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Intellectual Property Law

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INTELLECTUAL PROPERTY LAW

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I. INTRODUCTION

This article surveys significant developments in intellectual property (IP) law during the past year (i.e., 2013 or the Survey Period).¹ While this article focuses on case law that is precedential in the Fifth Circuit, it also reviews IP law developments that are likely to be influential in the evolution of Texas IP jurisprudence. Thus, the cases cited focus on the decisions of the U.S. Supreme Court and the U.S. Courts of Appeals for the Fifth and Federal Circuits. For developments in copyright and trademark law, the Fifth Circuit's authority is binding, but other circuits, such as the Second and the Ninth, are considered highly persuasive. Because all cases concerning a substantive issue of patent law are appealed to the U.S. Court of Appeals for the Federal Circuit, decisions from that court during the Survey period are included in this article.

The U.S. Supreme Court was quite active in the IP field since the last Survey period (i.e., 2012) ended, deciding five cases involving IP issues² and granting writs of certiorari on nine others.³ In patents, the Court showed particular interest in what qualifies as patentable subject matter.⁴ The Court also considered whether patent exhaustion applies to self-replicating seeds⁵ and granted certiorari to consider divided patent infringement.⁶ The Court considered other issues including whether federal jurisdiction extends to patent malpractice claims⁷ and whether "reverse payment" settlements are immune from antitrust attack.⁸ The Federal Circuit also made important developments to its patent law jurisprudence.⁹ Additionally, Congress enacted the Patent Law

1. The views expressed in this article are the views of the individual authors and are not necessarily those of Haynes and Boone, LLP, its attorneys, or any of its clients.

2. See *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2227 (2013); *Gunn v. Minton*, 133 S. Ct. 1059, 1062 (2013); *Bowman v. Monsanto Co.*, 133 S. Ct. 1761, 1764 (2013); *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2110-11 (2013); *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1354 (2013).

3. See *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 734 (2013); *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 896 (2014); *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 496 F. App'x 57 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 49 (2013); *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 695 F.3d 946 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 50 (2013); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 695 F.3d 1266 (Fed. Cir. 2012), *rev'd sub nom. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843 (2014); *Limelight Networks, Inc. v. Akamai Technologies*, 692 F.3d 1301 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014); *Pom Wonderful LLC v. Coca-Cola Co.*, 679 F.3d 1170 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014); *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 576 (2d Cir. 2013), *cert. granted sub nom. ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 896 (2014).

4. See *Myriad*, 133 S. Ct. at 2111.

5. See *Bowman*, 133 S. Ct. at 1764.

6. See *Limelight Networks, Inc.*, 692 F.3d at 1305.

7. See *Gunn*, 133 S. Ct. at 1062.

8. See *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2227 (2013).

9. See *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361 (Fed. Cir. 2013); *Robert Bosch*,

Treaties Implementation Act of 2012, which brings the United States in alignment with the Hague Agreement Concerning International Registration of Industrial Designs and the Patent Law Treaty.¹⁰

In copyright, the U.S. Supreme Court decided whether the first sale doctrine applies to copyrighted material that is published abroad, sold abroad, and then imported into the United States.¹¹ A federal district court determined whether Google's scanning, storage, and display of millions of books falls within the "fair use" defense to copyright infringement.¹² In trademark, the Fifth Circuit confirmed that the defense of laches can preclude a comprehensive injunction against an infringer.¹³ The enactment of the Texas Uniform Trade Secrets Act, which clarifies and changes trade secret law in Texas, is perhaps more significant.¹⁴

II. PATENT UPDATE

A. THE U.S. SUPREME COURT ON PATENTS

1. A Closer Look at Reverse Payment Agreements—*Federal Trade Commission v. Actavis, Inc.*

In *Federal Trade Commission v. Actavis, Inc.*, the Supreme Court considered whether the monopoly rights associated with a patent should shield a reverse payment agreement from antitrust attack.¹⁵ A reverse payment, or pay-for-delay settlement agreement, is an agreement that involves a patentee paying the alleged patent infringer.¹⁶ This is unusual because the majority of settlements involve the alleged infringer paying the patentee.¹⁷ These agreements are common among pharmaceutical companies and are often characterized as agreements that keep less-expensive generic drugs off the shelves.¹⁸ In a highly anticipated decision that raised uncertainty in the pharmaceutical industry, the Court held that reverse payment settlements are not immune from antitrust attack and should be evaluated using the rule of reason test that is ordinarily applied to antitrust cases.¹⁹

Solvay Pharmaceuticals owns a patent covering AndroGel[®], which was the

LLC v. Pylon Mfg. Corp., 719 F.3d 1305 (Fed. Cir. 2013); Raylon LLC v. Complus Data Innovations, Inc., 700 F.3d 1361 (Fed. Cir. 2013).

10. See Patent Law Treaties Implementation Act of 2012, § 201, Pub. L. 112-211, 126 Stat. 1531.

11. See *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1355 (2013).

12. See *Authors Guild, Inc. v. Google, Inc.*, 954 F. Supp. 2d 282, 289 (S.D.N.Y. 2013).

13. *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 626 (5th Cir. 2013), cert. denied, 134 S. Ct. 88 (2013).

14. See Texas Uniform Trade Secrets Act, TEX. CIV. PRAC. & REM. CODE ANN. §§ 134A.001 et seq. (2013).

15. *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2227, 2237 (2013).

16. *Id.* at 2227.

17. See *id.* at 2231.

18. *Id.* at 2227; Edward Wyatt, *Supreme Court Lets Regulators Sue Over Generic Drug Deals*, N.Y. TIMES, June 17, 2013, http://www.nytimes.com/2013/06/18/business/supreme-court-says-drug-makers-can-be-sued-over-pay-for-delay-deals.html?_r=0.

19. *Actavis, Inc.*, 133 S. Ct. at 2227, 2237.

first branded drug to receive FDA approval for gel-based testosterone replacement therapy.²⁰ Using an abbreviated new drug application (ANDA) under the Hatch-Waxman Act, Actavis, Inc. (then known as Watson Pharmaceuticals) requested FDA approval of a generic version of AndroGel®.²¹ Actavis also certified in its application that Solvay's patent covering AndroGel® was invalid.²² Solvay then sued Actavis for patent infringement, and Actavis responded with a patent invalidity claim.²³ Later, Actavis and Solvay settled and entered into multiple settlement agreements. Solvay agreed to dismiss the infringement action, and Actavis agreed to not market its generic product for nine years.²⁴ Actavis also agreed to market AndroGel® in exchange for a portion of the gel's profits.²⁵ Based on these agreements, Actavis expected to receive between \$15 and \$30 million per year from Solvay.²⁶

The FTC filed suit, claiming the settlement agreements violated antitrust laws because Solvay was paying Actavis to not compete with AndroGel®.²⁷ The federal district court applied the "scope-of-the-patent" approach, which includes examining "(1) the scope of the exclusionary potential of the patent; (2) the extent to which the agreements exceeded that scope; and (3) the resulting anticompetitive effects."²⁸ Because the FTC did not allege that the settlement agreements exceeded the scope of Solvay's patent, the district court dismissed the FTC's complaint.²⁹

The Eleventh Circuit affirmed, noting that the evaluation of reverse payment agreements for antitrust violations would be difficult administratively.³⁰ Antitrust claims often hinge on the validity of a patent, which would create a patent validity case-within-a-case for each antitrust claim.³¹ The Eleventh Circuit also noted that, as a matter of public policy, settlement agreements are generally favored.³²

On appeal to the Supreme Court, the FTC argued that reverse payment agreements are presumptively unlawful.³³ Therefore, the agreement should be evaluated using the "quick look" approach, in which the defendant bears the burden of showing that the agreement provides some countervailing procompetitive effects.³⁴ Actavis argued that a reverse payment agreement should be evaluated using the "scope-of-the-patent" approach, in which the

20. *Id.* at 2229.

