the court in *TAS I* lacked subject matter jurisdiction to hear patent-related defenses, (2) different transactional facts were present in the two cases, and (3) Cummins had an equitable exception to res judicata.

The Federal Circuit first found no jurisdictional bar to res judicata. Although *TAS I* was a declaratory judgment action for enforcing a license, Cummins could have raised a patent defense in that case. Further, there were also contract claims against which Cummins could have raised patent defenses.

In affirming the decision in *TAS III*, the Federal Circuit echoed the district court finding that the two cases involved the same transaction. The court found that the validity of the license was an operative issue in *TAS I*, which Cummins could have contested as a defense or counterclaim. The court took a narrow reading of *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), where the Supreme Court held that res judicata did not apply to foreclose a defense of patent misuse, even though it could have been raised in an earlier case. The court noted that *Mercoïd* only applied to patent misuse as a defense to a claim of infringement, not for attacking a contract claim or an earlier judgment. The court further found that allowing invalidity defenses would risk nullification in the *TAS I* case, since part of that opinion found an ongoing obligation for Cummins to pay royalties to TAS.

Finally, the Federal Circuit upheld the district court finding that equitable exceptions to res judicata do not apply under Illinois law. The court also agreed with the district court finding that Cummins was aware of the basis for invalidity claims during *TAS I*, rendering any misrepresentation exception inapplicable.

C. *DEY, L.P. V. SUNOVION PHARMACEUTICALS, INC.*³

In *Dey, L.P. v. Sunovion Pharmaceuticals, Inc.*, the United States Court of Appeals for the Federal Circuit reversed the district court's holding that the defendant's clinical study constituted an invalidating "public use" within the meaning of 35 U.S.C. § 102(b), and remanded the case for further proceedings.

Defendant Sunovion and plaintiff Dey simultaneously developed pharmaceutical products to treat pulmonary disease and owned the relevant patents. Sunovion began a Phase III clinical trial in February 2002, and ultimately developed a commercial product, Brovana, in 2007. Prior to the launch of Brovana, Dey brought suit against Sunovion for infringement of its patents. Sunovion moved for partial summary judgment on the question of invalidity.

In its motion, Sunovion conceded that the composition of its clinical trial product fell within Dey's patented claims. It argued, however, that its own clinical trials constituted a prior public use of Dey's inventions under § 102(b). During Sunovion's clinical trials, participants were told the identity of the active ingredient, but not its specific formulation. Participants were not prohibited from discussing with others about the study, but signed a consent form stating that "the medications 'must be taken only by the person for whom it was intended' and that [they] would have to keep usage logs and return unused medications." Test administrators signed a confidentiality agreement that prohibited them from disclosing any proprietary information for five years. One percent of the formulated drug vials were "lost and not returned." The district court granted summary judgment for Sunovion and Dey appealed.

On appeal, the Federal Circuit noted that whether a prior use was an invalidating "public use" entails a two-prong test. The court asked "whether the purported use: (1) was accessible to the public; or (2) was commercially exploited." Factors to be considered include "the nature of the activity that occurred in public; the public access to and knowledge of the public use; [and] whether there was any confidentiality obligation imposed on persons who observed the use." The court stated that the same approach applies "when an unaffiliated third party is responsible for the allegedly public use."

The Federal Circuit reversed the district court's ruling, holding that issues of fact remained in dispute as to whether Sunovion's clinical trial constituted

3. 715 F.3d 1351 (Fed. Cir. 2013)

clear and convincing evidence of a prior public use. The court disagreed with the district court on two “fact-bound issues.” First, the court did not agree that the use of the particular “infringing” composition during the clinical trial was “unfettered and public.” The court noted that Sunovion required participants and test administrators to follow use restrictions as expressed in the consent form signed by participants and the confidentiality agreement signed by test administrators. The court also noted that the loss of a fraction of trial vials and the self-administration of the drug at home did not preclude a reasonable jury from concluding the clinical trial was “sufficiently controlled and restricted, rather than unfettered and public.”

Second, the court found it disputable whether the confidentiality obligations were “so loose.” The court noted that participants were “unaware of the specifics of the inventive formulations,” and that clinical investigators, “the most knowledgeable persons,” were under an obligation not to disclose. The court held that “[b]ecause a finder of fact could conclude that the study was conducted with a reasonable expectation of confidentiality as to the nature of the formulations being tested, summary judgment on the public use issue was inappropriate.” The court also noted that the confidentiality controls in the study were not unique, and that prior precedent “routinely rejected the argument that such an arrangement necessarily strips the trial of confidentiality protection or renders it accessible to the public.”

Finally, the court noted that the district court’s decision was “premised on several misconceptions.” The court stated that in determining “the adequacy of the confidentiality guarantees” the district court should examine “the party in control of the allegedly invalidating prior use.” In this case, that party was Sunovion, not Dey. The court also noted that determining whether the participants can discern “the claimed features of the invention” was important because what matters is the use of invention “within the meaning of the statute.” Accordingly, the court remanded the case to the district court for reconsideration on the merits.

Judge Newman dissented, and would have held that the clinical trial was not an invalidating public use. In her view, “[n]o sound reason appears for remanding for findings or trial, when the matter is readily resolved on undisputed facts. Nor is there any reason for casting judicial doubt on the standard confidentiality procedures of clinical trials, at this late date of decades of established practice.”

D. *EPLUS, INC. V. LAWSON SOFTWARE, INC.*⁴

In *ePlus, Inc. v. Lawson Software, Inc.*, the United States Court of Appeals for the Federal Circuit held that a software distributor—or its customers— infringed one method claim relating to online sales asserted by its competitor. However, the court held that the plaintiff's system claims, which covered multi-catalog purchasing systems, were indefinite and therefore invalid. As a result, it reversed the district court's finding on infringement as to those claims. The court also upheld a permanent injunction issued by the district court preventing the distributor from servicing and maintaining products it had already sold.

Plaintiff ePlus, a software distributor, owns U.S. Patent Nos. 6,023,683 (" '683 patent") and 6,505,172 (" '172 patent"), which read on methods of "electronic sourcing." These patents allow businesses and organizations to use computer networks to purchase goods from multiple online sources simultaneously. An important feature of the invention is an ability to divide a single requisition into multiple purchase orders, whereas older systems required users to generate a separate purchase order for each vendor. Lawson, ePlus's competitor, sells computer software modules for supply chain management through a website that allows customers to buy "building blocks" of the larger program according to their needs. Lawson's method for sourcing software products is nearly the same as ePlus's method—the only difference is that Lawson's software products are modular and ePlus's are not.

The United States District Court for the Eastern District of Virginia excluded ePlus's expert from testifying at trial and ruled in favor of ePlus, finding that Lawson had infringed both its method and system patent claims. On appeal, Lawson raised three arguments: (1) ePlus's system claims were indefinite and lacked adequate disclosure for the "means for processing," (2) the evidence of infringement of the method claims presented at trial was insufficient to prove actual infringement, and (3) the district court's injunction order was impermissibly broad.

Relying on precedent, the Federal Circuit held that the '683 patent's specification did not disclose sufficient structure for the "means for processing" limitation. Thus, the court held that the system claims were invalid as indefinite. Key to the court's decision was a finding that the specification did not disclose any structure that could generate purchase orders; it also failed to include instructions for using a particular piece of

4. 700 F.3d 509 (Fed. Cir. 2012).

hardware, employing a specific source code, or following a particular algorithm. The court explained that the specification lacked anything that would limit “the scope of the functional language in the means for processing element,” and it therefore held that the system claims were indefinite.

Lawson also claimed that ePlus failed to provide sufficient evidence to establish that Lawson or its customers could perform every step of the methods disclosed in claims 26, 28 and 29 of the '683 patent. The court rejected this argument as to claim 26 and found that the record contained sufficient evidence to allow a reasonable jury to conclude that Lawson not only infringed that claim, but also induced its customers to do so. With respect to claims 28 and 29, however, the court agreed with Lawson that the verdict of infringement was not supported by substantial evidence. For one step in method claim 28 relating to data conversion, ePlus did not present any evidence to the jury that at least one user actually operated the accused system to perform that step; it merely demonstrated that Lawson's software is capable of performing that step. Because claim 29 depends on 28, the court came to the same conclusion as to that claim.

Finally, the Court of Appeals held that the district court's injunction, which prohibited Lawson from servicing and maintaining products sold before the injunction issued, was not overly broad and therefore the district court did not abuse its discretion. The court then remanded for the district court to determine if this opinion required any changes to the injunctions terms. It also reversed the district court decision “that the system claims are not indefinite,” and vacated the district court's judgment of infringement entered against Lawson based on claims 28 and 29 of the '683 patent.

E. *GUNN V. MINTON*⁵

In *Gunn v. Minton*, the United States Supreme Court revisited the scope of federal subject matter jurisdiction over state claims that raise issues of federal law. It unanimously held that state courts have subject matter jurisdiction over legal malpractice claims, even if the claims' resolution may require the examination of federal issues.

Vernon Minton applied for a patent on an “Interactive Securities Trading System” on August 6, 1989. He was issued U.S. Patent number 6,014,043 (“the '043 patent”) on January 11, 2001. Minton later sued the National Association of Securities Dealers and the NASDAQ stock exchange for infringing his patent. Minton lost his patent infringement case because the

5. 133 S. Ct. 1059 (2013).

trial court held that more than one year prior to applying for the '043 patent, Minton had leased and offered for sale a computer program ("TEXCEN"), which included all of the '043 patent's elements.

The trial court found that Minton had not disclosed TEXCEN to the patent examiner, who therefore could not consider its effect on the patentability of the program described in his '043 patent. The trial court accordingly held that the '043 patent was invalid under the 35 U.S.C. § 102(b) on-sale bar, which prohibits patenting inventions that have been "on sale in this country, more than one year prior to the date of the application for patent in the United States."

Minton moved for reconsideration. His attorneys for the first time raised the experimental use defense to anticipation, asserting that Minton had leased TEXCEN for the purpose of software development and validation. They claimed that the lease therefore did not constitute his placing it "on sale" for purposes of § 102(b).

The district court declined to entertain Minton's motion for reconsideration. The Federal Circuit affirmed, holding that the district court was not required to entertain the untimely raised argument.

After losing his infringement case, Minton sued his attorneys for legal malpractice in a Texas state court. Minton alleged that their failure to raise the experimental use defense in a timely manner constituted professional negligence, and he sought \$100 million in damages. The state trial court granted defendants' motion for summary judgment, ruling that "Minton had put forward less than a scintilla of proof that the lease had been for an experimental purpose."

Minton appealed the trial court's decision in state appellate court, this time arguing that the trial court lacked subject matter jurisdiction to decide the case, since the malpractice claims arise from patent law cases and therefore implicate federal law. Accordingly, he argued, the trial court decision should be vacated, the case should be dismissed in state court altogether, and he should be permitted to bring the malpractice claims in federal district court. The state appeals court, citing federal precedent in the Fifth Circuit, held that Minton's legal malpractice claim did not arise under federal law and affirmed the trial court's dismissal of Minton's claim. The Texas Supreme Court reversed, holding that the case did involve a substantial federal issue, which created exclusive federal jurisdiction under 28 U.S.C. §1338(a).

The United States Supreme Court overturned the ruling of the Texas Supreme Court, clarifying and narrowing the Court's "arising under" jurisprudence, as reflected in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308 (2005). The Court determined that

Minton's malpractice claim did not arise under the laws of the United States, since resolving the federal patent issue was not "significant to the federal system as a whole."

The Court held that the Texas Supreme Court had misapplied the four-part test established in *Grable*, which involved a state quiet title action subsequent to an IRS seizure. The *Grable* Court held that federal jurisdiction could lie in a traditionally state law claim "if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." In *Grable*, federal jurisdiction was proper because the substantiality of the federal interest supported federal question jurisdiction over the disputed issue.

Whereas the Texas Supreme Court held that Minton's state claim satisfied all four *Grable* elements, the United States Supreme Court found that Minton's claim "foundered" on the *Grable* test's third requirement, since "the federal issue in this case [was] not substantial in the relevant sense." The Court reasoned that "it is not enough that the federal issue be significant to the particular parties in the immediate suit. . . . The substantiality inquiry under *Grable* looks instead to the importance of the issue to the federal system as a whole."

