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## Intellectual Property Law

David L. McCombs  
*Haynes and Boone, LLP*

Phillip B. Philbin  
*Haynes and Boone, LLP*

Ellie Simpson  
*Haynes and Boone, LLP*

Bethany Hrischuk  
*Haynes and Boone, LLP*

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# INTELLECTUAL PROPERTY LAW

*David L. McCombs\**  
*Phillip B. Philbin\*\**  
*Ellie Simpson\*\*\**  
*Bethany Hrischuk\*\*\*\**

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\* B.S., Denison University, 1981; J.D., University of Miami, 1984. Partner, Haynes and Boone, LLP, Dallas, Texas.

\*\* B.S., Trinity University, 1986; J.D., Baylor University, 1989. Partner, Haynes and Boone, LLP, Dallas, Texas.

\*\*\* B.S., University of Texas at Austin, 2011; J.D., University of Texas at Austin, 2015. Associate, Haynes and Boone, LLP, Dallas, Texas.

\*\*\*\* B.S., North Carolina State University, 2012; J.D., University of New Hampshire (formerly Franklin Pierce Law Center), 2015. Associate, Haynes and Boone, LLP, Dallas, Texas.

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## I. INTRODUCTION

This article surveys significant developments in intellectual property (IP) law during the past year (2015 or the Survey period).<sup>1</sup> This article 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. Court of Appeals for the Federal Circuit. For developments in copyright and trademark law, the U.S. Court of Appeals for the Fifth Circuit's authority is binding.<sup>2</sup> Other circuits, such as the Second Circuit, are considered highly persuasive.<sup>3</sup> Decisions from the Federal Circuit during the Survey period are included in this article because all cases concerning a substantive issue of patent law are appealed to that court.<sup>4</sup>

The Supreme Court was quite active in the IP field since the last Survey period (2014) ended, deciding five cases involving IP issues<sup>5</sup> and granting writs of certiorari on two others.<sup>6</sup> In patents, the Supreme Court showed particular interest in whether a patent owner may collect a royalty on a patent after the patent expires.<sup>7</sup> The Supreme Court also considered whether an infringer's good-faith belief in the invalidity of a patent is a defense to induced infringement.<sup>8</sup> In addition, the Supreme Court determined what standard of review the Federal Circuit should apply when reviewing claim construction rulings.<sup>9</sup> The Federal Circuit also made important developments to its patent law jurisprudence.<sup>10</sup>

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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 S. Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982).

3. *See id.*

4. 28 U.S.C. § 1295(a)(1) (2012).

5. *See Kimble v. Marvel Entm't*, 135 S. Ct. 2401, 2405 (2015); *Commil v. Cisco Sys.*, 135 S. Ct. 1920, 1928 (2015); *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015); *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1299 (2015); *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. 907, 911 (2015).

6. *See Stryker Corp v. Zimmer, Inc.*, 136 S. Ct. 356 (2015); *Halo Elec. v. Pulse Elec.*, 136 S. Ct. 356 (2015).

7. *See Kimble*, 135 S. Ct. at 2405.

8. *See Commil*, 135 S. Ct. at 1928.

9. *See Teva*, 135 S. Ct. at 835.

10. *See Akamai Tech. v. Limelight Networks*, 797 F.3d 1020 (Fed. Cir. 2015); *Intellectual Ventures v. Capital One Bank*, 792 F.3d 1363 (Fed. Cir. 2015); *Carnegie Mellon Univ. v. Marvell Tech.*, 807 F.3d 1283 (Fed. Cir. 2015).

In copyright, the U.S. Court of Appeals for the Second Circuit decided whether Google’s scanning, storage, and display of millions of books falls within the “fair use” defense to copyright infringement.<sup>11</sup> The Second Circuit also determined that music publishers could not selectively offer blanket licenses covering their music libraries to negotiate for better royalty rates from new media platforms, such as Pandora.<sup>12</sup>

In trademark, the Supreme Court found that a district court could make a finding of issue preclusion grounded in a prior agency decision.<sup>13</sup> The Federal Circuit held a provision of the Lanham Act, which allows the United States Patent and Trademark Office (USPTO) to deny a trademark registration on the basis that the applied-for mark would disparage a group of people, unconstitutional under the First Amendment.<sup>14</sup>

## II. PATENT UPDATE

### A. THE U.S. SUPREME COURT ON PATENTS

#### 1. *The Web of Patent Royalties Does Not Extend Beyond the Expiration of the Patent*—*Kimble v. Marvel*

In *Kimble v. Marvel*, the U.S. Supreme Court considered whether to continue to uphold the *Brulotte* rule that a “patent holder cannot charge royalties for the use of his invention after its patent term has expired.”<sup>15</sup>

Stephen Kimble owns the patent at issue (U.S. 5,072,856), which covers a toy that allows the user to spray “pressurized foam string” from “the palm of [the] hand” to mimic “a spider person.”<sup>16</sup> Kimble sued Marvel Entertainment (Marvel) for patent infringement. The parties reached a settlement agreement, which required Marvel to “purchase Kimble’s patent in exchange for a lump sum (of about a half-million dollars) and a 3% royalty on Marvel’s future sales of the [toy] and similar products.”<sup>17</sup> There was no end-date for the royalty on Marvel’s future sales.<sup>18</sup> After the settlement, Marvel found *Brulotte*, which held that “a patent holder cannot charge royalties for the use of his invention after its patent term has expired.”<sup>19</sup>

Marvel went to federal district court to seek a declaratory judgment, “confirming that the company could cease paying royalties” once the patent term ended.<sup>20</sup> The district court held that “*Brulotte* made ‘the royalty provision . . . unenforceable after the expiration of the Kimble patent.’”<sup>21</sup>

11. See *Authors Guild v. Google, Inc.*, 804 F.3d 202, 207 (2d Cir. 2015).

12. See *Pandora Media, Inc., v. Am. Soc’y of Composers, Authors & Publishers*, 785 F.3d 73, 77 (2d Cir. 2015).

13. See *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1299 (2015).

14. See *In re Tam*, 808 F.3d 1321, 1335 (Fed. Cir. 2015).

15. *Kimble v. Marvel Entm’t*, 135 S. Ct. 2401, 2405 (2015).

16. *Id.*

17. *Id.* at 2406.

18. *Id.*

19. *Id.* at 2405–06.

20. *Id.* at 2406.