21. *Id.*

22. *Id.*

23. *In re AndroGel Antitrust Lit.* (No. II), 687 F. Supp. 2d 1371, 1374-75 (N.D. Ga. 2010).

24. *Id.* at 1375.

25. *Id.*

26. *Id.*

27. *Id.* at 1375-76.

28. *Id.* at 1377.

29. *Id.* at 1379.

30. *FTC v. Watson Pharm., Inc.*, 677 F.3d 1298, 1313-15 (11th Cir. 2012), *rev'd and remanded sub nom. FTC v. Actavis, Inc.*, 133 S. Ct. 2223 (2013).

31. *Id.*

32. *Actavis, Inc.*, 133 S. Ct. at 2230.

33. Brief for Petitioner at 33, *FTC v. Watson Pharm., Inc.*, 133 S. Ct. 2223 (2013) (No. 12-416).

34. *Id.*

agreement must exceed the exclusionary potential of a patent.³⁵ Actavis also noted that a ruling severely limiting settlement options would chill settlements and could result in less innovation from drug manufacturers.³⁶

The Supreme Court rejected both proposed approaches and noted that anticompetitive effects must be measured against patent law policy as well as antitrust policies.³⁷ It held that a reverse agreement should be evaluated under the “rule of reason” test that is ordinarily applied in antitrust cases.³⁸

Five considerations were given in support of adopting the “rule of reason” approach.³⁹ First, reverse settlement agreements potentially create a “genuine adverse effects on competition.”⁴⁰ It is possible that the patentee pays the patent challenger to abandon its very strong patent invalidity claim so that both patentee and patent challenger share the monopoly profits.⁴¹ In this situation, the consumer loses.⁴² Second, the “rule of reason” test allows an antitrust defendant to justify any anticompetitive consequences that may result from a reverse settlement agreement.⁴³ Legitimate justifications may be that the payment amount is roughly equivalent to litigation costs, exchanged for services, or related to other traditional settlement considerations.⁴⁴ Third, when unjustified anticompetitive harm is possible, the patentee likely possesses the market power and financing to bring about the harm.⁴⁵ Fourth, evaluating a reverse settlement agreement for antitrust violations should be less difficult than the Eleventh Circuit describes.⁴⁶ That is, it would not be normally “necessary to litigate the patent validity [in order] to answer the antitrust question.”⁴⁷ Instead, the Court suggests that a “large” payment would, in itself, suggest that the patentee seriously doubts the patent’s validity.⁴⁸ Fifth, lawsuits will still be settled even if large, unjustified reverse payment settlements are now susceptible to antitrust attack.⁴⁹ The Court notes that instead of large payments, the parties could negotiate for the generic brand to enter the market prior to the patent’s expiration.⁵⁰

The often described “amorphous” rule of reason approach involves determining “whether the restraint imposed . . . merely regulates and perhaps thereby promotes competition or whether it . . . may suppress or even destroy

35. Brief for Respondent at 13–21, *FTC v. Watson Pharm., Inc.*, 133 S. Ct. 2223 (2013) (No. 12-416).

36. *Id.* at 44–45.

37. *Actavis, Inc.*, 133 S. Ct. at 2231.

38. *Id.* at 2227.

39. *Id.* at 2234–37.

40. *Id.* at 2234 (internal citation and quotation marks omitted).

41. *Id.* at 2234–35.

42. *Id.* at 2235.

43. *Id.* at 2235–36.

44. *Id.* at 2236.

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.*

49. *Id.* at 2237.

50. *Id.*

competition.”⁵¹ Generally, a court should consider “the facts peculiar to the business to which the restraint is applied; its condition before and after the restraint was imposed; and the nature of the restraint and its effect, actual or probable.”⁵² It was left to the lower courts to tailor the rule of reason analysis for reverse payment settlement agreements, but the Court does state that factors to be considered are “likely anticompetitive effects, redeeming virtues, market power, and potentially offsetting legal considerations present in the circumstances.”⁵³ Additionally, the likelihood of anticompetitive effects will depend upon the size of the reverse payment, payment size compared to future litigation costs, its independence from “other services for which it might represent payment,” and the absence of any other convincing justification.⁵⁴

Three justices dissented, noting that the “scope-of-the-patent” test properly separates patent and antitrust law, with exceptions involving sham litigation and fraud on the Patent and Trademark Office.⁵⁵ The dissent noted that the “rule of reason” test could require the lower courts to determine the validity of the patent, which would involve costly and lengthy litigation.⁵⁶ Additionally, the dissent argued that the majority’s holding discourages settlement of patent litigation and fails to recognize that patent law also protects consumer interest by providing protection against competition.⁵⁷

How the Court’s decision will affect the pharmaceutical industry’s use of reverse payment agreements is currently unknown. However, Actavis concedes that the Court’s holding will result in an “additional and unnecessary administrative burden” on the pharmaceutical industry.⁵⁸ With little guidance on how the rule of reason test will be implemented, the pharmaceutical industry will be watching closely for case law developments.

2. *The Proper Home for a Case-Within-a-Case—Gunn v. Minton*

Under 28 U.S.C. § 1338(a), federal courts have exclusive subject matter jurisdiction over cases “arising under any Act of Congress relating to patents.”⁵⁹ In *Gunn v. Minton*, the Supreme Court considered whether a state malpractice claim involving the handling of a patent case fell within the subject matter jurisdiction of 28 U.S.C. § 1338(a).⁶⁰ Vernon Minton developed a computer program known as the Texas Computer Exchange Network (TEXCEN), which he leased to a securities brokerage.⁶¹ Over a year later, Minton filed a patent

51. *FTC v. Ind. Fed. of Dentists*, 476 U.S. 447, 458 (1986) (quoting *Bd. of Trade of City of Chi. v. United States*, 246 U.S. 231, 238 (1918)).

52. *Bd. of Trade of City of Chic.*, 246 U.S. at 238.

53. *Actavis, Inc.*, 133 S. Ct. at 2231.

54. *Id.* at 2237.

55. *Id.* at 2239.

56. *Id.* at 2245.

57. *Id.* at 2245–46.

58. Press Release, Actavis, U.S. Supreme Court Reverses U.S. Court of Appeals Decision in *FTC v. Actavis* (June 17, 2013), available at http://ir.actavis.com/phoenix.zhtml?c=65778&p=irol-newsArticle_pf&ID=1830404.

59. 28 U.S.C. § 1338(a).

60. *Gunn v. Minton*, 133 S. Ct. 1059, 1062, 1065 (2013).