The *Gunn* court held that even when a patent-related malpractice case necessarily will focus on federal issues, the resolution of these issues is relevant only to the litigants, not to the federal system in general. "Because of the backward-looking nature of a legal malpractice claim, the [federal] question is posed in a merely hypothetical sense. . . . No matter how the state courts resolve that hypothetical 'case within a case,' it will not change the real-world result of the prior federal patent litigation." Thus, Minton's claim failed to satisfy *Grable's* substantiality inquiry.

The United States Supreme Court stated that it had long-recognized that federal courts have "exclusive jurisdiction of all cases arising under the patent laws, but not of all questions in which a patent may be the subject-matter of the controversy." The Court's unanimous decision in *Gunn* affirms the primary role of state courts in regulating the behavior of their licensed professionals. The *Gunn* Court held that cases which necessarily, but only hypothetically, involve the resolution of questions of federal law may be properly decided in state courts, since the federal issues thereby raised do not meet the substantiality requirement to establish exclusive federal jurisdiction under 28 U.S.C. § 1338(a).

F. *K-TECH TELECOMMUNICATIONS, INC. V. TIME WARNER CABLE, INC.*⁶

In *K-Tech Telecommunications, Inc. v. Time Warner Cable, Inc.*, the United States Court of Appeals for the Federal Circuit held that a direct patent infringement complaint that (1) properly uses Form 18 in the Appendix of Forms to the Federal Rules of Civil Procedure (“Form 18”) and (2) identifies the patent and claims in the patent that defendant allegedly infringed is sufficient on its face. The court also held that a direct patent infringement complaint does not require a plaintiff to identify potential non-infringing alternatives to practicing the claims of the asserted patent.

In 2011, K-Tech Telecommunications, Inc. (“K-Tech”) brought separate actions against Time Warner Cable (“TWC”) and DirecTV in the United States District Court for the Central District of California, alleging that the defendants directly infringed on four of its patents. K-Tech’s four patents involved systems and methods for translating digital television signals, specifically “for modifying a major channel number, a minor channel number, and/or a carrier frequency to identify a television program.” K-Tech’s complaint utilized Form 18, which provides a sample complaint for direct patent infringement and specifies a number of requirements for such a complaint. K-Tech’s complaint alleged that defendants were using methods and systems protected by its four patents to translate their digital TV signals.

DirecTV and TWC both moved to dismiss the original complaints under Federal Rule of Civil Procedure 12(b)(6) for failure to plead sufficient factual specificity to state a claim of direct patent infringement. The court granted both motions but also granted K-Tech leave to amend to cure its complaint. After K-Tech filed its First Amended Complaint, both defendants again filed motions to dismiss under Rule 12(b)(6). The district court granted both motions, pointing to K-Tech’s failure to explain in the complaint why defendants could not have been achieving the same end-results by using alternative, non-infringing methods. K-Tech appealed, stating that its complaint complied with Form 18 and that the district court applied an incorrect standard to determine the sufficiency of the complaint.

The Federal Circuit discussed Form 18 and its recent case *R+L Carriers, Inc. v. DriverTech LLC*, 681 F.3d 1323 (Fed. Cir. 2012), in which it held that the form suffices as a pleading standard for direct infringement. Form 18 provides as an example the statement “defendant has infringed . . . the [p]atent . . . by making, selling, and using electric motors that embody the

6. 714 F.3d 1277 (Fed. Cir. 2013)

patented invention.” The court found that Form 18 does not require a plaintiff to “identify and rebut” potential non-infringing methods that a defendant might be using to achieve the same end result. A plaintiff also does not need to identify the actual devices of defendants that allegedly utilize the patented methods. The court further held that a patentee only needs to plead facts sufficient to put a potential infringer on notice about what they must defend, and concluded that in the case at bar TWC and DirecTV knew what K-Tech’s patents claimed, and they knew what K-Tech claimed their systems were doing. The court restated in dicta that even in the case of a conflict between Form 18 and case precedent, the form takes precedence, since Federal Rule of Civil Procedure 84 ensures the pleading sufficiency of any complaint that properly uses a form in its appendix.

The court concluded that K-Tech’s complaint satisfied Form 18 by identifying the patents and the claims in the patents that the defendants were allegedly using, and that it therefore met the pleading requirements for a direct patent infringement case.

G. *IN RE MOTOROLA MOBILITY, LLC & GOOGLE, INC.*⁷

Google and its subsidiary Motorola Mobility LLC settled with the FTC following the FTC’s investigations into whether Google reneged on commitments to standard-setting organizations (“SSOs”) to license standard-essential patents (“SEPs”) to licensees under fair, reasonable, and non-discriminatory (“FRAND”) terms. Google allegedly filed injunctions and exclusion orders against licensees, breaking its commitment to the SSOs. The FTC stated that the alleged activities may have been a violation of § 5 of the Federal Trade Commission Act (15 U.S.C. § 45), which prohibits “unfair methods of competition.” As part of the settlement, Google agreed to license these patents under FRAND terms to licensees, but retained the right to file injunctions against licensees in certain situations.

An SSO is an “organization that produces and/or maintains standards or specifications under a defined process.” For example, the Institute of Electrical and Electronics Engineers (“IEEE”) sets many of the computing standards used by companies around the world. Many of the technologies that Motorola Mobility developed and patented—and that Google subsequently held after acquiring Motorola Mobility—were so effective that IEEE and other SSOs wanted to adopt them as industry standards. As part of the agreement between Google and the SSOs, these patents were declared SEPs, and Google agreed to license these patents to licensees under FRAND

7. No. C-4410, 2013 WL 3944149 (F.T.C. July 23, 2013).

terms. This common practice benefits the patent-holder by legitimizing the technology as an industry standard while benefitting licensees and the industry as a whole by allowing the patent to be used on fair terms.

Google allegedly reneged on these commitments, filing for injunctive relief and exclusion orders against its licensees. Motorola Mobility allegedly made many of these agreements and reneged on them before Google acquired the company in May 2012, and Google allegedly continued these practices after acquiring Motorola Mobility. The FTC investigated the details of this behavior to determine whether it constituted a violation of § 5 of the Federal Trade Commission Act.

In January 2013, the FTC announced that it had reached a preliminary settlement with Google and submitted a draft of the order for public comment, allowing members of the industry with a stake in the investigation to provide input. On July 24, 2013, the FTC published the final order, with changes made based on those public comments.

The order compelled Google to adhere to its commitments to license its SEPs under FRAND terms. In revising the order between January and July, the FTC made a few key changes in response to public comments. First, it removed language from the complaint alleging that Google “engaged in unfair or deceptive acts or practices.” Second, instead of preventing Google from pursuing any injunctive relief at all with regard to these patents, the FTC allowed Google to pursue injunctive relief in certain situations that may warrant such action. In the first version of the order, the FTC prevented Google from seeking any kind of injunctive relief with regard to these patents, a move that some criticized as a circumvention of Google’s intellectual property rights. Due to Google’s agreement to the order and the relative lack of punitive action, many consider this to be a major victory for Google.

H. *POZEN INC. V. PAR PHARMACEUTICAL, INC.*⁸

In *Pozen Inc. v. Par Pharmaceutical, Inc.*, the United States Court of Appeals for the Federal Circuit held, among other issues, that the essential inquiry in determining patent infringement under the doctrine of equivalents is whether the accused product contains elements identical or equivalent to each claimed limitation. One way of proving infringement under this doctrine is by showing, limitation by limitation, that the accused product performs substantially the same function in substantially the same way with substantially the same result as each claimed element of the patented product.

8. 696 F.3d 1151 (Fed. Cir. 2012).

Pozen Inc. (“Pozen”) invented a method for treating migraines by combining two drugs in a single tablet. One of them is a triptan, such as sumatriptan, while the other is a nonsteroidal anti-inflammatory drug (“NSAID”), such as naproxen. Pozen owns three patents that cover this invention.

Pozen markets a combination of sumatriptan and naproxen called Treximet. The appellants, Par Pharmaceutical, Inc. (“Par”), Alphapharm Pty Ltd. (“Alphapharm”), and Dr. Reddy’s Laboratories, Inc. (“DRL”), are generic manufacturers that filed Abbreviated New Drug Applications (“ANDAs”) with the FDA seeking approval to market a generic version of Treximet. The appellants’ ANDAs certified that Pozen’s patents are “invalid or will not be infringed” by the generics. Pozen sued the appellants in the U.S. District Court for the Eastern District of Texas on the grounds that the ANDA certification constituted a statutory act of infringement. Following a bench trial, the district court determined that the patents were valid and infringed by the ANDAs.

One of the patents, U.S. Patent No. 7,332,183 (“the ’183 patent”), claims a tablet with a triptan and an NSAID in separate layers that dissolve independently. The district court held that under the doctrine of equivalents, Par and DRL’s ANDA products infringed the ’183 patent. In claim 1 of the ’183 patent, substantially all of the triptan is in a first tablet layer, and substantially all of the naproxen is in a second, separate layer. The layers are arranged side by side such that dissolution of the naproxen occurs independently of the triptan.

The parties agreed that the term “dissolution of said naproxen occurs independently of said triptan” means “dissolution of naproxen . . . and triptan from the multilayer tablet . . . occurs in the same amount of time \pm 10% as when the same amount of naproxen . . . and triptan are given separately.” The district court construed the phrase “substantially all of said triptan is in a first layer of said tablet and substantially all of said naproxen is in a second, separate layer” as meaning “at least 90%, and preferably greater than 95%, of the total triptan present in the tablet is included within one distinct layer and at least 90%, and preferably greater than 95%, of the naproxen present in the tablet is included within a second distinct layer.”

One of the issues on appeal was infringement of the ’183 patent. The appellants challenged the district court’s finding that the accused products met the “independent dissolution” and “substantially all” limitations under the doctrine of equivalents.

With regard to the “independent dissolution” limitation, the appellants argued that Pozen did not prove independent dissolution because there was no evidence comparing the rate of dissolution of the ANDA products to that

of the agents individually, as required by the '183 patent. The Federal Circuit held that no such actual comparison was necessary because under the doctrine of equivalents, Pozen needed only to show that the ANDA products performed the same function in the same way to achieve the same result as the "independent dissolution" limitation. Because the district court properly applied this test, the Federal Circuit affirmed its holding.

The district court also found that the accused products satisfied the "substantially all" limitation. As a preliminary matter, the district court held that although the construction of the "substantially all" limitation provided specific percentages, the doctrine of equivalents is applicable where the accused value is insubstantially different from the claimed value. The Federal Circuit agreed, stating that the doctrine of equivalents is not foreclosed with respect to claimed ranges. It analogized the facts to those in *Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A. de C.V.*, 464 F.3d 1339 (Fed. Cir. 2006). In that case, the Federal Circuit held that because the patentee did not argue that a concentration of "significantly less than 10%" had a precise upper limit, a reasonable person could determine that a concentration between 6.14 percent and 9.86 percent did not infringe under the doctrine of equivalents. Here, Pozen never stated that "at least 90%, and preferably greater than 95%" should be an absolute floor. The Federal Circuit thus reasoned that under the doctrine of equivalents, a tablet layer with eighty-five percent of the agent could be fairly characterized as an insubstantial change from a layer with ninety percent of the agent.

Like the district court, the Federal Circuit determined that the ANDA products performed the same function in the same way and achieved the same result, satisfying the "substantially all" limitation under the doctrine of equivalents. The Federal Circuit further rejected the appellants' argument that their products did not infringe because they were "admixtures," substances with blended or mixed ingredients, which Pozen disclaimed during prosecution. The Federal Circuit conceded that admixtures had indeed been disclaimed, but it noted that the accused ANDA products are not admixtures because substantially all the agents are separated and segregated into two distinct layers.