21. *Id.*

The Ninth Circuit affirmed the holding, and the Supreme Court granted certiorari.<sup>22</sup>

On appeal to the Supreme Court, Kimble argued that the *Brulotte* rule should be abandoned “in favor of ‘flexible, case-by-case analysis’ of post-expiration royalty clauses ‘under the rule of reason.’”<sup>23</sup>

The Supreme Court did not agree, finding that stare decisis prohibited it from overruling *Brulotte* because there was no “superspecial justification.”<sup>24</sup> It held that a “patent holder cannot charge royalties for the use of his invention after its patent term has expired.”<sup>25</sup>

The principle of stare decisis is “the idea that today’s Court should stand by yesterday’s decisions . . . [and] is a ‘foundation stone of the rule of law.’”<sup>26</sup> Furthermore, “*stare decisis* carries enhanced force when a decision . . . interprets a statute.”<sup>27</sup> In this case, *Brulotte* interpreted the statutory term of a patent in finding that royalties cannot go beyond the patent term.<sup>28</sup> The Supreme Court noted that in cases of statutory interpretation, Congress may make corrections to the statute at issue.<sup>29</sup> It specifically focused on the fact that “Congress has repeatedly amended the patent laws, including the specific provision on which *Brulotte* rested” but never actually reworked the *Brulotte* rule.<sup>30</sup>

The Supreme Court also found that where property (patents) and contract rights (licensing agreements) are at issue, under stare decisis, there needs to be a superspecial justification to reverse *Brulotte*.<sup>31</sup> Here, there was no superspecial justification because “*Brulotte*’s statutory and doctrinal underpinnings have not eroded over time” and “nothing about *Brulotte* has proved unworkable.”<sup>32</sup> The Supreme Court noted, “[T]he core feature of the patent laws on which *Brulotte* relied remains just the same: Section 154 now, as then, draws a sharp line cutting off patent rights after a set number of years.”<sup>33</sup> There is an “ease of use” when applying the *Brulotte* rule because, for example, “[a] court need only ask whether a licensing agreement provides royalties for post-expiration use of a patent.”<sup>34</sup>

The Supreme Court also noted that there were several ways to work around *Brulotte*.<sup>35</sup> First, licensees can “defer payments for pre-expiration use of a patent into the post-expiration period.”<sup>36</sup> Second, “royalties may

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22. *Id.*

23. *Id.* at 2409.

24. *Id.* at 2410.

25. *Id.* at 2405.

26. *Id.* at 2409.

27. *Id.*

28. *Id.* at 2405.

29. *Id.* at 2413.

30. *Id.* at 2410.

31. *Id.*

32. *Id.* at 2410–11.

33. *Id.*

34. *Id.* at 2411.

35. *Id.* at 2408.

36. *Id.*

run until the latest-running patent covered in the parties' agreement expires."<sup>37</sup> Third, "post-expiration royalties are allowable so long as tied to a non-patent right—even when closely related to a patent."<sup>38</sup> Fourth, there is "no bar to business arrangements other than royalties . . . that enable parties to share the risks and rewards of commercializing an invention."<sup>39</sup>

Three Justices dissented, noting that *Brulotte* was "baseless and damaging precedent," and that "[a] licensing agreement that provides for the payment of royalties after a patent's term expires does not enlarge the patentee's monopoly or extend the term of the patent. It simply gives the licensor a contractual right."<sup>40</sup> The dissent argued that the "[Patent] Act says nothing whatsoever about post-expiration royalties," but that the Supreme Court in *Brulotte* "held that such royalties are *per se* unlawful."<sup>41</sup> Additionally, the dissent argued that *Brulotte* "often functions to upset the parties' expectations" because "[i]f the parties had been aware of *Brulotte*, they might have agreed to higher payments during the patent term."<sup>42</sup>

The Supreme Court's ruling shows that the way for *Brulotte* to change is through action by Congress.

## 2. *Invalidity is Not a Defense to Infringement; It is a Defense to Liability*—*Commil v. Cisco*

The question before the U.S. Supreme Court in *Commil v. Cisco* was "whether a defendant's belief regarding patent validity is a defense to a claim of induced infringement."<sup>43</sup> Section 271(b) of the Patent Act outlines induced infringement.<sup>44</sup>

The patent at issue related to "a method of providing faster and more reliable communications between devices and base stations" in short-range wireless networks.<sup>45</sup> Cisco "makes and sells wireless networking equipment."<sup>46</sup> *Commil* sued Cisco in the district court, alleging that Cisco "infringed *Commil*'s patent by making and using networking equipment" and that "Cisco had induced others to infringe the patent by selling the infringing equipment for them to use."<sup>47</sup> Cisco raised the defense that it "had a good-faith belief that *Commil*'s patent was invalid."<sup>48</sup> The district court found for *Commil*, and Cisco appealed to the Federal Circuit.<sup>49</sup>

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37. *Id.*

38. *Id.*

39. *Id.*

40. *Id.* at 2415 (Alito, J., dissenting).

41. *Id.*

42. *Id.* at 2417.

43. *Commil v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928 (2015).

44. *Id.* at 1926.

45. *Id.* at 1924.

46. *Id.*

47. *Id.*

48. *Id.*

49. *Id.* at 1925.

Cisco argued that the jury instruction stating that it could be liable for induced infringement if Cisco “‘knew or should have known’ that its customers infringed” was improper because the jury instruction “did not state knowledge as the governing standard for inducement liability.”<sup>50</sup> The Federal Circuit held that the jury instruction was incorrect, and “that induced infringement ‘requires knowledge that the induced acts constitute patent infringement’” because the jury instruction would have allowed “the jury to find [Cisco] liable based on mere negligence where knowledge is required.”<sup>51</sup>

The Supreme Court vacated and remanded the judgment of the Federal Circuit.<sup>52</sup> The Supreme Court held that a “defendant’s belief regarding patent validity is not a defense to a claim of induced infringement”<sup>53</sup> because “infringement and invalidity are separate matters under patent law.”<sup>54</sup>

Infringement and invalidity are “separate matters under patent law” for several reasons.<sup>55</sup> First, they are “listed as two separate defenses” in the Patent Act.<sup>56</sup> Defendants may raise a defense of non-infringement, invalidity, or both.<sup>57</sup> Second, the clear and convincing standard, which is applied when overcoming the presumption that a patent is valid, would be reduced if a “defendant could prevail if he proved he reasonably believed the patent was invalid.”<sup>58</sup> Third, “invalidity is not a defense to infringement it is a defense to liability.”<sup>59</sup> Invalidity can be used to “preclude enforcement of a patent against otherwise infringing conduct,” but if a patent is invalid, “there is no liability.”<sup>60</sup>

The Supreme Court also noted policy reasons supporting its holding.<sup>61</sup> First, there are many proper ways for accused inducers to obtain a ruling that the patent actually is invalid (such as an *inter partes* review).<sup>62</sup> Additionally, if belief of invalidity was a defense, it could “render litigation more burdensome for everyone involved,” raise discovery costs, and require the jury to “be put to the difficult task of separating the defendant’s belief regarding validity from the actual issue of validity.”<sup>63</sup> Finally, the Supreme Court stated that “[t]he general rule that ignorance of the law or a mistake of law is no defense to criminal prosecution is deeply rooted in the American legal system.”<sup>64</sup>

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50. *Id.*

51. *Id.*

52. *Id.* at 1931.