61. *Id.*

application that was substantially based on TEXCEN.⁶² Upon receiving a patent, Minton—represented by Jerry Gunn—filed a patent infringement suit against the National Association of Securities Dealers, Inc. and the NASDAQ Stock Market, Inc. (NASDAQ).⁶³ Gunn was not aware of the lease of TEXCEN at that time.⁶⁴ At trial, NASDAQ moved for summary judgment and argued that the lease of TEXCEN violated the “on sale” bar under 35 U.S.C. § 102(b), and therefore, Minton’s patent was invalid.⁶⁵ Minton tried to distinguish between the patented system and TEXCEN, but the district court granted the summary judgment motion and held that the patent was invalid.⁶⁶ Afterward, Minton obtained new counsel and filed a motion for reconsideration, arguing that the lease fell within the “experimental use” exception to the on-sale bar.⁶⁷ The motion was denied, with the district court holding that the experimental use argument was waived.⁶⁸ The Federal Circuit affirmed the district court’s decision.⁶⁹

Minton, believing that this waiver resulted in the invalidation of his patent and the loss of his \$100 million damages claim against NASDAQ, filed a malpractice claim against Gunn in Texas state court.⁷⁰ Liability under the malpractice claim hinged on the causation element and whether the lease was, in fact, for an experimental purpose.⁷¹ The Texas trial court found that Minton could provide no evidence supporting the experimental purpose argument and granted summary judgment to Gunn.⁷² Minton then filed an appeal and argued that his malpractice claim actually belonged in federal court because it “arose under exclusive federal patent law jurisdiction.”⁷³ The Texas Court of Appeals applied the *Grable* test, which provides that federal jurisdiction is triggered over a 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.”⁷⁴ A divided panel of the Texas Court of Appeals held that while Minton’s claim involved a federal issue that was necessarily raised and actually disputed, it was not substantial enough to meet the *Grable* test.⁷⁵ Additionally, if federal courts possessed exclusive subject-matter jurisdiction over state-based legal malpractice claims requiring application of federal patent law, the federal-state balance would be disrupted.⁷⁶ The Texas Court of Appeals then affirmed the trial court’s decision.⁷⁷ On appeal, the

62. *Id.*

63. *Id.*

64. *Minton v. Gunn*, 355 S.W.3d 634, 637 (Tex. 2011) *rev'd*, 133 S. Ct. 1059 (2013).

65. *Gunn*, 133 S. Ct. at 1062.

66. *Id.*

67. *Id.* at 1062–63; *Minton*, 355 S.W.3d at 638.

68. *Gunn*, 133 S. Ct. at 1063.

69. *Id.*

70. *Id.*

71. *Id.*

72. *Id.*

73. *Minton v. Gunn*, 355 S.W.3d 634, 639 (Tex. 2013), *rev'd*, 133 S. Ct. 1059 (2013).

74. *Gunn*, 133 S. Ct. at 1063, 1065.

75. *Id.*

76. *Id.* at 1063.

77. *Id.*

Supreme Court of Texas reversed, noting that the determination of the experimental use exception was the crux of the state claim and federal courts are “well-versed in that subject matter.”⁷⁸

After applying the *Grable* test, the U.S. Supreme Court held that the claim should stay in state court.⁷⁹ While the resolution of a federal patent question was “necessary” to Minton’s case and was “actually disputed,” it was not “substantial.”⁸⁰ The Court explained that for an issue to be “substantial,” it must be important to the federal system as a whole.⁸¹ Here, the backward-looking nature of a malpractice claim prevented a change to the status of Minton’s patent.⁸² His patent would have remained invalid even if the state court would have found that the experimental use argument could have succeeded.⁸³ The Court also dismissed the concern that a state court determining a patent malpractice claim would undermine the development of a uniform body of law, because a federal court is not bound by a state court’s decision regarding a hypothetical case-within-a-case malpractice claim.⁸⁴ Additionally, the federal courts’ greater familiarity with patent law is not such a significant factor to trigger federal jurisdiction.⁸⁵ Without a substantial federal issue, the Court held that removing the claim from state court would also disrupt the balance of federal and state judicial responsibilities.⁸⁶

3. *Blaming the Bean—Monsanto v. Bowman*

The sole question before the Court in *Monsanto Co. v. Bowman* was whether to apply the doctrine of patent exhaustion to self-replicating technologies, such as seeds.⁸⁷ Under the doctrine of patent exhaustion, an authorized sale of a patented item terminates all patent rights in that item and allows the purchaser to use or resell that item.⁸⁸

Monsanto owned patents covering Roundup[®] Ready soybeans, which Monsanto or its licensees sold to growers under a limited use license.⁸⁹ The limited use license allowed each grower to sell the second-generation seeds, or progeny seeds, to local grain elevators to be used as feed or as a commodity grain.⁹⁰ Saving the progeny seeds or selling them elsewhere violated the limited use license.⁹¹ Vernon Bowman, a grower, purchased commodity soybean seeds from a local grain elevator.⁹² Bowman hoped that some of these commodity

78. See *Minton*, 355 S.W.3d at 646–47; *Gunn*, 133 S. Ct. at 1063–64.

79. See *Gunn*, 133 S. Ct. at 1065–68.

80. See *id.* at 1066.

81. See *id.*

82. *Id.* at 1066–67.

83. See *id.* at 1067.

84. See *id.*

85. See *id.* at 1068.

86. See *id.*

87. See *Monsanto Co. v. Bowman*, 133 S. Ct. 1761, 1764 (2013).

88. See *id.* at 1766.

89. *Id.* at 1764.

90. See *id.*

91. See *id.*

92. See *id.* at 1765.

seeds were second-generation patented soybean seeds, which would allow him to obtain patented soybean seeds at a much lower price than buying them from Monsanto.⁹³ Bowman planted the commodity seeds and grew soybeans, with some being third-generation patented soybean seeds.⁹⁴ Bowman harvested and saved the third-generation patented soybean seeds for future plantings.⁹⁵ Monsanto sued for patent infringement, and Bowman raised the patent exhaustion defense, arguing that the local grain elevators were sold the soybeans without restrictions.⁹⁶ Therefore, any patent rights to the soybeans and their progenies were exhausted.⁹⁷ The district court held that patent exhaustion did not apply because the third-generation seeds were newly infringing articles and were never sold.⁹⁸ Therefore, patent exhaustion could not apply to the third-generation seeds. Additionally, it held there was never an unconditional sale to trigger patent exhaustion because the second-generation seeds were never authorized to be sold for replanting.⁹⁹

The Federal Circuit agreed with Monsanto and found that patent exhaustion did not bar Monsanto's infringement claims.¹⁰⁰ The court held that even if Monsanto's patent rights in the second-generation seeds were exhausted by the authorized sale to grain elevators, an authorized sale conveys only the right to use the article, not the right to *make* a newly infringing article (i.e., the third-generation seeds).¹⁰¹ Additionally, it held the third-generation seeds were newly infringing articles and did not "substantially embody" the second-generation seeds.¹⁰² The court noted that to hold otherwise would eviscerate the rights of one who owns patents in self-replicating technologies.¹⁰³

On appeal, Bowman acknowledged that the exhaustion doctrine does not allow a purchaser to make a new product.¹⁰⁴ However, Bowman argued that his activities fell within "use" of the seeds, since he only planted the seeds as any normal farmer would do.¹⁰⁵ It was the *seeds* that replicated to make the new product.¹⁰⁶ The Supreme Court rejected this "blame the bean" defense and noted that Bowman was not a passive observer of the seeds' multiplication.¹⁰⁷ Rather, Bowman was an active participant in the beans' reproduction.¹⁰⁸ The Court agreed with the Federal Circuit and held that patent exhaustion does not

93. *See id.*

94. *See id.*

95. *See id.*

96. *See id.*

97. *See id.*

98. *See Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834, 839 (S.D. Ind. 2009).

99. *See id.*

100. *Monsanto Co. v. Bowman*, 657 F.3d 1341, 1348 (Fed. Cir. 2011).

101. *See id.* at 1347 (citing *Monsanto Co. v. McFarling*, 302 F.3d 1241, 1298-99 (Fed. Cir. 2002); *id.* at 1348 (citing *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094, 1102 (Fed. Cir. 2001)).

102. *Bowman*, 686 F. Supp. 2d at 1346.

103. *See id.* (citing *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1336 (Fed. Cir. 2006)).

104. *See Monsanto Co. v. Bowman*, 133 S. Ct. 1761, 1768 (2013).