Judge Clevenger dissented from the portion of the majority opinion addressing the "substantially all" limitation. He reasoned that in determining whether this limitation is met under the doctrine of equivalents, the question is whether eighty-five percent of naproxen or sumatriptan is equivalent to ninety percent of the same agent. He argued that instead of answering this question, the district court read the limitation "as requiring the tablet to have one more or less pure layer, and not an actual second layer but an 'equivalent' second layer that could be said to be equivalent to a more or less pure layer

even if [the second layer] failed to contain substantially all of the required ingredient.”

I. *RITZ CAMERA & IMAGE, LLC V. SANDISK CORP.*⁹

In *Ritz Camera & Image, LLC v. SanDisk Corp.*, the United States Court of Appeals for the Federal Circuit held that direct purchasers who cannot challenge a patent’s validity or enforceability through a declaratory judgment action may nevertheless bring a so-called *Walker Process* antitrust claim, which seeks to impose liability when a party uses a fraudulently procured patent to obtain or preserve a monopoly. The plaintiff, Ritz Camera & Image LLC (“Ritz”), is a retailer who purchases flash memory products from patent holder SanDisk Corp. (“SanDisk”). In June 2010, Ritz filed a complaint alleging that SanDisk had violated Section 2 of the Sherman Act, 15 U.S.C. § 2, by obtaining a monopoly in the NAND flash memory market through the enforcement of two patents it claims were procured through intentional fraud on the Patent and Trademark Office (“PTO”). Despite the fact that Ritz faces no threat of action for patent infringement, the Federal Circuit held that a direct purchaser of goods covered by a patent has standing to bring a *Walker Process* antitrust claim against a patentee, even if the direct purchaser would not be entitled to seek declaratory relief under the patent laws. In upholding the previous district court’s decision, the court relied on United States Supreme Court precedent in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corporation*, 382 U.S. 172 (1965).

Ritz filed a complaint in the United States District Court for the Northern District of California, alleging that SanDisk had fraudulently procured two patents central to its flash memory business by failing to disclose known prior art and making affirmative misrepresentations to the PTO. SanDisk filed a motion to dismiss, arguing that Ritz lacked standing to bring a *Walker Process* antitrust claim premised on the invalidity or unenforceability of SanDisk’s patents because (1) Ritz did not encounter any threat of an infringement action and (2) Ritz had no other basis to bring a declaratory judgment action challenging the patents. Next, SanDisk warned that allowing parties such as Ritz to use a *Walker Process* antitrust lawsuit to challenge patents would represent an unwarranted expansion of the *Walker Process* doctrine, leading to an “avalanche of patent challenges.”

The district court refused to grant SanDisk’s motion to dismiss on these grounds. Although the court recognized that *Walker Process* claims are normally brought by competitors of the patentee as counterclaims in patent

9. 700 F.3d 503 (Fed. Cir. 2012).

infringement actions, it also noted that the Supreme Court's decision in *Walker Process* "places no limitation on the class of plaintiffs eligible to bring such claims." The district court further rejected SanDisk's floodgates argument, noting the rarity of *Walker Process* claims and the Supreme Court's own rejection of a similar argument in *Walker Process*. SanDisk petitioned the Federal Circuit for interlocutory review of the district court's ruling.

Upon review, the Federal Circuit agreed with the district court that a direct purchaser may bring a *Walker Process* antitrust claim, even if it would not be entitled to seek declaratory relief against the patentee under the patent laws. Recalling the Supreme Court's decision in *Walker Process*, the court outlined the two conditions that must exist to support a finding of antitrust liability based on the fraudulent procurement of a patent. First, it requires the plaintiff to show that the defendant procured the relevant patent by "knowing and willful fraud on the PTO." Second, the plaintiff must prove all the elements necessary to establish a Sherman Act monopolization charge.

The Federal Circuit explained that the *Walker Process* claim is governed by principles of antitrust law, separate from a patent declaratory judgment action. As such, it rejected SanDisk's contention that that "rules governing standing to bring patent validity challenges should be imported into an antitrust case," even though improper procurement of a patent is one of the requisite elements of the claim.

The Federal Circuit relied heavily on the Supreme Court's language in *Walker Process* to support its holding. Rejecting similar arguments as those posed by SanDisk, the Supreme Court in *Walker Process* stated that rules defining which parties may bring suit to invalidate patents should not "dictate the boundaries of antitrust standing." The Court reasoned that, unlike patent invalidity actions, *Walker Process* claims "[do] not directly seek the patent's annulment." Rather, "the gist of the antitrust claim is that since the defendant obtained its patent by fraud it cannot enjoy the limited exception to the prohibitions of § 2 of the Sherman Act." Accordingly, the defendant must answer to "those injured by any monopolistic action taken under the fraudulent patent claim." In *Ritz Camera*, the Federal Circuit clarified that the Supreme Court did not limit that category of potential plaintiffs to only those who have standing to bring an independent action under the patent laws.

The Federal Circuit also rejected SanDisk's argument that granting standing to all direct purchasers bringing *Walker Process* claims would "trigger a flood of litigation and stem innovation." Again, the court cited the Supreme Court to explain that *Walker Process* claims do not pose a substantial threat to the patent regime because they "deal only with a special class of patents, i.e., those procured by intentional fraud."

In refusing to import standing requirements for patent invalidity claims into *Walker Process* claims, the Federal Circuit reaffirmed the Supreme Court's determination that *Walker Process* actions, which arise under antitrust law, are fundamentally distinct from patent validity actions. Although the direct purchaser of a patented good might not have standing to challenge the patent's validity, it nevertheless has standing to bring an antitrust action based on fraudulent procurement of a patent.

J. VOTER VERIFIED, INC. V. PREMIER ELECTION SOLUTIONS, INC.¹⁰

In *Voter Verified, Inc. v. Premier Election Solutions, Inc.*, the United States Court of Appeals for the Federal Circuit held that an online article is a prior art printed publication when “the reference was made ‘sufficiently accessible to the public interested in the art’ before the critical date.” The court also confirmed its earlier holding that a human being cannot constitute a “means” within the scope of 35 U.S.C. § 112, which provides the requirements for a patent specification. Finally, the court held that liability for direct infringement of a method claim requires that one party either performs every step of the claimed method or exerts direction or control over any such steps performed by others.

In 2009, Voter Verified, Inc. (“Voter Verified”) brought one patent infringement action in the Middle District of Florida against Premier Election Solutions, Inc. (“Premier”) and Diebold, Inc. (“Diebold”). It then brought a nearly identical patent infringement action in the same court against Election Systems & Software, Inc. (“Election Systems”). In each action, Voter Verified alleged infringement of claims 1 through 94 of its U.S. Reissue Patent RE40,449 (the “’449 patent”), which claims “automated systems and methods for voting in an election” where a voter’s ballot is printed after voting and checked for accuracy against the voter’s choices. Premier, Diebold, and Elections Systems (collectively “defendants”) “produce and market automated voting systems.” The defendants counterclaimed, seeking declaratory judgment of invalidity on grounds of anticipation, obviousness, and indefiniteness. In both the Premier case and the Election Systems case, the district court ruled on summary judgment that claim 49 was invalid as obvious and that the defendants did not infringe the other claims.

At trial, the defendants presented as prior art an article (the “Benson article”) from the Risks Digest, an online periodical concerning computer safety and security. Voter Verified contended that the web-based reference

10. 698 F.3d 1374 (Fed. Cir. 2012).

must be “searchable by pertinent terms over the internet” to qualify as a prior art “printed publication” and that defendants failed to present evidence of any indexing of a public database that would have allowed the public to find the Risks Digest website or the Benson article therein. Therefore, Voter Verified argued that the Benson article should have been excluded from the prior art. The defendants countered that the Risks Digest website was well known to those interested in the art of voting technologies and that the Risks Digest website provided a searchable index of its articles. In each case, the district court agreed with the defendants, holding that claim 49 was obvious in view of the Benson article and therefore invalid. Voter Verified appealed the court’s finding in both of the cases, arguing that the Benson article did not qualify as prior art because it was only accessible from the Risks Digest website.

Regarding the other claims, the district court found no infringement on the part of the defendants. During claim construction, the trial court construed the “ballot scanning means” in claims 1 through 48 to require a ballot-scanning machine. In defendants’ systems, however, the corresponding step involved manual scanning by the voter. As for method claims 49 through 55 and 85 through 93, each claim required at least one step performed “by the voter.” The court found, however, that even if defendants’ systems required voters to perform steps essentially identical to those in the claimed method, there was no evidence that Voter Verified “exercised the requisite control over voters to directly infringe” the method claims. Thus, the defendants’ systems did not infringe.

Voter Verified appealed each of these decisions. As to claims 1 through 48, Voter Verified argued that the voter is an alternative and equivalent structure for carrying out the ballot scanning function. It further argued, with regard to claims 49 through 55 and 85 through 93, that the defendants’ voting systems controlled the election process such that the computer programs controlled the voter’s actions. The Federal Circuit consolidated the two cases on appeal since they were nearly identical.

The Federal Circuit agreed with the trial judge that the Benson article was prior art and that it rendered claim 49 obvious. The court found that the key question was “whether the reference was made ‘sufficiently accessible to the public interested in the art’ before the critical date.” The public accessibility of a reference is determined on a case-by-case basis and is “a legal conclusion based on underlying factual determinations.” Although indexing is a relevant factor in determining the accessibility of potential prior art, it is not a “necessary condition for a reference to be publicly accessible.” Rather, it is one of many factors to consider. The more relevant question is whether the “persons interested and ordinarily skilled in the subject matter or art[,]”

exercising reasonable diligence, can locate it.” In this case, indexing in a commercial search engine was not required, as Risks Digest was well known to the community interested in the risks of computer automation, with over one hundred articles on electronic voting. The article was publicly disclosed on Risks Digest’s website and was searchable through that site.

In addressing Voter Verified’s arguments for infringement, the Federal Circuit again agreed with the trial judge, rejecting each of Voter Verified’s arguments by citing earlier case law. First, the Federal Circuit held, referencing its decision in *Default Proof Credit Card Systems, Inc. v. Home Depot U.S.A., Inc.*, 412 F.3d 1291 (Fed. Cir. 2005), that “a human being cannot constitute a ‘means’” within the scope of 35 U.S.C. §112, and therefore the voter could not carry out the ballot-scanning function required for infringement. Second, the Federal Circuit held, citing *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed Cir. 2007), and *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed Cir. 2008), that “liability for direct infringement of a method claim requires that one party either performs every step of the claimed method or exerts ‘direction or control’ over any such steps performed by others.” The court rejected Voter Verified’s arguments that the defendants’ systems controlled the voters, noting that at most the systems instructed and provided voters with access to the system.

II. COPYRIGHT DEVELOPMENTS

A. *AM. INST. OF PHYSICS V. SCHWEGMAN LUNDBERG & WOESSNER, P.A.*¹¹

The United States District Court for the District of Minnesota held that a patent firm’s publishing, downloading, storing, and distributing of internal copies of copyrighted articles through email for the purposes of patent prosecution constituted fair use. The court found that the patent firm’s use was noncommercial, did not compete in the market with the copyright holder’s use of the articles, and was only intended to meet the PTO’s prior art requirements.

Plaintiffs American Institute of Physics, John Wiley & Sons, Inc., and Wiley Periodicals, Inc. (collectively, the “Publishers”) asserted a copyright infringement claim against defendant Schwegman, Lundberg & Woesner, P.A. (“Schwegman”), originally for obtaining eighteen scientific journal articles without paying for a license and submitting copies of the articles to the U.S. Patent and Trademark Office (“USPTO”). The Publishers later

11. No. 12-528, 2013 WL 4666330 (D. Minn. Aug. 30, 2013).

amended their complaint, narrowing the focus of their infringement action to Schwegman's internal use of those articles. They alleged that downloading, storing, and distributing copies of the copyrighted articles internally infringed the Publishers' copyrights in those articles. Schwegman argued that its use constituted a non-infringing "fair use."

The court began its analysis by fleshing out the background of patent prosecution. The Patent Act allows the USPTO to grant patents for new, useful, and nonobvious inventions, based on whether there exists "prior art," which are preexisting teachings of the information embodied in the patent application. Patent applicants have a "duty of candor and good faith" to disclose all materials relevant to their patent claims, regardless of whether they help or hurt patentability. The court explained that this duty of disclosure exists in the international community as well.