53. *Id.* at 1922.

54. *Id.* at 1928.

55. *Id.* at 1928–29.

56. *Id.* at 1928.

57. *Id.* at 1929.

58. *Id.*

59. *Id.*

60. *Id.*

61. *Id.* at 1929–30.

62. *Id.* at 1929.

63. *Id.* at 1929–30.

64. *Id.* at 1930.

There were two dissenting Justices, who noted that, “[b]ecause only valid patents can be infringed, anyone with a good-faith belief in a patent’s *invalidity* necessarily believes that the patent *cannot* be infringed. And it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he *knows* will infringe it.”<sup>65</sup>

3. *Clear Error or De Novo Review for Claim Construction—It is a Question of Fact—Teva v. Sandoz*

In *Teva v. Sandoz*, the U.S. Supreme Court determined “what standard the Court of Appeals should use when it reviews a trial judge’s resolution of an underlying factual dispute” during claim construction.<sup>66</sup>

Teva’s patent “covers a manufacturing method for Copaxone, a drug used to treat multiple sclerosis.”<sup>67</sup> Teva sued Sandoz, Inc. (Sandoz) for patent infringement when it tried to sell a generic version of Copaxone. Sandoz argued that the patent claim phrase “molecular weight” was invalid on the basis of indefiniteness because it does not specify how the molecular weight is calculated.<sup>68</sup>

The district court held the patent valid because it found the claims to be sufficiently definite.<sup>69</sup> The Federal Circuit reviewed the district court’s claim construction de novo and found that the patent was invalid because the term was indefinite.<sup>70</sup> The Supreme Court granted certiorari.<sup>71</sup>

The Supreme Court held that “[w]hen reviewing a district court’s resolution of subsidiary factual matters” during patent construction, “the Federal Circuit must apply a ‘clear error,’ not a de novo, standard of review” because of Rule 52(a)(6) of the Federal Rules of Civil Procedure.<sup>72</sup> Rule 52(a)(6) requires a court of appeals to use a “clearly erroneous” standard of review for a fact finding.<sup>73</sup> The Supreme Court noted that “[e]ven if exceptions to the Rule were permissible, we cannot find any convincing ground for creating an exception to that Rule here.”<sup>74</sup>

The Supreme Court clarified that the *Markman* decision did not “create[ ], nor argue[ ] for, an exception to Rule 52(a).”<sup>75</sup> The Supreme Court held in *Markman* that “the ultimate question of claim construction is for the judge and not the jury.”<sup>76</sup> *Markman* did not “create an exception to Rule 52(a)” because claim construction is not a “factual matter[ ],” even though “subsidiary factfinding is sometimes necessary.”<sup>77</sup> It also noted

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65. *Id.* at 1931 (Scalia, J., dissenting).

66. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015).

67. *Id.*

68. *Id.* at 835–36.

69. *Id.* at 831, 836.

70. *Id.* at 836.

71. *Id.*

72. *Id.* at 833.

73. *Id.*

74. *Id.* at 837.

75. *Id.*

76. *Id.* at 838.

77. *Id.*



that Rule 52(a) “requires appellate courts to review all such subsidiary factual findings under the ‘clearly erroneous’ standard.”<sup>78</sup>

The Supreme Court also explained how the clear error rule should be applied by distinguishing between cases of claim construction where the judge’s determination is reviewed de novo or for clear error on appeal.<sup>79</sup> Patent claims, specifications, and prosecution history are all intrinsic to the patent and should be reviewed de novo.<sup>80</sup> Other evidence used to assist in understanding the “background science or the meaning of a term in the relevant art during the relevant time period” is extrinsic evidence and should be reviewed for clear error.<sup>81</sup>

There were two dissenting justices who noted that “‘Rule 52(a) does not furnish particular guidance with respect to distinguishing law from fact,’ and we have found it difficult to discern ‘any other rule or principle that will unerringly’ differentiate the two.”<sup>82</sup>

## B. THE FEDERAL CIRCUIT ON PATENTS

### 1. *Applying the Supreme Court Precedent to § 271(a)*—*Akamai v. Limelight*

In *Akamai v. Limelight*, the U.S. Court of Appeals for the Federal Circuit faced the same case after the U.S. Supreme Court remanded the case, noting “the possibility that [the Federal Circuit] erred by too narrowly circumscribing the scope of § 271(a).”<sup>83</sup>

*Akamai* owns multiple patents covering “methods for delivering content over the Internet.”<sup>84</sup> It filed a patent infringement action against *Limelight*.<sup>85</sup> Both parties agreed that it was not *Limelight*, but *Limelight*’s customers who “perform[ed] the ‘tagging’ and ‘serving’ steps in the claims.”<sup>86</sup>

The Federal Circuit held *Limelight* liable for direct infringement because “substantial evidence supports the jury’s verdict that all steps of the claimed methods were performed by or attributable to *Limelight*.”<sup>87</sup> An entity will now be held “responsible for others’ performance of method steps in two sets of circumstances: (1) where that entity directs or controls others’ performance; and (2) where the actors form a joint enterprise.”<sup>88</sup> The Federal Circuit noted that, in addition to “general principals of vicarious liability . . . liability under § 271(a) can also be found when an alleged infringer conditions participation in an activity or steps of a

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78. *Id.*

79. *Id.*

80. *Id.* at 841.

81. *Id.*

82. *Id.* at 844 (Thomas, J., dissenting).

83. *Akamai Tech. v. Limelight Networks*, 797 F.3d 1020, 1022 (Fed. Cir. 2015).

84. *Id.* at 1024.

85. *Id.*

86. *Id.*

87. *Id.* at 1025.