105. *See id.*

106. *See id.*

107. *See id.* at 1768-69.

108. *See id.* at 1769.

allow Bowman to reproduce the patented soybeans.¹⁰⁹ The Court noted that to hold otherwise would provide little benefit to Monsanto's patent and would deprive Monsanto of its monopoly.¹¹⁰ The Court limited the holding to self-replicating seeds and acknowledged that self-replicating products are becoming more prevalent, complex, and diverse.¹¹¹ Determining whether patent exhaustion applies to self-replicating products that reproduce outside of the purchaser's control or that might be an "incidental step in using the item for another purpose" was left for another day.¹¹²

4. *Differentiating Between Genes—Association for Molecular Pathology v. Myriad Genetics, Inc.*

With its issue often summarized as whether a corporation can own someone's genes, *Association for Molecular Pathology v. Myriad Genetics, Inc.*¹¹³ received widespread media attention.¹¹⁴ The real issue was, in fact, more tedious than the media described. The Court considered whether isolated human genes and synthetic genes are patentable subject matter under 35 U.S.C. § 101.¹¹⁵

The patents at issue related to isolated and synthetic human genes (and associated mutations) that were connected with a predisposition to breast and ovarian cancers (BRCA genes).¹¹⁶ Myriad was the exclusive licensee of patents relating to isolating the BRCA genes and to synthetically creating DNA found within the BRCA genes.¹¹⁷ The declaratory action filed sought a declaration that claims relating to the BRCA genes were invalid under 35 U.S.C. § 101.¹¹⁸ The district court held that claims relating to isolated human genes and synthetic genes were invalid because they covered products of nature.¹¹⁹ The Federal Circuit reversed, holding that both were patent eligible under § 101.¹²⁰

On appeal, the Court considered *Diamond v. Chakrabarty*¹²¹ in its analysis, stating that the "*Chakrabarty* bacterium was new 'with markedly different characteristics from any found in nature.'"¹²² The Court distinguished *Chakrabarty* with the facts of this case, stating that Myriad did not create anything with its discovery of the isolated BRCA genes.¹²³ The Court noted that while isolating the gene was very important and useful, isolated genes are not patent eligible under § 101.¹²⁴ It did hold, however, that synthetic genes do

109. *See id.*

110. *See id.* at 1765.

111. *Id.*

112. *Id.*

113. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013).

114. Steven Salzberg, *Myriad Genetics CEO Claims He Owns Your Genes*, FORBES, Apr. 13, 2013, <http://www.forbes.com/sites/stevensalzberg/2013/04/13/myriad-genetics-ceo-owns-your-genes/>.

115. *Ass'n for Molecular Pathology*, 133 S. Ct. at 2111.

116. *See id.* at 2112.

117. *See id.* at 2113.

118. *Id.* at 2114.

119. *Id.*

120. *Id.*

121. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980).

122. *Ass'n for Molecular Pathology*, 133 S. Ct. at 2117.

123. *See id.*

124. *See id.*

meet the demands of § 101 because they are not a “product of nature.” Instead, synthetic genes are created by a lab technician.¹²⁵

After its unanimous holding, the Court noted what was not implicated by its decision.¹²⁶ First, the Court explained that its opinion did not include method claims.¹²⁷ Myriad “could possibly have sought a method patent” if it had discovered a different method of influencing genes in its search for the BRCA genes.¹²⁸ Second, Myriad was able to seek patent protection “on new applications of knowledge” related to the BRCA genes.¹²⁹ Finally, no opinion was provided regarding whether alteration of the genetic code satisfies the burdens of § 101.¹³⁰

This decision is considered something of a compromise. While the Association for Molecular Pathology characterizes the ruling as one that will “lay the foundation for continued research and application of diagnosis and treatment of diseases at the molecular level,” Myriad considers it as underscoring the patent eligibility of its method claims and ensuring its strong intellectual property protection.¹³¹

B. THE FEDERAL CIRCUIT ON PATENTS

1. *Is That Your Final Answer?—Robert Bosch, LLC v. Pylon Manufacturing Corp.*

In *Robert Bosch, LLC v. Pylon Manufacturing Corp.*, the Federal Circuit, *en banc*, decided whether 28 U.S.C. § 1295(c) grants jurisdiction to entertain appeals from patent infringement liability determinations when the issue of willfulness has not been decided and when a trial on damages has not yet occurred.¹³² Section 1295(a), which is known as the final judgment rule, gives jurisdiction to the Federal Circuit over “any appeal from a final decision of a district court of the United States.”¹³³ However, not all decisions must be final. Section 1295(c) carves out an exception and allows the Federal Circuit to hear an appeal made from a judgment that is “final *except for an accounting.*”¹³⁴ The decision in *Robert Bosch* hinged on whether, under section 1292(c)(2), the meaning of “accounting” includes a trial on damages and a determination of willfulness.¹³⁵

Robert Bosch and Pylon Manufacturing were involved in patent infringement litigation when Pylon, during the pretrial period, requested that the district

125. *See id.* at 2119.

126. *See id.* at 2119–20.

127. *See id.* at 2119.

128. *See id.* at 2119–20.

129. *See id.* at 2120.

130. *See id.*

131. *See* Press Release, AMP Celebrates SCOTUS Decision on *AMP v. Myriad* Case, ASSOCIATION FOR MOLECULAR PATHOLOGY (June 13, 2013), http://www.amp.org/about/press_releases/; Press Release, Supreme Court Upholds Myriad’s cDna Patent Claims, MYRIAD (June 13, 2013), <http://investor.myriad.com/releasedetail.cfm?ReleaseID=771232>.

132. *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1308 (Fed. Cir. 2013).

133. *See id.*

134. *Id.* at 1308 (emphasis added).

135. *See id.* at 1309.

court bifurcate the liability and damages issues.¹³⁶ The district court granted the motion and stayed discovery on damages, including willfulness.¹³⁷ After the court found infringement, Pylon appealed the judgments on infringement and patent validity.¹³⁸ Bosch moved to dismiss Pylon's appeals and argued that because damages and willfulness had not been determined, the Federal Circuit lacked jurisdiction.¹³⁹

The Federal Circuit first considered whether "an accounting" includes a damages determination.¹⁴⁰ The court reviewed the historical common-law and statutory interpretation of an "accounting" and found that while an accounting was historically available in equity, a trial on damages was not precluded from the "accounting" described in section 1292(c).¹⁴¹ In a seven-to-two split, the court provided four points in support of its holding.¹⁴² First, section 1292 was revised in 1948 to expand the court's "jurisdiction over interlocutory appeals from cases in equity to 'civil actions for patent infringement which are final except for accounting.'"¹⁴³ Second, a damages trial now decides the issues that were once decided in accountings.¹⁴⁴ Third, the reason for implementing the section 1292(c) exception—the high cost of an accounting—applies to today's modern damages trial, which is "notoriously complex and expensive."¹⁴⁵ Finally, the court has heard appeals in similar situations since 1984.¹⁴⁶

Next the court considered whether an accounting included the determination of willfulness.¹⁴⁷ With a five-to-four split, the court determined that an accounting included the determination of willfulness when Congress enacted section 1292.¹⁴⁸ Since then, multiple appellate courts have found that willfulness is decided in an "accounting."¹⁴⁹ Therefore, the Federal Circuit has jurisdiction over appeals from patent infringement liability when willfulness issues remain undecided.¹⁵⁰

Appealing an infringement and validity judgment while avoiding a damages trial and a determination of willfulness is expected to reduce the cost of litigation, at least in the first trial. An alleged infringer may now receive appellate review regarding a finding of infringement before incurring the expenses relating to a damages trial.