The court then evaluated the fair use defense. Fair use relies on four factors to exempt otherwise infringing uses of copyrighted material: (1) the purpose and character of the use (for example, whether the use is commercial or nonprofit), (2) the nature of the copyrighted work, (3) the amount or substantiality of the portion used in relation to the copyrighted work as a whole, and (4) the effect of the use on the potential market value of the copyrighted work. Fair use exempts infringing uses of copyrighted material when enforcement might vitiate the purpose of promoting "the Progress of Science and useful Arts."

The court found that the factor concerning "the purpose and character of the use" favored Schwegman. The court agreed with Schwegman that the purpose of its use was noncommercial, since it was "to ultimately comply with the legal requirement to provide prior art to the USPTO." Additionally, there was no "evidence in the record that would allow a reasonable juror to conclude that Schwegman's downloading and internal copying of the Articles served some other purpose." Unlike Schwegman, the Publishers used the journal articles to "inform the scientific community of advancements in scientific research and new scientific discoveries." Although the court did not find Schwegman's use of the Publishers' articles to be "transformative," since the content of the articles remained unchanged, the court cited precedent suggesting that a new evidentiary purpose could make a given use "fair." Supporting its finding in favor of Schwegman under this factor, the court noted that Schwegman's use focused only on the "facts and ideas" of the articles and was "indifferent" to the copyrighted expression itself. Further, the court found that Schwegman did not render its use commercial by charging clients a rate for downloading the articles, since this particular use did not "supersede the Publishers' intended use." Therefore, the first factor weighed in favor of fair use.

The court further found that the effect of Schwegman's use on the market for the Publishers' articles was minimal. The court found that the Publishers failed to present evidence indicating that Schwegman's use significantly altered the normal market for the scientific articles. The lost revenue from patent lawyers who did not pay licensing fees was "not the sort of negative effect on the market that weighs heavily against a finding of fair use." Such a low threshold for this factor, the court held, would "always weigh in favor of the copyright holder and render the analysis of this factor meaningless." The court instead considered Schwegman's use "different than, and not superseding of, the original purpose," implying that the use likely did not compete with the Publishers' market for the copyrighted works.

The court also found in favor of Schwegman for the remaining two factors, ultimately concluding that the weight of the fair use doctrine favored exempting Schwegman's otherwise-infringing use. The court found that the nature of the copyrighted work also weighed in favor of fair use, since the works at issue were less creative and more informational; their mode of expression did not "predominate over the conveyance of the information." Finally, the court held that even though Schwegman copied the entire works, the copying was necessary to the new and different purpose of identifying and providing prior art to the USPTO. Thus, the court found that the factor for the "amount or substantiality of the portion used" weighed in favor of Schwegman.

In balancing the factors, all of which weighed in favor of Schwegman, the court held that Schwegman's internal copying of the Publishers' articles during patent prosecution was a "fair use." The court emphasized that the purpose of the use was to promote the very basis of both copyright and patent law, to "promote the Progress of Science and useful Arts." Therefore, by encouraging complete disclosure of all prior art to assist patent examiners, the use was fair as a matter of law.

B. *COLUMBIA PICTURES INDUSTRIES, INC. V. FUNG*¹²

In *Columbia Pictures Industries, Inc. v. Fung*, the United States Court of Appeals for the Ninth Circuit held that the operator of a collection of peer-to-peer file sharing websites, which actively help users locate copyright-infringing material, may be liable for contributory copyright infringement because he "offered his services with the object of promoting their use for infringement." In this holding, the court relied primarily on the inducement standard enunciated by the United States Supreme Court in *Metro-Goldwyn-*

12. 710 F.3d 1020 (9th Cir. 2013).

Mayer Studios, Inc. v. Grokster, Ltd. (“*Grokster III*”), 545 U.S. 913 (2005). The court also held that the operator of the websites was not eligible for safe harbor protection under the Digital Millennium Copyright Act (“DMCA”), but that certain aspects of an injunction that the district court imposed on the defendant were unduly burdensome.

Several film studios—Columbia Pictures Industries, Inc.; Disney Enterprises, Inc.; Paramount Pictures Corporation; Tristar Pictures, Inc.; Twentieth Century Fox Film Corporation; Universal City Studios, LLLP; Universal City Studios Productions, LLLP; and Warner Bros. Entertainment, Inc. (collectively “Columbia”)—brought action against website operator isoHunt Web Technologies, Inc., and its owner Gary Fung (collectively “Fung”). Columbia alleged that Fung’s websites and services induced third parties to acquire infringing copies of the studios’ copyrighted material using peer-to-peer file sharing technology. The United States District Court for the Central District of California found the defendants liable for contributory copyright infringement and issued an injunction.

Fung appealed on three grounds: (1) that he should not be liable for contributory copyright infringement; (2) that even if he is liable for infringement, he should be eligible for safe harbor protection under the DMCA; and (3) that the injunctions imposed on him were punitive and unduly vague, violating his right to free speech.

On the first element, the Ninth Circuit Court used the “inducement rule,” established by the United States Supreme Court in *Grokster III* to determine whether companies and individuals are secondarily liable for copyright infringement. Under the rule, four elements must exist before a court may find inducement: (1) distribution of a product or device, (2) acts of infringement, (3) the defendant’s object of promoting the product’s use for infringing copyright, and (4) causation.

On the first element relating to the distribution of a product or device, the court disagreed with Fung’s contention that his websites were not a device or product. Relying on two Ninth Circuit cases since *Grokster*, the court concluded that the term “device” covers services available on the Internet. Since Fung’s websites provided such a “service,” Columbia carried its burden on this element.

On the second element, the court found that Columbia was able to prove that acts of infringement existed by providing records of isoHunt users uploading and downloading infringing content. It further showed that a significant percentage of the content associated with Fung’s websites violated copyright laws.

On the third element, the court found that Fung made “clear and affirmative steps” towards his object of promoting his websites’ use for

copyright infringement. Fung himself actively encouraged users to upload torrent files of copyrighted material. For example, he prominently featured on isoHunt's front page a list of "Box Office Movies," asking users to provide these movies for other users to download. He also posted numerous messages on an online forum requesting that users upload torrents for specific copyrighted films, and he provided links to torrents so that other users could download copyrighted material and infringe on copyrights. This communication by Fung himself was "crucial" for the court to establish inducement liability. The court provided two additional pieces of evidence to bolster its conclusion that Fung had acted to cause copyright violations: (1) Fung did not actively develop filtering tools to hide violating torrents in order to reduce the infringing activity that he knew to exist, and (2) he sold advertisements that provided him with revenue for his activities.

On the fourth element of causation, the court opted to conduct a thorough analysis, highlighting the "potential severity of a loose causation theory for inducement liability," since the reach of liability could be enormous in the digital age. It analyzed both Fung's active encouragement of infringement and his distribution of tools to facilitate infringement, including torrent trackers, ultimately concluding that causation existed based on undisputed fact. Because the four requisite elements existed, the court affirmed Fung's liability for inducement of copyright infringement.

Fung next claimed that regardless of whether his actions constituted the inducement of copyright infringement, he was eligible for defenses under three DMCA safe harbor provisions, for which he had the burden of proof. The court disagreed, rejecting each of these defenses. First, the court held that Fung's torrent trackers are not eligible for protection under 17 U.S.C. § 512(a), which applies to "service providers who act only as 'conduits' for the transmission of information." Because the trackers, and not the users, select the points of connection between the users in order to download files, the trackers play a more active role than the "service providers" intended to benefit from this provision.

Under the second provision, 17 U.S.C. § 512(c), which was designed to protect the liability of storage providers, the court held that Fung was not eligible for safe harbor because he had actual knowledge that the torrents stored on his website were tools for copyright infringement. Furthermore, he benefited financially from the infringement. The same reasoning supported the court's finding under the third provision, 17 U.S.C. § 512(d), which protects service providers that unknowingly "link[] users to an online location containing infringing material." Again, Fung was not eligible for safe harbor protection because he was aware of the infringement and received

direct financial benefit. Thus, the court held that Fung could not claim any defense under the safe harbor provisions.

Finally, the court addressed Fung's challenge to the scope of the permanent injunction issued against him by the district court. First, the Ninth Circuit found that several provisions of the injunction were too vague to meet the standards of Rule 65(d) of the Federal Rules of Civil Procedure, which "prefers certainty to flexibility" in requiring that an order granting an injunction "state its terms specifically." The court thus required amendment of these provisions. Second, the court agreed with Fung that certain provisions of the injunction were unduly burdensome because they effectively prohibited him from "seeking legitimate employment." The court held that the district court must limit the prohibitions in these provisions, which prevented Fung from "ever working for any technology company whose services others might use to infringe copyright."

Despite its finding that the permanent injunction was vague and unduly burdensome, the Ninth Circuit affirmed the district court's grant of summary judgment to Columbia, concluding that Fung was liable for contributory copyright infringement under the inducement rule and was not protected under the DMCA safe harbor provisions.

C. *FOX BROADCAST CO. V. DISH NETWORK LLC*¹³

In *Fox Broadcasting Company, Inc. v. Dish Network LLC*, the United States Court of Appeals for the Ninth Circuit held that the district court properly denied a network broadcaster's request for a preliminary injunction for direct and secondary copyright infringement against a satellite television service provider whose set-top box offered digital video-recording and commercial-skipping capabilities.

In 2012, Fox Broadcasting Company, Twentieth Century Fox Film Corp, and Fox Television Holdings, Inc. (collectively, "Fox") brought an action against Dish Network ("Dish") alleging that its set-top box called the "Hopper" featured capabilities that infringed upon Fox's programming copyrights and violated the parties' contract.

In early 2012, Dish introduced two features exclusive to the Hopper: PrimeTime Anytime ("PTAT") and AutoHop. PTAT allows subscribers to set a timer to record primetime programming on any of the four major broadcast networks. AutoHop, generally available the morning after the live broadcast, allows users to automatically skip commercials on shows recorded using PTAT. In order to test AutoHop's functionality, Dish technicians

13. No. 12-57048, 2014 WL 260572 (9th Cir. Jan. 24, 2014).

create quality assurance copies of Fox's nightly primetime programming to ensure that the commercials have been accurately marked. Fox owns the copyrights to certain television shows that Fox airs on its network. In response to Dish's introduction of PTAT and AutoHop, Fox brought an action alleging direct copyright infringement, secondary copyright infringement, and breach of contract.

A United States District Court for the Central District of California found that Dish's quality assurance copies of Fox's primetime programming likely breached a provision of the parties' contract prohibiting "reproduction," but the court nonetheless denied a preliminary injunction. To obtain a preliminary injunction, Fox would have needed to show that "(1) it is likely to succeed on the merits, (2) it is likely to suffer irreparable harm in the absence of preliminary relief, (3) the balance of equities tips in its favor, and (4) an injunction is in the public interest." Although Dish likely breached its contract and directly infringed Fox's reproduction rights by creating the quality assurance copies, the district court held that Fox was not entitled to an injunction because the broadcaster failed to show that it suffered irreparable harm as a result of the quality assurance copies.

The Ninth Circuit affirmed the lower court's finding that PTAT did not render Dish liable for direct infringement of Fox's copyright. In order to establish a claim of copyright infringement by reproduction, Fox needed to demonstrate ownership of the copyright, as well as copying by Dish. The court explained that Fox successfully demonstrated its ownership of the copyrights but failed to demonstrate that Dish was responsible for the copies. The court held that the user was "the most significant and important cause of the copy." Although Dish determined the parameters of what would be included in the primetime block, decided how long copies would remain available for viewing, and prevented users from stopping a recording once it had begun, the Ninth Circuit affirmed that Dish was not directly liable for copyright infringement because PTAT copies were made in response to users' commands.

The Ninth Circuit also rejected Fox's argument that Dish was liable for secondary copyright infringement for facilitating its customers' creation of infringing copies. In order to establish secondary liability, Fox first had to establish that Dish's customers infringed upon Fox's copyright. Relying on the Supreme Court's analysis in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Ninth Circuit determined that the customers' reproductions constituted a legitimate fair use for time-shifting purposes. The court concluded that it was immaterial to Fox's copyright interests whether or not Dish customers skipped commercials because Fox only owns

the copyrights for the television shows, not for the advertisements aired during commercial breaks.