88. *Id.* at 1022.

patented method and establishes the manner or timing of that performance.”<sup>89</sup> Simply put, the test for direct infringement is to “consider whether all method steps can be attributed to a single entity.”<sup>90</sup>

The Federal Circuit found two pieces of “substantial evidence from which [a jury] could find that Limelight directs or controls its customers’ performance of each remaining method step, such that all steps of the method are attributable to Limelight.”<sup>91</sup> First, Limelight’s customers sign a contract, which outlines the “steps customers must perform if they use the Limelight service.”<sup>92</sup> For example, “tagging and serving” are among the steps involved.<sup>93</sup> Second, “Limelight sends its customers a welcome letter instructing the customer how to use Limelight’s service.”<sup>94</sup> The instructions include “step-by-step instructions” on how to tag and serve content.<sup>95</sup> Thus, Limelight is liable for direct infringement because its customers “can only avail themselves of . . . [Limelight’s] service upon their performance of the method steps.”<sup>96</sup>

## 2. *No “Inventive Concept” under Alice—Intellectual Ventures v. Capital One Bank*

In the *Alice* portion of *Intellectual Ventures v. Capital One Bank*, the U.S. Court of Appeals for the Federal Circuit found two examples of abstract ideas that lack an “inventive concept” under *Alice*.<sup>97</sup> Intellectual Ventures claimed that Capital One infringed its patents (U.S. Patent Nos. 8,083,137 (the ‘137 patent) and 7,603,382 (the ‘382 patent)).<sup>98</sup> The district court found that both patents claimed “ineligible subject matter and were also indefinite under 35 U.S.C. § 112(b).”<sup>99</sup> Intellectual Ventures appealed.<sup>100</sup>

Using the recent *Alice* framework, the Federal Circuit found that both patents claimed unpatentable subject matter because they claimed an abstract idea lacking an inventive concept.<sup>101</sup> There are two steps in the *Alice* framework for determining “whether an invention claims ineligible subject matter.”<sup>102</sup> The first step is to “determine whether the claims at issue are directed to one of [the] patent-ineligible concepts”—laws of nature, natural phenomena, or abstract ideas.”<sup>103</sup> The second step states that if a patent is for an abstract idea, the court should “ask whether the

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89. *Id.* at 1022–23.

90. *Id.* at 1023.

91. *Id.* at 1024.

92. *Id.*

93. *Id.*

94. *Id.*

95. *Id.* at 1025.

96. *Id.*

97. *Intellectual Ventures v. Capital One Bank*, 792 F.3d 1363, 1367 (Fed. Cir. 2015).

98. *Id.* at 1365.

99. *Id.*

100. *Id.*

101. *Id.* at 1365, 1368, 1370.

102. *Id.* at 1366.

103. *Id.*

remaining elements, either in isolation or combination with the non-patent-ineligible elements, are sufficient to “transform the nature of the claim” into a patent-eligible application.”<sup>104</sup> More specifically, “there must be an ‘inventive concept’ to take the claim into the realm of patent-eligibility.”<sup>105</sup>

The ‘137 patent is connected with budgeting, specifically, “tracking financial transactions to determine whether they exceed a pre-set spending limit,” using a “communication medium.”<sup>106</sup> The Federal Circuit found that the communication medium limitation is not enough to “render the claims any less abstract.”<sup>107</sup> There was no inventive concept because all of the elements were “generic computer elements,” such as “a database, a user profile . . . and a communication medium.”<sup>108</sup> The Federal Circuit referenced *Alice*, stating, “Instructing one to ‘apply’ an abstract idea and reciting no more than generic computer elements performing generic computer tasks does not make an abstract idea patent-eligible.”<sup>109</sup>

The ‘382 patent in *Intellectual Ventures* is for “customizing web page content as a function of navigation history and information known about the user.”<sup>110</sup> The patent owner argued that there is an inventive concept because the “claimed invention in ‘real time’ customizes the web page based on the information it knows about the particular viewer.”<sup>111</sup> The patent owner admitted that “the web site might have a series of pre-designed advertisements, which, based on the user’s information, the web site would then choose between and present to the user.”<sup>112</sup> The Federal Circuit found that the invention did not cover patent eligible subject matter because the “minimal tailoring” is an abstract idea lacking an inventive concept.<sup>113</sup> The Federal Circuit cited *Alice* and stated, “Steps that do nothing more than spell out what it means to ‘apply it on a computer’ cannot confer patent-eligibility.”<sup>114</sup> Specifically, “the use of a ‘software’ ‘brain’ ‘tasked with tailoring information and providing it to the user’ provides no additional limitation beyond applying an abstract idea, restricted to the Internet, on a generic computer.”<sup>115</sup>

*Alice* is currently having a significant impact on the patentable subject matter of patents and warrants careful practitioner attention. The *Alice* effect highlights the importance of meticulous drafting to comply with statutory requirements, especially § 112, and claiming in sufficient detail the features of the invention.

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104. *Id.* at 1366–67.

105. *Id.* at 1367.

106. *Id.*

107. *Id.*

108. *Id.* at 1368.

109. *Id.*

110. *Id.* at 1369.

111. *Id.* at 1370.

112. *Id.*

113. *Id.* at 1369–70.

114. *Id.* at 1370.

115. *Id.* at 1371.

3. *Extraterritoriality and Royalties*—Carnegie Mellon University v. Marvell

In *Carnegie Mellon University v. Marvell*, one of the questions that the U.S. Court of Appeals for the Federal Circuit considered involved the issue of extraterritoriality.<sup>116</sup> Specifically, the Federal Circuit considered whether the royalty awarded by the district court “improperly reaches beyond United States borders.”<sup>117</sup>

Carnegie Mellon University (CMU) owns U.S. Patent Nos. 6,201,839 and 6,438,180, which are directed towards the “magnetic data-storage media of hard-disk drives in computers.”<sup>118</sup> Marvell “designs and sells semiconductor microchips” in California and “hires foreign companies to manufacture them.”<sup>119</sup> CMU sued Marvell in a patent infringement claim because Marvell used CMU’s patents in developing its new generation of chips.<sup>120</sup> Marvell has sold 2,338,380,542 chips based around the designs disclosed in the patents.<sup>121</sup>

At trial, the jury found Marvell guilty of infringement and granted an award of \$1,169,140,271 to CMU as a reasonable royalty, based on a “50-cent-per-chip royalty.”<sup>122</sup> Additionally, the district court increased the award by \$79,550,288 in order to account for Marvell’s profits up to the date of the judgment, earned from its continued sales of the chips at issue.<sup>123</sup> The district court also raised the damages by 23%, which ultimately added another \$287,198,828.60 to the award.<sup>124</sup> Marvell appealed.<sup>125</sup>

Marvell argued that “the award improperly include[d] ‘foreign chips in the royalty base.’”<sup>126</sup> It further claimed that “the district court ‘erred in denying JMOL (and new trial or remittitur) striking the portion of the damages award that rested on sales of foreign chips that were manufactured, sold, and used abroad without ever entering the United States.’”<sup>127</sup>

The Federal Circuit, however, was not persuaded by Marvell’s argument, noting that § 271(a) “states a clear definition of what conduct Congress intended to reach—making *or* using *or* selling in the United States *or* importing into the United States, even if one or more of those activities also occur abroad.”<sup>128</sup> The Federal Circuit also noted, “Territoriality is satisfied when and only when any one of those domestic actions for that unit (e.g., sale) is proved to be present, even if others of the listed activi-

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116. *Carnegie Mellon Univ. v. Marvell Tech. Grp.*, 807 F.3d 1283, 1288 (Fed. Cir. 2015).