136. *See id.* at 1308.

137. *See id.*

138. *See id.*

139. *See id.*

140. *See id.*

141. *See id.*

142. *See id.*

143. *See id.*

144. *See id.*

145. *Id.* at 1316.

146. *Id.* at 1313.

147. *Id.* at 1318.

148. *Id.*

149. *Id.* at 1318–19.

150. *Id.* at 1320.

2. *One More Way to Avoid Induced Infringement Liability—Commil USA, LLC v. Cisco Systems, Inc.*

In *Commil USA, LLC v. Cisco Systems, Inc.*, the Federal Circuit considered whether “evidence of a good-faith belief of [patent invalidity] may negate the requisite intent for induced infringement.”¹⁵¹ Commil sued Cisco for patent infringement relating to protocols in wireless communication systems.¹⁵² Cisco was found liable for direct infringement, and Commil was awarded \$3.7 million in damages.¹⁵³ Cisco was also found liable for induced infringement, and Commil was awarded \$63.7 million in damages.¹⁵⁴ Cisco appealed, arguing that the district court should have allowed Cisco to present evidence supporting its good-faith belief of invalidity to support its lack of requisite intent required for induced infringement.¹⁵⁵ The Federal Circuit agreed with Cisco that a patent infringer should be able to present evidence relevant to a good-faith belief of invalidity.¹⁵⁶ The court noted that “it is axiomatic that one cannot infringe an invalid patent.”¹⁵⁷ Although, a good-faith belief does not preclude a finding of induced infringement, it should be considered when determining an infringer’s requisite intent.¹⁵⁸

That a good-faith belief of non-infringement can be used to rebut the required intent of induced infringement was already established.¹⁵⁹ The court’s opinion in *Commil* establishes another avenue for escaping liability under induced infringement—a good-faith belief of invalidity.¹⁶⁰

3. *Rule 11 Sanctions Are Not a Myth—Raylon, LLC v. Complus Data Innovation, Inc.*

The Federal Circuit’s decision in *Raylon, LLC v. Complus Data Innovation, Inc.* is considered good news for defendants facing unreasonable patent infringement claims.¹⁶¹ Some hope that this decision, as well as the Supreme Court’s upcoming decisions regarding the recovery of attorney’s fees, will curb abusive patent litigation.¹⁶² *Raylon* addressed whether a patentee’s conduct should be reviewed using a subjective or objective standard when determining Rule 11 violation issues.¹⁶³ The Federal Circuit held that an attorney, under Fifth Circuit law, is measured by an *objective* standard of reasonableness.¹⁶⁴

151. *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1364 (Fed. Cir. 2013).

152. *Id.* at 1364.

153. *Id.* at 1365.

154. *Id.*

155. *Id.*

156. *Id.* at 1367.

157. *Id.* at 1368.

158. *Id.* at 1369.

159. See *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006).

160. *Commil USA, LLC*, 720 F.3d at 1364.

161. *Raylon, LLC v. Complus Data Innovations, Inc.*, 700 F.3d 1361 (Fed. Civ. 2012), *cert. denied*, 134 S. Ct. 94 (2013).

162. See *Octane Fitness, LLC, v. Icon Health & Fitness, Inc.*, 134 S. Ct. 49 (2013); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 48 (2013); Randall R. Rader, *Make Patent Trolls Pay in Court*, N.Y. TIMES, June 4, 2013, http://www.nytimes.com/2013/06/05/opinion/make-patent-trolls-pay-in-court.html?_r=0.

163. *Raylon, LLC*, 700 F.3d at 1367.

164. *Id.*

Additionally, the court concluded that a patentee's litigation motives have "no place in the Rule 11 analysis."¹⁶⁵

Raylon sued Complus for direct patent infringement and argued that the claim element relating to a "display pivotally mounted on said housing" should be interpreted as a "display that is mounted on the housing and can be pivoted relative to the viewer's or user's angle of visual orientation."¹⁶⁶ In essence, any fixed-mounted screen held by a user would meet Raylon's proposed claim element because the user could pivot the device by bending her elbow or wrist.¹⁶⁷ Complus notified Raylon multiple times regarding Raylon's possible violation of Rule 11.¹⁶⁸ Regardless, Raylon maintained its position.¹⁶⁹ Complus eventually filed a motion for Rule 11 sanctions.¹⁷⁰ At a consolidated hearing, the district court rejected Raylon's interpretation of the pivotally mounted display and granted summary judgment in Complus's favor, but denied the motion for Rule 11 sanctions against Raylon.¹⁷¹ In evaluating the Rule 11 motion, the district court looked to (1) whether it was clear that the case lacked any credible infringement theory and (2) whether it had been brought only to coerce a nuisance value settlement.¹⁷² The district court focused on Raylon's past settlements and its damages model in determining whether Raylon was attempting to recover a nuisance value settlement or had a "good faith nature."¹⁷³ The district court held that it was "not a situation where 'the cost of the litigation is more of a driving force than the merits of the patent-in-suit'" and denied the motion without evaluating whether there was a credible infringement theory.¹⁷⁴ Complus appealed, arguing that in the Fifth Circuit, an objective standard, not a subjective standard, is used to determine whether Raylon's conduct was reasonable.¹⁷⁵

The Federal Circuit agreed with Complus that Raylon's motivation was not relevant in determining Rule 11 sanctions.¹⁷⁶ The Federal Circuit then applied the objective reasonable standard and found that Raylon's claim construction was frivolous.¹⁷⁷ The court noted that there "is a threshold below which a claim construction is 'so unreasonable that no reasonable litigant could believe it would succeed.'"¹⁷⁸ Here, neither the intrinsic evidence nor the prosecution history supported Raylon's claim construction argument.¹⁷⁹ Instead, every claim required a "display being pivotally mounted on said housing."¹⁸⁰ In essence,

165. *Id.* at 1368.

166. *Id.*

167. *Id.* at 1365.

168. *Id.*

169. *Id.*

170. *Id.*

171. *Id.* at 1365-66.

172. *Id.* at 1368.

173. *Id.*

174. *Id.* at 1366.

175. *Id.* at 1367.

176. *Id.* at 1368.

177. *Id.*

178. *Id.*

179. *Id.* at 1377.

180. *Id.* at 1379.

Raylon was proposing a claim construction outside any standard canons of claim construction and one that “no objectively reasonable litigant . . . would believe its claim construction could succeed.”¹⁸¹ The Federal Circuit remanded the case for the district court to determine an appropriate sanction.¹⁸²

C. THE PATENT LAW TREATIES IMPLEMENTATION ACT OF 2012

On December 18, 2012, Congress enacted the Patent Law Treaties Implementation Act of 2012 (PLTIA) to harmonize United States law with the Hague Agreement Concerning International Registration of Industrial Designs Hague Agreement and the Patent Law Treaty.¹⁸³ The U.S. Patent and Trademark Office (USPTO) has implemented changes due to the Patent Law Treaty separately from changes due to the Hague Agreement.

The Patent Law Treaty streamlines filing and processing procedures for patent applications filed as international applications under the Patent Cooperation Treaty.¹⁸⁴ It does not apply, however, to provisional, reissue, design, or plant applications.¹⁸⁵ For example, a filing date will be given to some applications that lack a claim, drawing, or specification if an applicant files the application “by reference.”¹⁸⁶ The Patent Law Treaty also makes it easier for an applicant to extend his or her right of priority under 35 U.S.C. § 119(a).¹⁸⁷ The applicant must only show an “unintentional” delay in complying with time periods or formality requirements.¹⁸⁸ Previously, the delay must have been “unavoidable.”¹⁸⁹ These changes took effect on December 18, 2013.¹⁹⁰ The USPTO encourages applicants to consider most of the changes as providing additional safeguards during the patent prosecution process.¹⁹¹

The Hague Agreement facilitates protection of design patents by allowing an applicant to file “a single, standardized [international design] application in a single language” for protection in the countries that are members of the Hague Agreement.¹⁹² The process is often considered analogous to the Madrid Protocol process for trademarks.¹⁹³ Specifically, the PLTIA loosens the restrictions

181. *Id.* at 1369.