In its review of the district court's analysis of whether Dish users' copies constituted a fair use, the Ninth Circuit considered the fair use factors outlined in 17 U.S.C. § 107. Of primary importance was the "effect of the use upon the potential market for or value of the copyrighted work." Since the customers' copies are for noncommercial purposes, Fox had to demonstrate that the potential market for its copyrighted programs would be adversely affected if the practice of recording copies without commercials became widespread. The court, however, found that Fox's market concerns stemmed primarily from the commercial-skipping function, rather than the recording function. For instance, Fox does not charge providers an additional licensing fee to offer Fox's licensed video on demand, so long as the providers disable fast-forwarding capabilities. Therefore, the Ninth Circuit determined that any possible market harm would result from the commercial-skipping function, not from Dish customers' copies. Since Fox does not own the copyrights to the commercials, the Ninth Circuit found that any market harm resulting from a commercial-skipping function does not implicate Fox's copyright interest.

Thus, the Ninth Circuit, applying a very deferential standard of review, concluded that the district court properly denied Fox's request for a preliminary injunction based on Dish's alleged contractual breaches and copyright infringement.

D. *LUVDARTS, LLC V. AT&T MOBILITY, LLC*¹⁴

In *Luvdarts, LLC v. AT&T Mobility, LLC*, the United States Court of Appeals for the Ninth Circuit affirmed a U.S. district court's holding that mobile messaging content developers failed to state a claim for copyright infringement against mobile wireless carriers based on users' unauthorized sharing of copyrighted content over messaging networks. The United States District Court for the Central District of California and the Ninth Circuit agreed that plaintiffs did not sufficiently allege infringement under a theory of either vicarious or contributory copyright liability.

Luvdarts, LLC and Davis-Reuss, Inc. (collectively, "Luvdarts") produces, publishes, distributes, and sells mobile multimedia-messaging content, including greeting card-style messages and games. The defendants, AT&T Mobility, LLC, CellCo Partnership, Sprint Spectrum LP, T-Mobile USA, Inc., and Verizon Wireless Telecom, Inc. (collectively, "Carriers"), are mobile

14. 710 F.3d 1068 (9th Cir. 2013).

wireless carriers that own Multimedia Messaging Service (“MMS”) networks. MMS networks provide a platform for sending and receiving messages with multimedia content.

Luvdarts’s content is distributed over the defendants’ MMS networks via mobile devices, and most of its business involves selling greeting cards to users who can forward them to friends. Although Luvdarts notifies users and recipients that the content may be shared only once, there is no technical impediment to a recipient forwarding a purchased message to others. Luvdarts alleged that many content recipients ignored the notice and reshared the content without permission or compensation, thereby infringing Luvdarts’s copyrights. After discovering the infringement, Luvdarts contacted the Carriers, demanding accountability and listing each of its copyrighted titles. The Carriers, however, failed to take any meaningful remedial action.

In 2011, Luvdarts brought an action in the Central District of California against the Carriers for vicarious or contributory copyright infringement, based on the conduct of users in their mobile messaging networks. It also claimed that the Carriers violated California’s unfair competition laws. The Carriers filed a motion to dismiss for failure to state a claim upon which relief can be granted. After Luvdarts waived the state law claim, the district court granted the Carriers’ motion, dismissing with prejudice the remaining copyright infringement claims. Luvdarts appealed.

Luvdarts’s principal argument was that the Carriers were liable for the infringement committed over their networks under a theory of either vicarious or contributory copyright liability. As the Supreme Court has held, the Copyright Act does not explicitly render a third person liable for another person’s infringement. Vicarious infringement occurs when one profits from direct infringement while declining to exercise a right to stop or limit it; contributory infringement liability exists when a party has “induced or encouraged” direct infringement. The Ninth Circuit concluded that given Luvdarts’s allegations, liability against the Carriers did not lie under either theory.

Under the vicarious infringement claim, the Ninth Circuit held that Luvdarts failed to adequately allege that the Carriers had the necessary right and ability to supervise the infringing conduct. Luvdarts conceded that the carriers currently have no way of supervising their networks for copyright infringement, but it alleged that they had the ability to implement a system for this purpose. The Ninth Circuit rejected this argument, concluding that an allegation of a “capacity to supervise” is an inadequate substitute for the “ability to supervise.” Without meeting this first element for vicarious

liability, the Ninth Circuit held that Luvdarts could not prevail on its vicarious copyright infringement claim.

The Ninth Circuit further held that Luvdarts's claim for contributory liability was unsuccessful. The court explained that a defendant is contributorily liable if the defendant both (1) knew of the direct infringement and (2) either induced, caused, or materially contributed to the infringing conduct. The Ninth Circuit rejected Luvdarts's argument that its notices were sufficient to inform the Carriers of their users' copyright infringement, since the notices were vague and did not identify which titles were infringed, who infringed them, or when the infringement occurred. The Ninth Circuit observed that in order to invoke the protections of the Digital Millennium Copyright Act, 17 U.S.C. § 512, Luvdarts was required to provide information reasonably sufficient to assist the Carriers in locating the infringing material.

The Ninth Circuit also rejected Luvdarts's argument that the Carriers were willfully blind to their users' infringing conduct, another circumstance that might impose contributory liability for copyright infringement. As a preliminary matter, the court held that Luvdarts failed to establish knowledge of direct infringement. Further, the court held that Luvdarts failed to allege that the Carriers subjectively believed that infringement was likely occurring on their networks and nevertheless took deliberate actions to avoid learning about the infringement. The Ninth Circuit concluded that Luvdarts's allegations fell far short of alleging these essential elements of willful blindness.

This case shows that a party bringing a copyright action must clearly plead claims of contributory or vicarious copyright infringement to survive a motion to dismiss. The Ninth Circuit's decision, however, leaves open the question of whether a future plaintiff might successfully state a claim for vicarious or contributory copyright infringement against mobile wireless carriers based on the unauthorized sharing of content by third-party mobile device users on the MMS platform.

E. *METROPOLITAN REGIONAL INFORMATION SYSTEMS, INC. V. AMERICAN HOME REALTY NETWORK, INC.*¹⁵

In *Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc.*, the United States Court of Appeals for the Fourth Circuit held that the author of a compilation of related works, such as an automated database, registers copyright interest in the individual components of the

15. 722 F.3d 591 (4th Cir. 2013).

compilation when he obtains a copyright registration for the compilation. The owner of the copyright in the compilation, therefore, does not have to list the name and author of each individual component work in the compilation at the time of registration. The court also held that the E-SIGN Act, 15 U.S.C. § 7001, allows an electronic transfer of copyright to satisfy 17 U.S.C. § 204's writing and signature requirements. Specifically, the court held that "clicking yes" in response to an electronic Terms of Use may constitute a valid transfer of copyright.

Metropolitan Regional Information Systems, Inc. ("MRIS") operates an online database that compiles property listings for real estate brokers and subscribers. Subscribers click "yes" to assent to MRIS's Terms of Use ("TOU") before uploading their real estate listings, and by doing so they agree to assign to MRIS the exclusive copyrights in each photograph in those listings. American Home Realty Network, Inc. ("AHRN") operates an online real estate search engine and referral business, which collects and displays data from the MRIS database, among other sources. In 2011, MRIS sent AHRN a cease-and-desist letter. When the parties failed to settle on appropriate licensing terms, MRIS filed suit against AHRN, alleging copyright infringement. The United States District Court for the District of Maryland granted MRIS's motion for a preliminary injunction barring AHRN's use of photographs from MRIS's database. AHRN appealed, arguing that MRIS's registration of its database did not constitute proper registration of copyright interest in the database's individual photographs, a prerequisite for filing an infringement suit. AHRN also claimed that MRIS did not own copyright in the individual photographs because the subscribers' electronic agreement did not transfer copyright to MRIS.

In determining whether MRIS had a valid claim of copyright infringement, the Fourth Circuit first addressed whether MRIS registered its copyright interest in the individual photographs. Although the Copyright Act establishes a default presumption in 17 U.S.C. § 201(c) that the owner of a collective work does not own the copyrights in the individual component parts, that presumption does not apply if, as MRIS asserted, there was "an express transfer of the copyright" in the components. Section 409, which governs applications to register compilations, is ambiguous on the issue of whether a compilation's author who has registered the compilation and acquired copyright in the individual components has also registered copyright in those individual components. However, citing § 409's purpose of "encouraging prompt copyright registration," and § 408's goal of "easing the burden on group registrations" by allowing a single registration for a group of related works (for categories that include automated databases), the court

concluded that MRIS registered its interest in the individual photographs when it registered the automated database.

The court then turned to the question of whether MRIS's electronic subscriber agreement is an assignment of rights under § 204 of the Copyright Act, which requires that transfers of copyright be "in writing and signed by the owner of the rights conveyed." The court initially noted the "anomaly" of allowing AHRN, a third party, to invoke § 204 for its own benefit in a situation in which there was no dispute between the copyright assignor and assignee. However, although there was no dispute between MRIS and its subscribers over copyright ownership, MRIS failed to raise this point, so the court proceeded to analyze the electronic assignment issue. The court explained that under the E-Sign Act, "a signature may not be denied legal effect simply because it is in electronic form." The E-Sign Act explicitly lists several exceptions to this mandate, but agreements to transfer copyright ownership are not included in that list. The court treated this omission as a clear legislative intent that the E-Sign Act should apply to § 204 of the Copyright Act. In light of that intent, as well as the fact that other courts have found the E-Sign Act applicable to analogous statutory signature requirements, the court held that electronic agreements constitute valid transfers of copyright interests under § 204.

Since MRIS did not fail to register copyright interest in the individual photographs, and since its electronic subscriber agreement did transfer copyrights in the photographs to MRIS, the court affirmed the district court's decision to grant MRIS's motion for an injunction.

F. *MONGE V. MAYA MAGAZINES, INC.*¹⁶

In *Monge v. Maya Magazines, Inc.*, a divided panel of the United States Court of Appeals for the Ninth Circuit held that the unauthorized publication of plaintiffs' secret wedding photographs did not constitute fair use under 17 U.S.C. § 107 of the Copyright Act. In doing so, the Ninth Circuit reversed the district court's decision granting summary judgment for the defendant.

Noelia Monge, a pop singer, and Jorge Reynoso, Monge's manager and a music producer, brought a copyright infringement action against Maya Magazines, Inc. ("Maya") for publishing the couple's unpublished secret wedding pictures in *TVNotas*, a Spanish-language celebrity gossip magazine. The district court granted summary judgment for the defendant based on an affirmative defense of fair use under § 107. The couple appealed the decision.

16. 688 F.3d 1164 (9th Cir. 2012).

In determining whether the district court properly applied the fair use doctrine, the Ninth Circuit applied the four non-exclusive statutory factors enumerated in § 107:

1. [T]he purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. the nature of the copyrighted work;
3. the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4. the effect of the use upon the potential market for or value of the copyrighted work.

The panel majority held that none of the four fair use factors supported Maya's fair use claim. As to the first factor, the Ninth Circuit found that the purpose and character of Maya's use was for a commercial publication and was minimally transformative. The Ninth Circuit therefore found that the first factor weighed against fair use, even though the wedding coverage qualified as news reporting.

In assessing the nature of the copyrighted work under the second factor, the Ninth Circuit observed that even though the published photos were not highly artistic in nature, the pictures were unpublished until the defendant published them in its magazine. The plaintiffs had the right to control the first publication of the pictures, and "under ordinary circumstances [this right would] outweigh a claim of fair use." The Ninth Circuit did not find any extraordinary circumstances that justified the publication of the unpublished pictures. Therefore, the second factor also did not favor the defendant. In its analysis, the Ninth Circuit refused to address the unpublished status of the pictures under privacy law.