117. *Id.*

118. *Id.* at 1288–89.

119. *Id.* at 1291.

120. *Id.*

121. *Id.*

122. *Id.* at 1291–92.

123. *Id.* at 1292.

124. *Id.*

125. *Id.*

126. *Id.* at 1302.

127. *Id.* at 1305.

128. *Id.* at 1306.

ties for that unit (e.g., making, using) take place abroad.”<sup>129</sup>

The Federal Circuit found that it could not “say that a jury could not find the chips to have been sold in the United States.”<sup>130</sup> The Federal Circuit found several factors that “suggest[] a substantial level of sales activity by Marvell within the United States, even for chips manufactured, delivered, and used entirely abroad.”<sup>131</sup> For example, (1) Marvell’s facilities were located in California; (2) Marvell “provided potential customers with samples and simulations incorporating its designs” from its California facility; and (3) “evidence suggest[ed] that specific contractual commitments for specific volumes of chips were made in the United States.”<sup>132</sup> Furthermore, Marvell did not offer probative evidence to defeat the inference that the aforementioned contracts for chip sales were executed in the United States.

Even so, there were chips that the Federal Circuit could not render a decision on due to a lack of factual evidence.<sup>133</sup> As a result, the Federal Circuit concluded that a “partial new trial is needed to determine the location, or perhaps locations, of the ‘sale’ of those chips.”<sup>134</sup> The Federal Circuit stipulated that “[t]o the extent . . . that the United States is such a location of sale, chips not made in or imported into the United States may be included in the past-royalty award and ongoing-royalty order.”<sup>135</sup>

### C. *INTER PARTES* REVIEW

*Inter partes* review (IPR) filings have drastically increased over the past year (see Chart 1 below).<sup>136</sup> Two cases in particular, *Cuozzo* and *MCM*, answered several legal questions regarding IPRs.<sup>137</sup>

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129. *Id.*

130. *Id.* at 1309.

131. *Id.* at 1309–10.

132. *Id.* at 1309.

133. *Id.* at 1288.

134. *Id.*

135. *Id.*

136. See *Patent Trial and Appeal Board Statistics*, USPTO (Nov. 30, 2015), <http://www.uspto.gov/sites/default/files/documents/2015-11-30%20PTAB.pdf> [https://perma.cc/TPK3-TJWD].

137. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), *cert. filed*, No. 15-1330 (Apr. 29, 2016); *In re Cuozzo Speed Tech., LLC*, 793 F.3d 1268 (Fed. Cir. 2015).

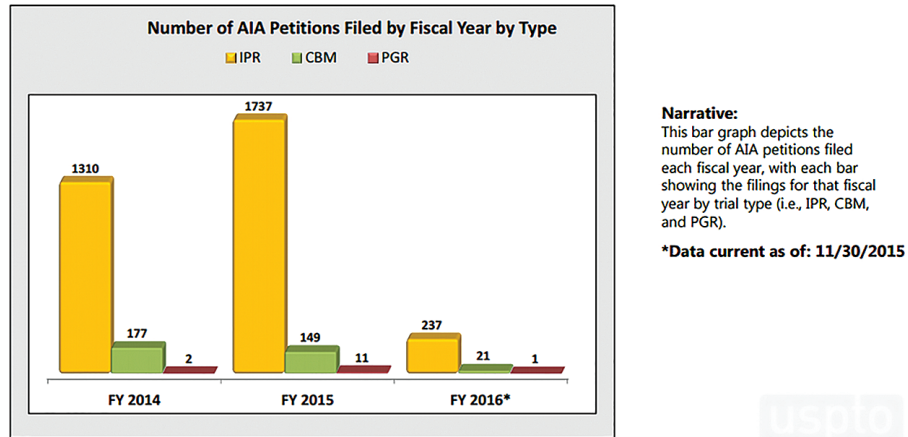


Chart 1. Number of AIA Petitions Filed by Fiscal Year by Type<sup>138</sup>

In *Cuozzo*, the U.S. Court of Appeals for the Federal Circuit made several important rulings.<sup>139</sup> First, the Federal Circuit found that 35 U.S.C. § 314(d) “prohibits review of the decision to institute IPR even after a final decision.”<sup>140</sup> Second, the Federal Circuit found that “Congress implicitly approved the broadest reasonable interpretation standard [for patent claim construction] in enacting the AIA” because “that standard has been applied in every PTO proceeding involving unexpired patents,” and “Congress in enacting the AIA was well aware that the broadest reasonable interpretation standard was the prevailing rule.”<sup>141</sup> Finally, the Federal Circuit found that “the test that a claim ‘is broader in scope than the original claims if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent’” applies not only “in the context of reissues and reexaminations,” but also “in the context of IPRs.”<sup>142</sup>

In the second case, *MCM*, the U.S. Court of Appeals for the Federal Circuit answered several questions pertaining to the authority of the U.S. Patent Office (PTO), the authority of the court, and whether IPRs violate Article III of the U.S. Constitution.<sup>143</sup> The Federal Circuit held that it cannot review the Patent Trial and Appeal Board’s (PTAB) decision of whether to institute an IPR, but it “can review the question of whether the final decision violates Article III and the Seventh Amendment.”<sup>144</sup> The Federal Circuit held that “*inter partes* review provisions do not violate Article III” as “Congress has the power to delegate disputes over

138. *Patent Trial and Appeal Board Statistics*, *supra* note 136.

139. *See In re Cuozzo*, 793 F.3d at 1273.

140. *Id.*

141. *Id.* at 1276–78.

142. *Id.* at 1283.

143. *MCM Portfolio LLC v. Hewlett-Packard Co.* 812 F.3d 1284, 1285 (Fed. Cir. 2015), *cert. filed*, No. 15-1330 (Apr. 29, 2016).