182. *Id.* at 1370.

183. See Patent Law Treaties Implementation Act of 2012, 201, Pub. L. 112-211, 126 Stat. 1531.

184. *Id.*

185. Changes to Implement the Patent Law Treaty, 78 Fed. Reg. 21788, 21789 (Apr. 11, 2013).

186. Patent Law Treaties Implementation Act of 2012 § 201, 126 Stat. 1531 (to be codified at 35 U.S.C. § 111); Changes to Implement the Patent Law Treaty, 78 Fed. Reg. 21788, 21795, 21797, 217805, 217807 (Apr. 11, 2013).

187. 35 U.S.C. § 133; Changes to Implement the Patent Law Treaty, 78 Fed. Reg. at 21788, 21791 (Apr. 11, 2013).

188. Changes to Implement the Patent Law Treaty, 78 Fed. Reg. at 21788.

189. 35 U.S.C. § 133; Changes to Implement the Patent Law Treaty, 78 Fed. Reg. at 21788, 21791.

190. See Changes to Implement the Patent Law Treaty, 78 Fed. Reg. at 21792.

191. Changes to Implement the Patent Law Treaty, Final Rule, 78 Fed. Reg. at 62368, 62368.

192. Changes to Implement the Hague Agreement Concerning International Registration of Industrial Designs; Proposed Rule, 78 Fed. Reg. 71879, 71880.

193. Carl Schwartz, *What US Design Patent Applicants Can Expect from Hague*, LAW 360 (June 3, 2013), <http://www.law360.com/articles/441180/what-us-design-patent-applicants-can-expect-from-hague>.

regarding who can file an international design application with the USPTO and clarifies the applicant's right of priority claims.¹⁹⁴ The Hague Agreement also provides other advantages, such as longer patent terms.¹⁹⁵ The design patent term is increased a year from fourteen to fifteen years from the date of grant.¹⁹⁶ Additionally, provisional rights in a design patent may be available. In the United States, provisional rights may begin at the date of publication of a patent application.¹⁹⁷ The International Bureau of the World Intellectual Property Organization (IB) will publish an international design application.¹⁹⁸ Considering 35 U.S.C. § 154 was amended to include the publication by the IB as falling with the definition of "publication" in regards to provisional rights, it follows that a published, international application designating the United States triggers provisional rights.¹⁹⁹ The USPTO has not yet published final rules outlining how these changes will be implemented.²⁰⁰ However, these changes should result in a more cost effective and efficient method for obtaining design patent protection in numerous countries.

III. COPYRIGHT UPDATE

A. ALLOWING ARBITRAGE—*JOHN WILEY & SONS, INC. v. KIRRTSAENG*

Under the first sale doctrine, the lawful owner of a copyrighted work may resell or otherwise dispose of that work without the permission of the copyright owner.²⁰¹ However, section 602(a)(1) of the Copyright Act prohibits importing copyrighted works without the permission of the owner.²⁰² In *Kirtsaeng v. John Wiley & Sons, Inc.*, the Supreme Court determined whether the first sale doctrine applies to goods manufactured and sold abroad, but then imported into the United States.²⁰³

Defendant Supap Kirtsaeng's family and friends in Thailand shipped him foreign edition textbooks that were printed abroad by a John Wiley & Sons subsidiary.²⁰⁴ Kirtsaeng then sold these textbooks for a profit, reimbursed his family and friends for their expenses, and kept the remainder for himself.²⁰⁵

194. Changes to Implement the Hague Agreement concerning International Registration of Industrial Designs; Proposed Rule, 78 Fed. Reg. at 71880.

195. Patent Law Treaties Implementation Act of 2012 at § 102, 126 Stat. 1532 (to be codified at 35 U.S.C. § 173).

196. *Id.*

197. See 35 U.S.C. § 154(d).

198. Hague Agreement Concerning the International Deposit of Industrial Designs Art. 10, July 2, 1999, 2279 U.N.T.S. 156.

199. See 35 U.S.C. § 154(d).

200. Vera Suarez & Alan Herda, *The Patent Law Treaties Implementation Act of 2012*, HAYNESBOONE (Mar. 1, 2013), <http://www.haynesboone.com/files/Uploads/Documents/Newsletters/Patent%20Law%20Treaties%20Implementation%20Act%20-%20Suarez%20and%20Herda.pdf>.

201. See 17 U.S.C. § 109(a).

202. See 17 U.S.C. § 602(a)(1).

203. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1355 (2013).

204. *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 213 (2d Cir. 2011), *rev'd and remanded*, 133 S. Ct. 1351 (2013).

205. *Id.*

John Wiley & Sons filed suit against Kirtsaeng for copyright infringement, claiming that Kirtsaeng violated section 602(a)(1) by importing the copyrighted foreign edition textbooks.²⁰⁶ Kirtsaeng tried to raise a defense based on the first sale doctrine, but the district court found this defense inapplicable to copies published outside of the United States.²⁰⁷

In determining whether the first sale doctrine applies to copies manufactured abroad, the Second Circuit first looked to the text of section 109(a).²⁰⁸ Section 109(a) embodies the first sale doctrine and applies to copies “lawfully made under [Title 17].”²⁰⁹ After extensive analysis, the court found this text too ambiguous to decide the issue alone.²¹⁰ Confronted with an ambiguous statute, the court adopted an interpretation it found would best comport with section 602(a)(1).²¹¹ The court reasoned that if the first sale doctrine applied to copies manufactured and acquired abroad, section 602(a)(1) would lose much of its force because copyright holders would no longer be able to control importation of their works in the vast majority of cases.²¹² The court therefore held that the “first sale doctrine [applied] . . . to copies manufactured domestically.”²¹³

The Supreme Court also looked to the language of section 109(a) to determine whether “lawfully made under [Title 17]” imposes a geographical limitation.²¹⁴ It found that reading in a geographical limitation resulted in more linguistic problems than it solved.²¹⁵ Instead, the Court noted that a nongeographical interpretation combats piracy and gives each word distinct purpose.²¹⁶ The opinion noted that the common-law history of the “first sale” doctrine lacked any mention of geography and that a contemporary statutory interpretation supported Kirtsaeng’s argument.²¹⁷ Moreover, reading a geographical limitation into the first sale doctrine could disturb current practices within libraries, used-book dealers, technology companies, consumer-goods retailers, and museums.²¹⁸ The Court found that while the nongeographical reading whittles away the protections afforded in section 602(a)(1), nothing in the statute guarantees a copyright owner the ability to divide foreign and domestic markets.²¹⁹

Justices Kagan and Alito wrote separately to note that while omitting geographical limitations from section 109(a) is the correct interpretation, the Court’s prior holdings substantially narrow the scope of section 602(a)(1) to “a fairly esoteric set of applications.”²²⁰ Justices Ginsburg, Kennedy, and Scalia

206. See *id.* at 213–14.

207. *Id.* at 214.

208. *Id.* at 216.

209. 17 U.S.C. § 109(a).

210. *John Wiley & Sons*, 654 F.3d at 220.

211. *Id.*

212. *Id.* at 221.

213. *Id.*

214. *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1357–88 (2013).

215. *Id.* at 1358–60.