The Ninth Circuit looked at the quantitative and qualitative aspects in determining the third factor. Although the files in the storage device sold to Maya included over four hundred images and videos, and Maya published only six pictures on the device, the court noted that these were all of the wedding pictures on the device and almost every wedding night photo the couple had. The Ninth Circuit also found that there was only "minimal cropping," and Maya published the "heart" of each of the copyrighted photographs. The court ruled that Maya's use was "total," and this third factor accordingly weighed against fair use.

As to the fourth factor, the Ninth Circuit held that there was a potential market for the photos regardless of whether the couple intended to sell the publication rights to the pictures. This final factor did not favor the

defendant's claim of fair use. The Ninth Circuit also recognized that the demand for the pictures significantly declined because of Maya's publication of the photos.

Upon balancing the factors, the Ninth Circuit found that all four factors tipped against Maya's claim of fair use. Accordingly, Maya failed to meet its burden to establish an affirmative defense. The holding of the Ninth Circuit reminds newsrooms that newsworthiness alone is not sufficient to make the unauthorized use of copyrighted materials fair.

G. *SELTZER V. GREEN DAY, INC.*¹⁷

In *Seltzer v. Green Day, Inc.*, the United States Court of Appeals for the Ninth Circuit held that the unauthorized use of a drawing in a four-minute video clip designed for the backdrop of a rock concert is fair use within the meaning of 17 U.S.C. § 107.

In 2003, Derek Seltzer, an artist and illustrator, created Scream Icon, a drawing of a screaming, contorted face. Five years later, Roger Staub ("Staub"), a photographer and professional lighting and video designer, viewed Seltzer's Scream Icon drawing on a poster on a brick wall in Los Angeles and photographed it. The following year, the famous rock band Green Day hired Performance Environmental Design ("PED") to create lighting, pyrotechnic effects, and video backdrops for a new concert tour featuring music from its latest album, *21st Century Breakdown*. PED subsequently arranged for Roger Staub to create Green Day's video backdrops. For one song, Staub created a four-minute video that included a modified version of his photograph of the Scream Icon poster on the brick wall. When preparing the video, Staub made the following modifications to his photograph: he cut out the Scream Icon image, superimposed a red cross onto the photograph, and changed the contrast and color.

Seltzer brought an action against Green Day, Inc., Green Day Touring, Green Day, Billie Joe Armstrong, Frank Edwin Wright III, Michael Ryan Pritchard, Warner Bros. Records, Inc., Infect Productions, Roger Staub, and Performance Environmental Design (collectively, "Green Day") in the United States District Court for the Central District of California for copyright infringement. Seltzer alleged that Green Day's unauthorized use of his Scream Icon illustration in the video backdrop for Green Day's concert infringed his copyright.

The district court granted summary judgment for Green Day on Seltzer's copyright infringement allegation, holding that Green Day's use of the

17. 725 F.3d 1170 (9th Cir. 2013).

copyrighted image was fair use. The court furthermore awarded Green Day full attorneys' fees under 17 U.S.C. § 505, finding that Seltzer's claims had been objectively unreasonable. Seltzer appealed both the grant of summary judgment and the grant of attorneys' fees.

The Ninth Circuit affirmed the district court's infringement ruling, holding that Green Day's use of Seltzer's illustration constituted a fair use under the four-factor test outlined in 17 U.S.C. § 107. The first factor looks to "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." In general, a finding that the use was "transformative" will favor the defendant. In *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), the United States Supreme Court stated that one work transforms another when "the new work . . . adds something new, with a further purpose or different character, altering the first with new expression, meaning or message." The Ninth Circuit elaborated that a work is transformative when "new expressive content or message is apparent," even when the work makes few physical changes to the original or fails to comment on the original.

According to the Ninth Circuit, Green Day's use of Scream Icon was transformative. Green Day used the original as raw material in the construction of the four-minute video backdrop. Also, the message and meaning of the original Scream Icon is different. Green Day's use of Scream Icon was only incidentally commercial; the band never used it to market the concert, CDs, or merchandise. Therefore, the first fair use factor weighed in Green Day's favor.

The second factor looks at "the nature of the copyrighted work." Scream Icon was a creative and widely disseminated work, both on the Internet and on the streets of Los Angeles before Green Day used it in their concerts. Accordingly, Seltzer controlled the "first public appearance" of his work. This factor weighs only slightly in Seltzer's favor.

III. TRADEMARK DEVELOPMENTS

A. *1-800 CONTACTS, INC. V. LENS.COM, INC.*¹⁸

In *1-800 Contacts, Inc. v. Lens.com, Inc.*, the United States Court of Appeals for the Tenth Circuit held that purchasing keywords closely resembling a competitor's service mark for internet-search advertisements is not direct infringement if the resulting consumer-confusion rate falls below ten percent. The court further held that an internet company is only vicariously liable for

18. 722 F.3d 1229 (10th Cir. 2013).

the infringing conduct of its marketing affiliates if it grants them authority or ratifies their decisions. At the same time, however, the court suggested that an internet company may be liable for contributory infringement if it fails to reign in marketing affiliates from directly infringing on a competitor's service mark.

Internet search engines are providing advertisers with unprecedented opportunities to target consumers. Google's AdWords, for example, allows companies and marketers to purchase keywords so that their advertisements will appear whenever users conduct a search using that particular term. Courts must now consider how the Lanham Act's protections against trademark and service-mark infringement apply in this context. More particularly, they must address whether an advertiser's use of keywords closely resembling a competitor's service mark violates the Lanham Act.

In the summer of 2005, 1-800 Contacts learned that a Google search for its registered service mark, "1800 CONTACTS," returned paid advertisements for Lens.com, one of its competitors in the online marketplace for contact lenses. 1-800 Contacts understood that these search results were only possible if Lens.com or its affiliate marketers bid on that exact term or similar search terms or phrases when using Google's AdWords to place advertisements.

In August 2007, 1-800 Contacts sued Lens.com for infringing upon its service mark in search-engine advertisements. During discovery, the court learned that Lens.com bid on nine keywords that closely resembled 1-800 Contacts' mark, such as "800 contact lenses" and "800conyacts.com." The court also learned that two affiliate marketers bid on 1-800 Contacts' mark as a keyword and used it in their advertisements. These facts pushed 1-800 Contacts to further allege that Lens.com carried secondary liability for its affiliate marketers' misconduct.

Ultimately, however, the United States District Court for the District of Utah granted summary judgment in favor of Lens.com, finding that 1-800 Contacts failed to show compelling evidence of consumer confusion and secondary liability. 1-800 Contacts then appealed the district court's judgment in the United States Court of Appeals for the Tenth Circuit.

To determine whether Lens.com confused consumers and directly committed service-mark infringement, the appeals court considered six factors: (1) similarities between the marks; (2) the defendant's intent to adopt the mark; (3) evidence of actual consumer confusion; (4) the relationship between how the parties market their goods; (5) how much consumers care about the mark in making a purchase; and (6) the mark's strength.

The court concluded that 1-800 Contacts did not have sufficient evidence showing that Lens.com's keyword purchases constituted direct service-mark

infringement. The court noted that Lens.com's advertisements came up 1,626 times in consumers' search results, yet they received only twenty-five clicks. It therefore concluded that initial-interest confusion—whereby consumers were lured away from 1-800 Contacts' website—occurred no more than 1.5 percent of the time, far below the 1 percent minimum for establishing direct infringement.

Meanwhile, to determine whether to impose secondary liability on Lens.com for its marketing affiliates' conduct, the court examined the principles of vicarious liability and contributory infringement. A principal has vicarious liability when its agent's direct infringement "is within the scope of the agent's actual authority or ratified by the principal." Contributory infringement, by contrast, arises when the principal knowingly abets infringement.

The court concluded that Lens.com was not vicariously liable for their marketing affiliates' conduct. Testimony from an affiliate who used a variation of 1-800 Contacts' service mark in the text of an advertisement suggested to the court that Lens.com did not grant him authorization. Without evidence of Lens.com authorizing such conduct, 1-800 Contacts could not establish vicarious liability. Likewise, because advertisements generated from affiliates' purchased keywords garnered even fewer clicks than those from Lens.com, the court reasoned that they had not directly infringed on 1-800 Contacts' mark. This conclusion made it impossible to hold Lens.com vicariously liable.

Nonetheless, the court found that there was enough evidence for a jury to consider whether Lens.com committed contributory infringement. In the court's view, Lens.com could have addressed some of 1-800 Contacts' complaints of direct infringement through an e-mail blast demanding marketing affiliates to respect its competitor's mark in its advertisements.

The Tenth Circuit affirmed most of the district court's findings on summary judgment, holding that a 1.5 percent consumer-confusion rate was not enough to constitute direct infringement in search-engine advertisements. Furthermore, the court concluded that Lens.com was not vicariously liable for its marketing affiliates' behavior. On the question of whether Lens.com committed contributory infringement, however, the Tenth Circuit reversed and remanded the case to the district court.

B. *MULTI TIME MACHINE, INC. V. AMAZON.COM*¹⁹

In *Multi Time Machine, Inc. v. Amazon.com*, the United States District Court for the Central District of California held that there is no trademark infringement when displaying a competitor's products in response to a trademark name search, so long as there is no likelihood of confusion as to the source of the product displayed. In finding no likelihood of confusion, the court applied a subset of the full "likelihood of confusion" factors, following the Ninth Circuit's reasoning in a similar Internet advertising case, *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011).

Multi Time Machine, Inc. ("MTM") brought a trademark infringement claim under the Lanham Act against Amazon.com, Inc. and Amazon Services LLC (collectively "Amazon"). MTM sells military-style watches under the brands "MTM Special Ops" and "MTM Military Ops" through a limited set of authorized websites, not including Amazon.com. Amazon is an online retailer that sells large volumes of products directly to consumers. Amazon uses a search function that responds to consumer searches by displaying products that consumers are likely to be interested in purchasing. Amazon's search algorithm uses not just the words entered by the consumer, but also the consumer's behavior. The effect of this algorithm is that Amazon displays some results that do not include the search term. When Amazon displays results, it shows a product listing for each product, consisting primarily of an image and a title. Since MTM products are not sold on Amazon, when a consumer searches for MTM brands, Amazon instead displays competitors' products. To purchase a product, the consumer must first click on the listing to go to the product detail page, where additional images, brand information, and other details are displayed.

MTM argued that Amazon was infringing its trademark because there was a likelihood of confusion in the search results. MTM maintained that Amazon must tell consumers that Amazon does not carry MTM products before offering competitive products. Amazon countered that it only needed to label the search results clearly as different brands to avoid confusion. Amazon moved for summary judgment, and the primary issue before the court was "whether shoppers on Amazon are confused as to the source of products displayed in the list of search results."

The court started by discussing the conventional eight factors for determining likelihood of confusion as set out in *AMF, Inc. v. Sleekcraft Boats*,

19. 926 F. Supp. 2d 1130 (C.D. Cal. 2013).

599 F.2d 341 (9th Cir. 1979). It noted, however, that “emerging technologies require a flexible approach.” For initial interest confusion, the owner of the mark must demonstrate likelihood of confusion, not mere diversion. The court further found that this case was analogous to *Network Automation* in that both cases involved internet advertising. It therefore followed the *Network Automation* court’s approach by focusing on a subset of four *Sleekcraft* factors: “(1) the strength of the mark; (2) the evidence of actual confusion; (3) the type of goods and degree of care likely to be exercised by the purchaser; [and] (4) the labeling and appearance of the advertisements in the surrounding context on the screen displaying the results page.”

The court split the first factor, the strength of the mark, into conceptual strength and commercial strength. Regarding the conceptual strength of the mark, the court found that the term “Special Ops” was merely a suggestive reference to military-type watches, and that the overall mark is “at best suggestive, and more likely descriptive,” favoring Amazon. It further found that neither side presented admissible evidence as to the mark’s commercial strength and consequently found that the “strength of the mark” factor favored Amazon overall.

In analyzing the second factor, evidence of actual confusion, the court noted the rarity of this case, given that Amazon presented evidence that there was no actual confusion, not merely that confusion was unlikely. Amazon presented statistical evidence that an Amazon consumer searching for an MTM competitor brand sold on its site was twenty-one times more likely to purchase the product than an Amazon consumer searching for an MTM brand who saw competitor brands in the search results. The court disregarded MTM’s unsupported anecdotal evidence of confusion and found Amazon’s evidence of substantial difference in behavior on search results pages to be compelling evidence of no actual confusion, favoring Amazon.