144. *Id.*

public rights to non-Article III courts,” and because of prior Federal Circuit precedent.<sup>145</sup> Finally, the Federal Circuit held that the “Seventh Amendment poses no barrier to agency adjudication without a jury” because “patent rights are public rights, and their validity susceptible to review by an administrative agency.”<sup>146</sup>

The Federal Circuit will continue to see more appeals of PTAB decisions and issue opinions balancing fairness between petitioners and patent owners.<sup>147</sup>

### III. COPYRIGHT UPDATE

#### A. SNIPPETS AND SEARCHES ARE FAIR USE—*AUTHORS GUILD, INC. v. GOOGLE, INC.*

The U.S. Court of Appeals for the Second Circuit affirmed the district court’s determination in *Authors Guild, Inc. v. Google Inc.* that Google’s scanning, storage, and digital display of “snippets” of more than 20 million searchable books is protected by the fair use defense under § 107 of the Copyright Act.<sup>148</sup> 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 “amount and substantiality of the portion used” in comparison to “the copyrighted work as a whole”; and (4) how the use affects the potential market or the “value of the copyrighted work.”<sup>149</sup> On appeal, the Authors Guild offered five separate arguments why Google’s fair use defense should fail, each of which was rejected by the Second Circuit.<sup>150</sup>

First, the Second Circuit found that Google’s use satisfied the first factor of the fair use analysis because it constituted a transformative use that “communicate[d] something new and different from the original [work] or expand[ed] its utility.”<sup>151</sup> Specifically, scanning the books and enabling users to “search for identification of books containing a term of interest” was a transformative use because it “ma[d]e available significant information *about those books*.”<sup>152</sup> Additionally, enabling users to view a snippet of the books recovered in their searches “adds importantly to the highly transformative purpose of identifying books of interest to the searcher.”<sup>153</sup> The use of snippets allows “the searcher just enough context surrounding the searched term to help her evaluate whether the book falls within the scope of her interest (without revealing so much as to

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145. *Id.* at 1289, 1291–92.

146. *Id.* at 1293.

147. *See, e.g.*, *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1377 (Fed. Cir. 2015).

148. *Authors Guild v. Google, Inc.*, 804 F.3d 202, 207–08 (2d Cir. 2015).

149. 17 U.S.C. § 107 (2012); *Authors Guild*, 804 F.3d at 212–13.

150. *Authors Guild*, 804 F.3d at 207.

151. *Id.* at 214.

152. *Id.* at 216–17 (alteration in original).

153. *Id.* at 218.

threaten the author's copyright interests).<sup>154</sup> While Google is a for-profit entity, a mere commercial motivation will not "outweigh a convincing transformative purpose and absence of significant substitutive competition with the original."<sup>155</sup>

The second factor carried little weight on its own, but favored Google when the nature of the copyrighted work was assessed in conjunction with the first factor.<sup>156</sup> In discussing the third factor, the Second Circuit acknowledged that Google's program copies entire works but took care to note that other "courts have rejected any categorical rule that a copying of the entirety [of a work] cannot be a fair use."<sup>157</sup> This factor turned on the fact that Google "does not reveal th[e] digital copy to the public" and that "the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work."<sup>158</sup> Google limits the amount of the book shown, blacklists approximately 22% of a book from a user's view, and utilizes other built-in restrictions that operate to prevent a searcher from accessing more than randomly scattered sections of any book.<sup>159</sup>

Finally, the fourth factor weighed heavily in Google's favor because the snippets are not an effective substitute for the original work, "[e]specially in view of the . . . normal purchase price of a book [compared to] the cost of manpower needed to secure an arbitrary assortment of randomly scattered snippets."<sup>160</sup> The Second Circuit recognized that some level of lost sales could result from Google's snippet function, but that fact did not transform Google's use into an effective substitute for the original work.<sup>161</sup>

The Authors Guild argued that Google has prevented the copyright owners from exercising and maintaining derivative rights in their works.<sup>162</sup> The Second Circuit, however, responded that copyright in a work "does not include an exclusive right to furnish the kind of information about the works that Google's programs provide to the public."<sup>163</sup> Rather, derivative rights allow authors to prevent their work from being converted to a different form, not to prevent other parties from "allow[ing] the public to obtain limited data about the contents of the book, without allowing any substantial reading of its text."<sup>164</sup>

The Second Circuit also pointed to Google's highly protected and confidential database to find that the risk of hacking of Google's files was

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154. *Id.*

155. *Id.* at 219.

156. *Id.* at 220.

157. *Id.* at 221.

158. *Id.* at 221–22.

159. *Id.* at 222.

160. *Id.* at 224.

161. *Id.*

162. *Id.* at 225.

163. *Id.*

164. *Id.* at 226.



insufficient to support the Authors Guild's claims.<sup>165</sup> Finally, Google's furnishing of digital copies of the works to the libraries that provided the print-version in the first place did not constitute infringement because Google conditioned the furnishing of the digital copy on the library agreeing to only use them in a "non-infringing fair use manner."<sup>166</sup> The Second Circuit concluded that Google's program of digitizing millions of books, enabling searching of the content of the books, and displaying small snippets of the books was a highly transformative use that did not provide effective substitutes for the original works and that Google's commercial motivations did not justify rejecting the fair use defense.<sup>167</sup>

B. DOES THE BLANKET COVER THE STREAM?—*PANDORA MEDIA, INC. v. ASCAP*

In the midst of an ever-increasing number of famous music artists and owners pulling their content from new online streaming platforms (e.g., Pandora and Spotify) and disputes arising over royalty rates, the U.S. Court of Appeals for the Second Circuit tendered a big win for the streaming company Pandora.<sup>168</sup> The Second Circuit found that the American Society of Composers, Authors, and Publishers (ASCAP) and other music publishers could not selectively offer blanket licenses covering their music libraries to negotiate higher royalty rates.<sup>169</sup>

ASCAP is an organization that licenses the right to make public performances of the works of nearly "half of all composers and music publishers in the United States."<sup>170</sup> Due to the sheer size of the performing rights organization, it is subject to a judicial decree that mandates how it operates and offers licenses to parties wishing to publicly perform musical works (e.g., restaurants, stores, hotels, etc.).<sup>171</sup> The decree requires ASCAP, upon receipt of a written-request, to grant a non-exclusive license to publicly perform ASCAP's entire library of works.<sup>172</sup>

In response to growing concern revolving around low royalty rates received by ASCAP from certain online streaming companies, such as Pandora, several copyright owners threatened to withdraw all content from ASCAP.<sup>173</sup> The owners demanded that ASCAP allow them to selectively decide which parties ASCAP licensed their works to and which parties the owners dealt with personally and apart from ASCAP.<sup>174</sup> In response, ASCAP allowed some copyright owners to withdraw the rights to perform their works from some media performers (such as Pandora), but not

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165. *Id.* at 228.