216. *Id.* at 1358.

217. *Id.* at 1360.

218. *Id.* at 1365.

219. *Id.* at 1370.

220. *Id.* at 1372.

dissented and argued that a nongeographical interpretation results in an “international exhaustion” of copyrights, which the United States has firmly resisted on the world stage.²²¹

Large publishers that rely on arbitrage to maximize profits in each geographical market are greatly disappointed with this decision.²²² The decision greatly diminished the ability to carve out territorial rights for copyrighted material.²²³ In response, copyright owners could increase prices outside of the United States to reduce or eliminate any profit from grey market sellers.²²⁴ Additionally, this decision could incentivize digital textbook use, as the digital textbooks are generally leased to a user, which would not trigger the first sale doctrine.²²⁵ Lastly, section 109(a) could be amended to include a geographical limitation.²²⁶

B. FAIR USE—*THE AUTHORS GUILD, INC. v. GOOGLE INC.*

In another significant copyright case, the District Court for the Southern District of New York determined in *The Authors Guild, Inc. v. Google Inc.* that Google’s scanning, storage, and digital display of more than twenty million books was protected by the fair use defense under section 107 of the Copyright Act.²²⁷ The success of a fair use defense is dependent upon the following four factors: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the substantiality and amount of the portion used in comparison to the copyrighted work as a whole; and (4) how the use effects the potential market or the value of the copyrighted work.²²⁸

In *Author’s Guild*, the court found that Google’s use was highly transformative; therefore, the first factor strongly favored a finding of fair use.²²⁹ Specifically, scanning the books transforms them into a “comprehensive word index” that allows users to find books.²³⁰ By showing only a small portion of a book, or a snippet, a user is prevented from accessing the entire book. The use of snippets also allows for the checking of citations and selection of a book.²³¹ Additionally, substantive research relating to word usage and linguistics within a wide variety of books is now possible.²³² While Google is a for-profit entity, it does not sell the digital copies of the books (or the snippets) and does not display ads on the pages that contain snippets.²³³ The second factor also weighed

221. *Id.* at 1373.

222. Andrew Albanese, *What Does Kirtsaeng v. Wiley Mean for the Industry?*, PUBLISHERS WEEKLY, (Mar. 23, 2013), <http://www.publishersweekly.com/pw/by-topic/industry-news/publisher-news/article/56491-a-textbook-case.html>.

223. *Id.*

224. *See id.*

225. *See id.*

226. *See id.*

227. *Authors Guild, Inc. v. Google, Inc.*, 954 F. Supp. 2d 282, 288 (S.D.N.Y. 2013).

228. *Id.* at 290.

229. *Id.* at 291–92.

230. *Id.* at 291.

231. *Id.*

232. *Id.*

233. *Id.* at 291–92.

in Google's favor, as the majority of the works are non-fiction and are available to the public.²³⁴ The third factor weighed slightly against fair use because Google scans the entire book.²³⁵ However, Google limits the amount of the book shown and even blacklists approximately 10% of a book from a user's view.²³⁶ Finally, the fourth factor weighs strongly in Google's favor because users can discover and then buy the copyrighted work, which increases the potential market for the copyrighted work.²³⁷ The court compared Google's work with an in-store book display, which allows patrons and librarians to identify books that they wish to purchase.²³⁸ In conclusion, the court noted that the digitization of these millions of books is beneficial because it preserves out-of-print books, identifies relevant books for librarians and consumers, provides a full-text search database, increases the accessibility of books for print-disabled and underserved populations, generates new audiences, and increases income for authors and publishers. Therefore, Google's actions were found to constitute fair use.²³⁹

IV. TRADEMARK UPDATE

A. FRATERNITIES GET PADDLED BY LACHES—ABRAHAM V. ALPHA CHI OMEGA

In *Abraham v. Alpha Chi Omega*, the Fifth Circuit considered whether a defense of laches can preclude a comprehensive permanent injunction when the trademark owner's delay resulted in prejudice to the infringer.²⁴⁰ Abraham created Paddle Tramps in 1961 to manufacture wooden paddles and other Greek paraphernalia for fraternity and sorority members.²⁴¹ Since its inception, Paddle Tramps has used the names of different fraternities and sororities in its products and its advertisements.²⁴² Prior to receiving any requests for licensing, Abraham invested heavily in his business.²⁴³ He had to rebuild the Paddle Tramps business completely due to two fires and a tornado.²⁴⁴ In 1990, twenty-nine years after it was created, fraternity and sorority organizations contacted Abraham for the first time regarding licensing.²⁴⁵ Abraham received multiple letters asking him to become a member of a licensing program.²⁴⁶ Abraham at times either ignored these letters or responded with a refusal to enter into an agreement.²⁴⁷ Finally in 2007, forty-six years after its creation, thirty-two fraternity and sorority organizations (Greek Organizations) sued Abraham for

234. *Id.* at 292.

235. *Id.*

236. *Id.* at 287, 292.

237. *Id.* at 293.

238. *Id.*

239. *Id.* at 294.

240. *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 625 (5th Cir. 2013), *cert. denied*, 134 S. Ct. 88 (2013).

241. *Id.* at 617.

242. *Id.*

243. *Id.* at 618.

244. *Id.*

245. *Id.*

246. *Id.*

247. *Id.*

patent infringement and unfair competition in the Southern District of Florida.²⁴⁸ The Florida district court dismissed the suit and Abraham then filed a declaratory judgment for non-infringement against the Greek Organizations in April 2008.²⁴⁹ The Greek Organizations asserted counterclaims for, *inter alia*, trademark infringement.²⁵⁰

The court granted summary judgment motions regarding Abraham's trademark infringement claims, but the issue of Abraham's affirmative defenses of laches and acquiescence was put to a jury.²⁵¹ The jury found that Abraham proved his laches defense, proved his acquiescence defense, and that the Greek Organizations did not prove their unclean hands counter-defense.²⁵² The district court then issued an injunction that allowed Abraham to continue selling an infringing project. The court applied the "degree of prejudice of the infringer test" and found that Abraham would be substantially prejudiced if he were prevented from selling double raised crest backings.²⁵³ The court noted that the sale of the double raised crest backings "drove his sales of other non-infringing products."²⁵⁴ Using this test, the focus is on "the degree of prejudice the defendant would suffer in the event the infringing use is enjoined."²⁵⁵

On appeal, the Fifth Circuit observed that the "degree of prejudice of the infringer test" was the correct test.²⁵⁶ The court held that tailoring an injunction to allow Abraham to sell the double raised crest backings, while enjoining him from selling products that represent only a small portion of his sales, was appropriate.²⁵⁷

V. TEXAS LEGISLATIVE UPDATE

A. TEXAS UNIFORM TRADE SECRETS ACT

Even though the state of Texas is one of the top five forums in which trade secrets misappropriation is litigated, it just recently joined the majority of states in implementing a version of the Uniform Trade Secrets Act.²⁵⁸ The Texas Uniform Trade Secrets Act (TUTSA) took effect on September 1, 2013, and will apply to trade secret misappropriation that occurs on or after this date.²⁵⁹ Prior to the enactment of TUTSA, a trade secret owner looked to Texas common law, the Restatement of Torts, the Restatement of Unfair Competition, and the

248. *Id.*

249. *Id.*

250. *Id.*

251. *Id.* at 619.

252. *Id.*

253. *Id.*

254. *Id.* at 628.

255. *Id.* at 626.

256. *Id.* at 627.

257. *Id.* at 628.

258. David Almeling, *A Look at State Court Trade Secret Stats*, LAW 360, (Mar. 1, 2011), <http://www.law360.com/articles/224800/a-look-at-state-court-trade-secret-stats>.