The court quickly covered the third factor, the degree of care likely to be exercised. Because of the high prices associated with the MTM watches—in the hundreds to thousands of dollars—and the increased degree of care that customers use in internet purchases generally, he concluded that Amazon’s consumers would use a high degree of care in making the purchases, favoring Amazon again.

Finally, in analyzing the fourth factor, the court first looked for confusion as to why a query for “mtm special ops” would return results without any MTM brands and found that MTM presented evidence supporting consumer confusion. Nevertheless, when looking for evidence of consumer confusion as to the source of the watches presented on the search results page, the court found that MTM presented no evidence that consumers are likely to be confused as to the source of the results. Without

any evidence of confusion regarding the labeling in this context, this factor favored Amazon yet again.

Since all four likelihood of confusion factors favored Amazon, the court granted Amazon summary judgment, dismissing MTM's trademark infringement suit against Amazon.

IV. TRADE SECRET DEVELOPMENTS

A. *UNITED STATES V. AGRAWAL*²⁰

In *United States v. Agrawal*, the United States Court of Appeal for the Second Circuit affirmed Samarth Agrawal's criminal convictions for violating both the National Stolen Property Act ("NSPA") and the Economic Espionage Act ("EEA") after he misappropriated high-frequency securities trading code from the French bank Société Générale ("SocGen").

The NSPA is a federal criminal statute that prohibits the transportation in interstate or foreign commerce of "goods, wares, merchandise, securities or money" known to have been stolen. The EEA is a federal criminal statute that prohibits a wide range of espionage acts. Under the EEA, a violation occurs when an individual, "with intent to convert a trade secret, that is related to or included in a product that is produced for or placed in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret, knowingly . . . without authorization . . . transmits . . . or conveys such information."

While employed by SocGen as a trader, Agrawal actively pursued outside job opportunities, including an opportunity at Tower Research Capital ("Tower"), a New York-based hedge fund. He told Tower he could help build them a software system that was "very similar" to SocGen's, which was composed of highly complicated computer code developed over several years at a cost of several million dollars. After his meeting with Tower, Agrawal acquired access to SocGen's confidential code and printed out more than a thousand pages of it. He then transported the printed pages to his apartment. He met again with Tower to discuss replicating SocGen's strategies, after which Tower offered to hire Agrawal. Agrawal accepted the employment, but he delayed disclosing this to SocGen for several months to gain more experience with SocGen's systems and to collect a monetary bonus from SocGen. During that time, SocGen mistakenly gave Agrawal access to more pages of code, which he printed and took home. Soon thereafter, Agrawal

20. 726 F.3d 235 (2d Cir. 2013).

was arrested and charged with violations of the NSPA and the EEA. After a jury trial, the district court found Agrawal guilty of both charges. Agrawal appealed the convictions to the Second Circuit.

Agrawal challenged the legal sufficiency of both charges in the indictment in light of *United States v. Aleynikov*, 676 F.3d 71 (2d Cir. 2012), in which the Second Circuit held that (1) the NSPA does not cover theft of intangible property and (2) the EEA does not prohibit misappropriation of trade secrets unless the secret was designed to enter or pass in commerce. As to the count involving his alleged violation of the EEA, Agrawal argued that SocGen's computer code was "included in" SocGen's trading systems and that those internal, confidential systems cannot qualify as "product[s] . . . produced for or placed in interstate or foreign commerce," as required by the statute. As to the count involving his alleged violation of the NSPA, Agrawal asserted that SocGen's computer code is intangible property and not "goods, wares, or merchandise," as required by the NSPA. The Second Circuit rejected both of Agrawal's arguments.

Regarding the EEA charge, the Second Circuit distinguished *Aleynikov*, explaining that SocGen's confidential code was not "the 'product' relied on to satisfy the crime's jurisdictional element" under the EEA as it was in *Aleynikov*. Rather, the court explained, "the relevant product was the publicly traded securities bought and sold by SocGen using its HFT systems." As a result, the nexus provisions of the EEA must be read to indicate that, for purposes of determining theft, a trade secret may relate to a product placed in interstate commerce without being included in that product.

In considering the NSPA charge, the court noted that its *Aleynikov* decision overturned a conviction under the NSPA simply because the defendant stole his employer's property in electronic form. The court pointed out, however, that the *Aleynikov* decision did not discuss whether the court would have overturned the conviction if the defendant had stolen property in physical form. After addressing this issue, the court in *Agrawal* held that the NSPA's "tangible goods requirement" is satisfied if the medium of stolen goods is physical paper.

In dissent, Judge Pooler found the majority's discussion of the EEA puzzling given the Second Circuit's decision in *Aleynikov*. She criticized the majority's analysis regarding the nexus between the trade secret and securities product, finding that the trade secret was not related to the securities.

V. PRIVACY DEVELOPMENTS

A. *FLORIDA V. JARDINES*²¹

In *Florida v. Jardines*, the United States Supreme Court held that the use of a drug-sniffing dog on a homeowner's porch to investigate the contents of the home is a "search" within the meaning of the Fourth Amendment.

In 2006, Detective Pedraja of the Miami-Dade Police Department received a tip that marijuana was being grown in the home of Joelis Jardines. Pedraja watched the home for fifteen minutes and then advanced toward the house with Detective Bartelt, a canine handler, and his drug-sniffing dog Franky. As the dog approached the front porch, it detected one of the odors it was trained to detect and "alerted" its handler to the odor's strong point—the front door. Pedraja subsequently obtained a warrant to search the house, which revealed marijuana plants and led to Jardines's arrest. Following charges of marijuana trafficking, Jardines moved to suppress the evidence obtained pursuant to the search warrant.

The trial court granted Jardines's motion, the Florida Third District Court of Appeal reversed, and the Florida Supreme Court quashed the decision of the appellate court. The Supreme Court granted certiorari, and Justice Scalia delivered the opinion of the Court, which was split 5-4.

Writing for the majority, Justice Scalia regarded "the area 'immediately surrounding and associated with the home' . . . as 'part of the home itself for Fourth Amendment purposes.'" He emphasized that private property—particularly the home—is strongly protected, and intrusions are permitted only insofar as they comport with custom. Justice Scalia also pointed out that an individual does not need heightened legal knowledge to comply with the customary "implicit license" to approach a home, and that doing so is "generally managed without incident by the Nation's Girl Scouts and trick-or-treaters." This custom typically "permits the visitor to approach the home by the front path, knock promptly, wait briefly to be received, and then (absent invitation to linger longer) leave." However, he reasoned that using a drug-sniffing dog "to explore the area around the home in hopes of discovering incriminating evidence" violates these expectations, since the scope of this license "is limited not only to a particular area but also to a specific purpose." Justice Scalia found that the detectives' behavior objectively revealed a purpose to conduct a search, which exceeded the scope of their license.

21. 133 S. Ct. 1409 (2013).

Although the plurality held for *Jardines* on a property-based understanding of the Fourth Amendment, Justice Kagan's concurring opinion relied heavily on an invasion of privacy rubric. The concurring opinion considered the defendant's home an "intimate and familiar space" and thus viewed the search as a violation of the defendant's reasonable expectation of privacy. Justice Kagan reasoned that *Kyllo v. United States*, 533 U.S. 27 (2001), resolved the case on privacy grounds. In *Kyllo*, the Court held "that police officers conducted a search when they used a thermal-imaging device to detect heat emanating from a private home," even though the officers did not physically trespass. This analysis, Kagan concluded, prohibits the use of a trained drug-detection dog to "explore details of the home" because a trained drug-detection dog is a "device" similar to a thermal-imaging device. Like the technology in *Kyllo*, the drug-detection dog would allow detection of that which "would not otherwise have [been] discovered without entering the premises."

The dissent, however, concluded that no search within the meaning of the Fourth Amendment took place. Justice Alito reasoned that Detective Bartelt did not commit trespass during an "otherwise lawful visit to the front door" with his dog because the law of trespass does not prohibit police officers from approaching a residence to gather evidence against its occupant. Moreover, despite the frequent and historical use of police dogs for their heightened sense of smell, no precedent has been established that considers use of a dog's sense of smell as a trespass when exercised in an otherwise lawfully approachable area. The dissent also asserted that "the occupant of a house has no reasonable expectation of privacy with respect to odors that can be smelled by human beings who are standing in such places," and a line should not be drawn between odors "smelled by humans and those . . . detectible only by dogs."

In its plurality opinion, the Court concluded that the search took place in a constitutionally protected area, and the officers' ability to gather information in that area was limited. Police officers without a warrant do not have access to private property any more than private citizens. Furthermore, the American conception of property is strongly protected and the officers were not authorized by *Jardines* to enter his property for the purpose of a search. As such, the officers' use of a trained drug-detection dog to explore details of a home that would have been unknowable without physical intrusion was a search in violation of the Fourth Amendment.

B. *MARYLAND V. KING*²²

In *Maryland v. King*, the United States Supreme Court held that a criminal suspect, lawfully arrested for a serious offense supported by probable cause, is not subject to an unreasonable search and seizure when a sample of his DNA is collected and analyzed pursuant to the Maryland DNA Collection Act.

Maryland's DNA Collection Act (the "DNA Act") authorizes law enforcement officers to collect DNA samples from charged or convicted felons of a crime of violence. A sample may not, however, be added to a database before an individual is arraigned, and it must be destroyed if he is not convicted. Furthermore, only identity information may be added to the database.

On April 10, 2009, police arrested Alonzo King on first- and second-degree assault charges. At the Maryland police station, law enforcement collected a sample of King's DNA using a cheek swab, pursuant to the DNA Act. After lab testing and DNA database identification, the FBI processed King's DNA by entering it into its national database for unsolved crimes. The search identified a DNA sample found at the scene of an unresolved 2003 rape, which matched King's DNA sample. Following King's DNA match, the Maryland Circuit Court charged King with first-degree rape.

King moved to suppress the evidence showing the DNA match, arguing that the Act violated the Fourth Amendment and that law enforcement did not collect and process his DNA sample in accordance with the procedures specified by the DNA Act. Thus, King claimed, the charges against him for the 2003 rape were invalid.

At trial, the Maryland Circuit Court found the Act constitutional and convicted King of first-degree rape, sentencing him to life in prison. The Maryland Court of Appeals reversed and remanded the trial court's decision, deeming the search unreasonable and thus unconstitutional under the Fourth Amendment. Still, the court upheld the constitutionality of the DNA Act overall. It found, however, that portions of the Act authorizing DNA collection from felony arrestees were unconstitutional.

The United States Supreme Court granted certiorari to address the question of whether the government may collect DNA samples from individuals who have been arrested, but not yet convicted, without a warrant or consent. The Court evaluated the Fourth Amendment challenges under the reasonableness test. The reasonableness test requires an assessment, on

22. 133 S. Ct. 1958 (2013).

the one hand, of the degree to which a warrantless search intrudes upon an individual's privacy and, on the other, the degree to which it is needed for the promotion of legitimate government interests. In other words, for the search to be justifiable, the government interest must outweigh the degree to which the search invades an individual's legitimate expectations of privacy.

The Supreme Court argued that the degree of intrusion upon King's individual privacy when law enforcement collected a sample of his DNA was reasonable since King's arrest for assault lowered his privacy interest. Furthermore, the Supreme Court also considered to what degree a buccal swab was an intrusion into the human body. The Court held that a buccal swab applied to the inner tissue of a person's cheek in order to obtain a DNA sample does indeed constitute a search. However, the intrusion is negligible because it does not threaten the safety or health of the individual, nor does it "increase the indignity already attendant to normal incidents of arrest."