166. *Id.*

167. *Id.* at 229.

168. *See Pandora Media, Inc. v. Am. Soc'y of Composers, Authors, & Publishers*, 785 F.3d 73, 75 (2d Cir. 2015).

169. *Id.*

170. *Id.*

171. *Id.* at 75–76.

172. *Id.* at 76.

173. *Id.*

174. *Id.*

others, despite the blanket license provision in ASCAP's judicial decree.<sup>175</sup>

In affirming the district court, the Second Circuit found that the practice of allowing content owners to selectively decide whether to license their works through ASCAP directly violated the plain words of the judicial decree, which “unambiguously precludes ASCAP from accepting such partial withdrawals.”<sup>176</sup> Because ASCAP must offer its entire repertory under all blanket licenses, “publishers may not license works to ASCAP for licensing to some eligible users but not others.”<sup>177</sup> While this holding currently favors Pandora and other new streaming platforms, individual content owners may refrain from contracting with ASCAP in the future and attempt to negotiate individually with the Pandoras of the world—if they have the funds to do so.

The Second Circuit also affirmed the rate determination made by the district court, despite ASCAP's arguments for an escalating rate.<sup>178</sup> It held that a “1.85% rate was reasonable for the duration of the Pandora-ASCAP license” especially since ASCAP failed to prove that its proposed rate was reasonable.<sup>179</sup>

#### IV. TRADEMARK UPDATE

##### A. DISTRICT COURT ISSUE PRECLUSION CAN ARISE OUT OF THE BOARD—*B & B HARDWARE, INC. v. HARGIS INDUSTRIES, INC.*

In *B & B Hardware v. Hargis Industries*, the U.S. Supreme Court determined whether issue preclusion applies in the context of trademark law when parties are engaged in disputes before both the Trademark Trial and Appeal Board (TTAB) and a district court regarding the same marks and issues.<sup>180</sup> In 1993, B&B registered the mark SEALTIGHT for metal fasteners to be used in the aerospace industry. Three years later, Hargis attempted to procure a trademark registration for the mark SEALTITE, also for metal fasteners, for use in the construction industry. Promptly after the USPTO published Hargis' application, B&B opposed Hargis' SEALTITE application, arguing that the mark would likely cause confusion among the consuming public, one basis for opposing the registration of a mark under the Lanham Act.<sup>181</sup>

In an opposition proceeding before the TTAB, the TTAB will determine existence of a likelihood of confusion between two marks using the factors laid out in *In re E.I. DuPont DeNemours & Co.*<sup>182</sup> For example,

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175. *Id.*

176. *Id.* at 77.

177. *Id.*

178. *Id.* at 78.

179. *Id.*

180. *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1299 (2015).

181. *Id.* at 1301; *see also* 15 U.S.C. § 1052(d) (2012).

182. *B & B Hardware*, 135 S. Ct. at 1301.

the TTAB considered whether B&B's mark resembled Hargis' applied-for mark, whether the goods and services offered under the two marks were similar, and whether there was evidence of actual consumer confusion, along with other factors.<sup>183</sup> Based primarily on the similarity of the marks themselves and the goods at issue, the TTAB held that Hargis' SEALTITE mark was too similar to B&B's existing SEALTIGHT mark that it created a likelihood of confusion among consumers and thus granted B&B's opposition and denied registration to Hargis.<sup>184</sup>

During the pendency of the action before the TTAB, B&B also filed an action for trademark infringement in the district court.<sup>185</sup> When a party brings a separate infringement action, the district court will perform its own likelihood of confusion analysis using a set of factors consistent with the law in the circuit where the court sits.<sup>186</sup> While the federal action was pending, the TTAB issued its holding in favor of B&B.<sup>187</sup> In response, B&B argued that the TTAB's decision should have "preclusive effect" in the district court because the issue of likelihood of confusion had already been decided.<sup>188</sup> The district court rejected B&B's argument of preclusion on the basis that the Board is not an Article III court and therefore its decisions can have no bearing on the decisions of a federal court.<sup>189</sup> The jury returned a finding of no likelihood of confusion and B&B appealed.<sup>190</sup>

Contrary to the district court's finding, the Eighth Circuit found that an agency decision could have preclusive effect on a subsequent court proceeding.<sup>191</sup> The Eighth Circuit, however, held that the differences in the analysis performed by the TTAB and the district court prevented a finding of issue preclusion in this instance.<sup>192</sup> The Supreme Court granted certiorari to determine whether and under what conditions an agency decision could "ground issue preclusion."<sup>193</sup>

Addressing initially whether an "agency decision can ever ground issue preclusion," the Supreme Court relied on the Restatement of Judgments to find that it was "clear that issue preclusion is not limited to those situations in which the same issue is before two courts. Rather, where a single issue is before a court and an administrative agency, preclusion also often applies."<sup>194</sup> The Supreme Court rejected Hargis' argument that such a reading of the Lanham Act would be inconsistent with the Seventh

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183. *Id.* at 1302.

184. *Id.*

185. *Id.* at 1296, 1302.

186. *Id.* at 1305.

187. *Id.* at 1302.

188. *Id.*

189. *Id.*

190. *Id.*

191. *Id.*

192. *Id.*

193. *Id.*

194. *Id.* at 1302-03.

Amendment's right to a jury trial and Article III of the Constitution.<sup>195</sup> The Supreme Court further stated that a finding that issue preclusion is unavailable for an agency decision would "conflict with [its] precedent."<sup>196</sup> Finally, the Supreme Court noted that the plain language of the Lanham Act "does not forbid issue preclusion."<sup>197</sup>

After finding that issue preclusion could be grounded in an agency decision, the Supreme Court turned to the Eighth Circuit's holding that issue preclusion nevertheless did not apply because the factors used by the district court in an infringement action were different from those employed by the TTAB in a registration proceeding.<sup>198</sup> The Supreme Court found to the contrary, holding instead that the "same likelihood-of-confusion standard applies" despite the fact "that registration and infringement are governed by different statutory provisions."<sup>199</sup> The Supreme Court was careful to advise that in some situations, a district court would consider different usages of a mark in its likelihood of confusion analysis than those before the TTAB.<sup>200</sup> In those situations, it will be necessary to determine whether the two tribunals considered usages that were "materially the same" to decide whether issue preclusion will apply.<sup>201</sup> Therefore, issue preclusion will not always apply in concurrent or subsequent district court proceedings regarding the same issues, but where "the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply."<sup>202</sup>

The effects of this holding remain to be seen. While the Supreme Court issued a narrow holding applicable to a finite set of trademark opposition proceedings where the usages considered by the TTAB and the district court are materially the same, it is likely that parties will latch onto and dispute what actually constitutes usages that are "materially the same."<sup>203</sup> In those situations, the decision to seek de novo review at the district court level, as opposed to appealing a TTAB decision directly to the Federal Circuit, should be seriously and methodically analyzed. Although the Supreme Court also limited its holding in the context of trademark law, it is likely that parties will attempt to apply the ruling in the patent context, as well.