259. Texas Uniform Trade Secrets Act, TEX. CIV. PRAC. & REM. CODE ANN. § 134A (West Supp. 2013).

Texas Theft Liability Act for his available legal remedies.²⁶⁰ With the enactment of TUTSA, the Texas common law is codified to provide one statutory source that details trade secret remedies. Additionally, statute clarifies the definition of a trade secret is clarified while providing the award of attorney's fees and broadening injunctive relief.²⁶¹

Previously, courts considered the following six factors to determine if information qualifies as a trade secret:

(1) the extent to which the information is known outside of the trade secret owner's business; (2) the extent to which it is known by employees and other involved in the trade secret owner's business; (3) the extent of the measures taken by the trade secret owner to guard the secrecy of the information; (4) the value of the information to the trade secret owner and to its competitors; (5) the amount of effort or money expended by the trade secret owner in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.²⁶²

Now, TUTSA defines a trade secret as "information that:

(A) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.²⁶³

This specifically includes "a formula, pattern, compilation, program, device, method, technique, process, financial data, or list of actual or potential customers or suppliers."²⁶⁴ Notably, TUTSA allows for information that has *potential* economic value to be considered a trade secret.²⁶⁵ Additionally, the extent to which the information is known inside and outside of the trade secret owner's business is replaced with whether it is not generally known to people who economically benefit from its disclosure.²⁶⁶ Moreover, a trade secret owner's investment in developing the information is no longer a factor.²⁶⁷ Finally, confidentiality and privacy policies are now compared to what is "reasonable under the circumstances."²⁶⁸

TUTSA controls the recovery of attorney's fees.²⁶⁹ Under TUTSA, the prevailing party may be awarded attorney's fees if a misappropriation claim is made in bad faith, a party moves to terminate or resist an injunction in bad

260. See *In re Bass*, 113 S.W.3d 735, 739 (Tex. 2003).

261. See TEX. CIV. PRAC. & REM. CODE ANN. § 134A.

262. See *In re Bass*, 113 S.W.3d at 739.

263. TEX. CIV. PRAC. & REM. CODE ANN. § 134A.002.

264. *Id.*

265. See *id.*

266. See *id.*

267. See *id.*

268. *Id.*

269. TEX. CIV. PRAC. & REM. CODE ANN. § 134A.005.

faith, or there is a finding of willful and malicious misappropriation.²⁷⁰ Previously, a party was required to make a claim under the Texas Theft Liability Act to recover attorney fees.²⁷¹

Under TUTSA, injunctive relief is still available, with an exception relating to a material and prejudicial change of position due to the use of the trade secret before “acquiring knowledge or reason to know of misappropriation.”²⁷² Under these exceptional circumstances, the trade secret owner may obtain an injunction that allows future use of the information upon payment of a reasonable royalty.²⁷³ Injunctive relief is now available for threatened misappropriation.²⁷⁴

In summary, TUTSA clarifies and expands the definition of a trade secret, details when attorney’s fees may be provided, and allows for injunctive relief for threatened misappropriation. With the enactment of TUTSA, companies may now look to one body of law to determine their available legal remedies in regards to trade secret misappropriation.

VI. CASES TO WATCH

The U.S. Supreme Court will again be quite active in the intellectual property field in the upcoming year (i.e., 2014), having granted certiorari in nine IP cases.²⁷⁵ In patents, the Court will determine whether computer-implemented claims are patent-eligible subject matter in *Alice Corp. v. CLS Bank*.²⁷⁶ *Alice Corp* is especially important to maintaining the validity of thousands of business method patents held by a large variety of industries. The Court will also review the highly anticipated and controversial holding in *Limelight Networks v. Akamai Technologies*, which allows for induced infringement of a patent without underlying patent infringement liability.²⁷⁷ The proper standard for evaluating indefiniteness will also be considered in *Nautilus v. Biosig Instruments*.²⁷⁸ Currently, courts give so much weight to the presumption of patent validity that a claim may be considered definite even if “some experimentation may be necessary to determine the scope of the claims” and the claim construction “may

270. *Id.*

271. TEX. CIV. PRAC. & REM. CODE ANN. § 134.005(b).

272. TEX. CIV. PRAC. & REM. CODE ANN. § 134A.003.

273. *Id.*

274. *Id.*

275. See *CLS Bank International, v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 734 (2013); *Biosig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891 (Fed. Cir. 2011), *cert. granted*, 134 S. Ct. 896 (2014); *Octane Fitness, LLC, v. Icon Health & Fitness, Inc.*, 134 S. Ct. 49 (2013); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 687 F.3d 1300 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013); *Petrella v. MGM, Inc.*, 695 F.3d 946 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 50 (2013); *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 695 F.3d 1266 (Fed. Cir. 2012), *cert. granted*, 133 S. Ct. 2393 (2013); *Akamai Technologies Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014); *POM Wonderful LLC v. Coca-Cola Co.*, 679 F.3d 1170 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014); *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2nd Cir. 2013), *cert. granted*, 134 S. Ct. 896 (2014).

276. See *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1273–74 (Fed. Cir. 2013), *cert. granted*, 134 S. Ct. 734 (2013).

277. See *Limelight*, 692 F.3d at 1305.

278. See *Biosig*, 715 F.3d at 893.

be formidable and the conclusion may be one over which reasonable persons will disagree.”²⁷⁹ It is possible that the Court will require a more rigorous indefiniteness evaluation based on the statutory requirement that “claims particularly point[] out and distinctly claim[] the subject matter.”²⁸⁰ As mentioned earlier, the Court has agreed to review two cases involving awarding attorney’s fees in a patent case, which could help deter unreasonable patent infringement claims.²⁸¹ In trademark, the Court will determine who has standing under the Lanham Act, to challenge a food or beverage label as misleading or false in *POM Wonderful*.²⁸² In a highly anticipated copyright case, *Aereo, Inc.* will finally know whether its literal reading of the Copyright Act’s “public performance” complies with the copyright law.²⁸³ The decision in *ABC, Inc. v. Aereo, Inc.* could affect all cable providers and the way in which cable is streamed over the internet.²⁸⁴

VII. CONCLUSION

The IP law developments during the Survey period reflect a wide variety of IP issues and will have profound effects on multiples industries, as well as patent litigants. For example, the Court’s decision in *Bowman* has created additional certainty in the agricultural biotechnology industry, while the Court’s decision in *Myriad* might affect future research activities relating to human genes. Defendant-friendly developments were noted in the Federal Circuit, including the ability to potentially avoid a damages trial in *Robert Bosch*, the development of a good-faith belief in invalidity to avoid induced infringement liability in *Commil*, and the award of Rule 11 sanctions for unreasonable claim construction arguments in *Raylon*. Finally, new laws, such as The Patent Law Treaties Implementation Act of 2012 and the Texas Uniform Trade Secrets Act were enacted. In summary, the Survey period was interesting and varied, with a large number of issues to be decided within the next year.

279. *Id.* at 902.

280. 35 U.S.C. § 112(b) (2012).

281. See *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 496 Fed. App’x 57, 58 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 49 (2013); *Highmark v. Allcare Health Mgmt. Sys.*, 687 F.3d 1300 (Fed. Cir. 2012), *cert. granted*, 134 S. Ct. 48 (2013).

282. See *POM Wonderful LLC v. Coca-Cola Co.*, 679 F.3d 1170, 1172 (9th Cir. 2012), *cert. granted*, 134 S. Ct. 895 (2014).

283. See *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676, 680 (2d Cir. 2013), *cert. granted*, 134 S. Ct. 896 (2014).

284. *Id.*