After assessing the degree to which the government needed King's DNA search for the promotion of its legitimate interests, the Court found that the government interest largely outweighed the degree to which King's DNA search invaded his legitimate expectations of privacy. According to the Court, DNA is just another metric of identification that involves gaining insight into a suspect's criminal history in order to determine what kind of threat he poses to facility staff, the existing detainee population, and the public. In fact, knowing the defendant's past criminal conduct may help in determining what kind of threat he poses to the public and may therefore affect a trial court's bail determination. The Court also explained that the government has a substantial interest in ensuring that persons accused of crimes are present at trial and not inclined to flee in order to avoid being caught for another more serious crime. Furthermore, identification of an arrestee for some heinous crime may free a person wrongfully imprisoned.

Finally, the Supreme Court evaluated whether the subsequent processing of King's DNA sample against the FBI's national database intruded on his privacy in a way that would make his DNA identification unconstitutional. The Court reasoned that it did not intrude on King's privacy since the DNA that was used for identification purposes only came from non-coding DNA sequences that do not reveal any information beyond identification.

The Court therefore reversed the Maryland Court of Appeal's decision and concluded that taking and analyzing an arrestee's DNA collected from a cheek swab incident to an arrest for a serious offense supported by probable cause is reasonable under the Fourth Amendment. The Court reasoned that such DNA identification is no more than an extension of other legitimate police booking procedures like fingerprinting and photographing.

Justice Scalia filed a dissenting opinion in which Justices Ginsburg, Sotomayor, and Kagan joined. According to the dissent, the DNA search conducted on King had nothing to do with establishing King's identity and was therefore not only in violation of the Fourth Amendment, but also in direct violation of the Act, which forbids DNA collection for any purpose other than identification.

Scalia argued that the Fourth Amendment forbids searching for evidence of a crime absent any basis for believing a person is guilty of the crime. According to Scalia, the primary purpose of the DNA search conducted on King was to detect evidence that he had committed crimes unrelated to the crime of his arrest and was therefore unconstitutional. Furthermore, Scalia argued that King's DNA was not collected and processed in accordance with the procedures specified by the DNA Act. Under the DNA Act, only identity information may be added to the database after an individual is arraigned. According to Scalia, if one wanted to identify someone in custody using his DNA, it would be more logical to compare that DNA against known offenders than to compare it against the collection of evidence from unsolved crimes, whose perpetrators are by definition unknown.

VI. RIGHT OF PUBLICITY DEVELOPMENTS

A. *IN RE NCAA STUDENT-ATHLETE NAME & LIKENESS LICENSING LITIGATION*²³

In *In re NCAA Student-Athlete Name & Likeness Licensing Litigation*, the United States Court of Appeals for the Ninth Circuit affirmed the district court's denial of a video game developer's motion to strike, which challenged a former college football player's right of publicity claims as a strategic lawsuit against public participation ("SLAPP"). In its anti-SLAPP motion, the developer raised a number of defenses, each grounded in the First Amendment. However, the Ninth Circuit, focusing on the "transformative use" test, ultimately held that the developer had no First Amendment defense against the football player's right of publicity claims for the use of his likeness in a video game that approximated the very setting in which he had achieved renown.

Electronic Arts, Inc. ("EA"), the developer, produced the video game series *NCAA Football*, in which players could control avatars of college football players to participate in simulated games. Each avatar corresponded to a real-life player, with the player's actual jersey number and virtually

23. 724 F.3d 1268 (9th Cir. 2013).

identical height, weight, build, skin tone, hair color, and home state. However, the game differed slightly from reality by omitting the players' names from their jerseys and by assigning each avatar a hometown that is different from the actual player's hometown. Samuel Keller, the plaintiff and one of the many players represented in the game, filed a putative class-action complaint in the United States District Court for the Northern District of California, alleging that EA violated his rights of publicity under California Civil Code § 3344 and California common law. In response, EA filed a motion to strike the complaint under California's anti-SLAPP statute, California Civil Procedure Code section 425.16.

To meet the requirements of Section 425.16, a defendant must make a *prima facie* showing that the plaintiff's suit arises from an act by the defendant made in connection with a public issue in furtherance of the defendant's right to free speech under the United States or California Constitution. If there is such a *prima facie* showing, a court must then evaluate whether the plaintiff has established a reasonable probability that the plaintiff will prevail on his claim. In its motion, EA raised four affirmative defenses derived from the First Amendment: (1) protection of speech under the "transformative use" test, (2) protection of speech under the *Rogers* test, (3) the "public interest" exemption to the right of publicity, and (4) the "public affairs" exemption to the right of publicity. EA argued that in light of these defenses, it is not reasonably probable that Keller would prevail on his right of publicity claim. The district court denied EA's motion, holding that EA (1) had no First Amendment defense against Keller's right of publicity claims, and (2) that no other defense asserted by EA defeated Keller's claims. EA appealed, and the Ninth Circuit analyzed each of EA's asserted defenses.

First, regarding the "transformative use" test, the court pointed to five factors in *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 21 P.3d 797 (Cal. 2001), used to determine whether a work is sufficiently transformative to obtain First Amendment protection:

1. Whether the celebrity likeness is one of the "raw materials" from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question;
2. Whether the work is primarily the defendant's own expression, as long as that expression is something other than the likeness of the celebrity;
3. Whether the literal and imitative or the creative elements predominate in the work;

4. Whether the marketability and economic value of the challenged work derive primarily from the fame of the celebrity depicted; and
5. Whether an artist's skill and talent is manifestly subordinated to the overall goal of creating a conventional portrait of a celebrity so as to commercially exploit his or her fame.

After reviewing case law from within the Ninth Circuit and California state courts, the court found that EA's use of Keller's likeness did not contain significant transformative elements such as would entitle EA to the defense as a matter of law. The court found that the facts at hand were very similar to those in *No Doubt v. Activision Publishing, Inc.*, 122 Cal. Rptr. 3d 397 (Ct. App. 2011). It reasoned that here, as in the video game in dispute in *No Doubt*, users manipulated the avatars in the performance of the same activity for which they are known in real life—in this case, the avatars played football, and in *No Doubt*, the avatars performed in a rock band. The context in which the activity occurs is similarly realistic—*No Doubt* placed avatars in real concert venues, and in *NCAA Football*, settings included realistic depictions of actual college football stadiums. Finally, because the avatar in *NCAA Football* replicated Keller's physical characteristics and depicted exactly what he did as a celebrity, it did not transform the public figure into a “fanciful, creative character” or portray him as an “entirely new character.”

The Ninth Circuit also discussed a very similar case, *Hart v. Electronic Arts, Inc.*, 717 F.3d 141 (3d Cir. 2013), where EA faced a materially identical challenge by a former college football player under New Jersey's right of publicity law. There, the Third Circuit noted the striking similarity between right of publicity laws in both states and applied the “transformative use” test. The Third Circuit held that *NCAA Football* did not sufficiently transform Hart's identity to escape the right of publicity claim; thus, the court reversed the district court's grant of summary judgment to EA. In reaching the same conclusion as the Third Circuit did, the Ninth Circuit agreed that in *NCAA Football*, (1) the lack of transformative context is even more pronounced than in *No Doubt*, and (2) the appeal of the game lies in users' ability to play as, or alongside, their preferred players or team.

Second, the court refused to import the *Rogers* test for false endorsement claims under the Lanham Act into a right of publicity context wholesale. In *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989), the Second Circuit balanced First Amendment rights against claims under the Lanham Act, holding that the Lanham Act should apply to artistic works only where the public interest in avoiding consumer confusion outweighs the public interest in free expression. The Ninth Circuit reasoned that the *Rogers* test was designed to protect consumers from the risk of consumer confusion, while the right of publicity seeks to protect intellectual property. The Ninth Circuit also

pointed to *Brown v. Electronic Arts, Inc.*, 724 F.3d 1235 (9th Cir. 2013), a similar case decided on the same day by the same panel, but which was based on Lanham Act claims. There, the court held that under the *Rogers* test, since Brown's likeness is artistically relevant to the video games and there are no facts supporting the claim that EA misled consumers as to Brown's involvement with the games, the public interest in free expression outweighed the public interest in avoiding consumer confusion. Here, Keller's publicity claim was not founded on alleged consumer confusion, but rather on the allegation that EA had misappropriated his talent and years of hard work on the football field. The reasoning underlying the *Rogers* test—that artistic and literary works should be protected unless they explicitly mislead consumers—was simply not applicable to Keller's asserted interests.

The court also found the third and fourth defenses inapplicable. The two defenses protect the reporting of factual information under state law. The “public interest” exemption only applies to common law right of publicity claims, while the “public affairs” exemption only applies to statutory right of publicity claims. The court reasoned that both defenses are intended to protect the publishing or reporting of factual data. However, *NCAA Football* is not a means for obtaining information about real-world football games, and therefore it is not publishing or reporting factual data, which otherwise could be protected under these two defenses. By denying EA's four possible defenses, the Ninth Circuit therefore affirmed the district court's decision to deny EA's motion to strike.

In Judge Thomas's dissent, he argued for examining the transformative and creative elements in the video game as a whole, rather than the majority's analysis of how a single athlete's likeness is represented in the video game. He determined that the creative and transformative elements of *NCAA Football* dominate the commercial use of the likenesses of the athletes within the games. Moreover, he found that with thousands of virtual football players in *NCAA Football*, there is no evidence that the market power of the video game came from the likeness of Keller as opposed to the creativity of the video game itself.

VII. ANTITRUST DEVELOPMENTS

A. *UNITED STATES V. APPLE INC.*²⁴

In *United States v. Apple Inc.*, a United States District Court for the Southern District of New York held that Apple, in violation of the Sherman

24. 952 F. Supp. 2d 638 (S.D.N.Y. 2013).

Act, conspired to raise the price of electronic books (“e-books”) through various horizontal price-fixing activities performed in connection with Apple’s 2010 release of the iPad.

The United States Department of Justice and thirty-three states and U.S. territories (collectively, “the DOJ”), filed an antitrust suit in 2012 alleging that Apple and five major book publishing companies conspired to raise, fix, and stabilize prices of e-books in violation of Section 1 of the Sherman Antitrust Act, which delineates and prohibits specific means of anticompetitive conduct. The five publishing companies were Hachette Book Group, Inc., HarperCollins Publishers, Macmillan, Penguin Group, Inc., and Simon & Schuster, Inc. (collectively, “Publishers”). The Publishers settled their claims, but Apple proceeded to trial.

When Apple released its iPad, Amazon and its Kindle e-reader led the e-book market. At the time, Amazon had agreements with publishers to follow a “wholesale model” of pricing, wherein the publishers would sell books to retailers like Amazon at a wholesale price, which was often a percentage of their suggested retail price. The retailers, not the publishers, had the power to sell the e-books at any price they chose. Amazon decided to price newly released and bestselling e-books at \$9.99 each, which roughly matched the wholesale price. This led to discontent among the Publishers, as they feared the low price point would have detrimental effects on both their short-term and long-term business models. In the short term, they feared that the low price point would harm sales of their more profitable hardcover books at brick-and-mortar stores, often priced at thirty dollars or more. In the long-term, the Publishers feared that consumers would grow accustomed to \$9.99 as the price for all books.

When Apple launched the iPad with e-reader capabilities on iBookstore, it sought to make a change. Apple and the Publishers worked together to replace the wholesale model with the “agency model.” The agency model allowed the Publishers to retain the authority to set prices themselves, and a thirty percent commission ensured that Apple would make a profit from every e-book sale without having to compete on price. However, Apple worried that if the Publishers raised e-book prices, which they would when given the opportunity, consumers would not want to buy e-books at \$14.99 from the iBookstore when they could get them from Amazon for \$9.99. Thus, Apple sought to have all other retailers, including Amazon, under the agency model. In its contracts with the Publishers, Apple included a most-favored-nations (“MFN”) clause, which required publishers to ensure that the prices for new releases in the iBookstore matched any lower retail price offered by any other retailer. Therefore, the Publishers felt pressure to switch all retailers, including Amazon and Google, to the agency model to retain

control over prices. Both Apple and the Publishers knew that, as a result of their actions, e-book prices would rise across the board. In fact, prices did in fact go up in April 2010.

The DOJ presented extensive direct and circumstantial evidence that Apple orchestrated the horizontal price-fixing conspiracy between the publishers, leading the court to hold that the DOJ proved a per se violation of the Sherman Act.