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195. *Id.* at 1304.

196. *Id.*

197. *Id.* at 1305.

198. *Id.* at 1306.

199. *Id.*

200. *Id.* at 1308.

201. *Id.* (stating that "[i]f a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation. By contrast, if a mark owner uses its mark in ways that are materially unlike the usages in the application, then the TTAB is not deciding the same issue.").

202. *Id.* at 1310.

203. *See id.* at 1308.

B. FIRST AMENDMENT RIGHT TO DISPARAGE—*IN RE TAM*

In December 2015, an en banc U.S. Court of Appeals for the Federal Circuit handed down *In re Tam*, a decision that has the potential to invalidate an entire provision of the Lanham Act.<sup>204</sup> The case revolves around the USPTO's denial of a trademark registration for the mark THE SLANTS for an Asian-American rock band based on its likelihood to disparage individuals of Asian descent, in violation of § 2(a) of the Lanham Act.<sup>205</sup>

The Lanham Act provides that a trademark may be refused to be registered if it “[c]onsists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage.”<sup>206</sup> In determining whether a mark disparages a person or a group of people, the USPTO considers whether a “substantial composite” of the referenced group would find the mark to be disparaging in relation to the goods or services offered under the mark and modern attitudes.<sup>207</sup> Regarding THE SLANTS, the trademark examiner found the mark to be disparaging, a decision that was affirmed by the TTAB.<sup>208</sup> On appeal to the Federal Circuit, the applicant (Mr. Tam) argued that the provision allowing the USPTO to deny registration of a mark as disparaging violated Mr. Tam's First Amendment right to free speech.<sup>209</sup> The three-judge panel found that its “binding precedent foreclosed Mr. Tam's [constitutionality] arguments” and affirmed the USPTO's refusal of registration.<sup>210</sup> Surprisingly, the Federal Circuit *sua sponte* ordered en banc review of the case.<sup>211</sup>

In a landmark decision authored by Judge Moore, the Federal Circuit moved away from its prior decision in *In re McGinley*<sup>212</sup> and found that the disparagement provision of § 2(a) was unconstitutional on its face.<sup>213</sup> Significantly, the Federal Circuit held that the provision “denies important legal rights to private speech,” and therefore applied a strict scrutiny analysis, the highest level of constitutional review.<sup>214</sup> First, the Federal Circuit noted that the disparagement provision was neither “[c]ontent or [v]iewpoint [n]eutral” nor “narrowly tailored to serve compelling state interests.”<sup>215</sup> The Federal Circuit found that, rather than enacting the disparagement provision to serve compelling state interests, the government

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204. *In re Tam*, 808 F.3d 1321, 1328 (Fed. Cir. 2015). Notably, the Federal Circuit initiated *sua sponte* the en banc review of the case. *Id.* at 1334.

205. *Id.* at 1327–28.

206. Lanham Act § 2(a), 15 U.S.C. § 1052(a) (2012).

207. *In re Tam*, 808 F.3d at 1330–31.

208. *Id.* at 1331–32.

209. *Id.* at 1333.

210. *Id.*

211. *Id.* at 1334.

212. 660 F.2d 481 (C.C.P.A. 1981).

213. *Id.* at 1357.

214. *Id.* at 1334.

215. *Id.*

only enacted the provision to restrict speech with which it disagrees.<sup>216</sup>

The Federal Circuit also rejected the government's argument that strict scrutiny was an improper standard because trademarks constitute commercial speech.<sup>217</sup> Instead, the Federal Circuit found that while trademarks do serve commercial functions, it is the "expressive character [of a mark], not its ability to serve as a source identifier, that is the basis for the disparagement exclusion from registration."<sup>218</sup> Therefore, a refusal to register a mark for being disparaging equates to "a determination by the government that the expressive content of the message is unsuitable."<sup>219</sup> Nevertheless, the Federal Circuit discussed the standard if the speech were to be considered commercial and held that the provision still would not survive."<sup>220</sup>

The Federal Circuit also found that the provision has a chilling effect on private speech because the denial of benefits associated with a trademark registration "creates a serious disincentive to adopt a mark which the government may deem offensive or disparaging."<sup>221</sup> Additionally, the Federal Circuit pointed to the inconsistent application of the provision by giving examples of similar marks where one was denied registration for being disparaging and the other was allowed.<sup>222</sup> After rejecting arguments that trademark registrations amount to government speech or are government subsidies to which strict scrutiny does not apply, the Federal Circuit held that "[a]ll of the government's proffered interests boil down to permitting the government to burden speech it finds offensive" and that the provision is unconstitutional.<sup>223</sup>

Notably, the Federal Circuit limited its holding to the disparagement portion of § 2(a), but left open the possibility that "other portions of § 2 may likewise constitute government regulation of expression based on message, such as the exclusion of immoral or scandalous marks."<sup>224</sup> Based on the Federal Circuit's analysis of the disparagement provision, it is likely that in a subsequent case, the Federal Circuit would also hold other portions of § 2(a) equally unconstitutional. Three judges authored powerful dissents, at least in part, attacking the majority's freedom of speech analysis and offering their own discussions on U.S. Supreme Court precedent.<sup>225</sup> Two found that the disparagement provision is unconstitutional, at least in some situations, while the third dissent, written

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216. *Id.* at 1336. The Federal Circuit noted that "the government enacted and continues to defend § 2(a) 'because of disagreement with the message [disparaging marks] convey.'" *Id.* (quoting *Sorrell v. IMS Health Inc.*, 131 S. Ct. 2653, 2664 (2011)).

217. *Id.* at 1337–38.

218. *Id.* at 1338.

219. *Id.*

220. *Id.* at 1355.

221. *Id.* at 1341.

222. *Id.* at 1342 n.7 ("The PTO denied the mark HAVE YOU HEARD SATAN IS REPUBLICAN because it disparaged the Republican Party . . . but did not find the mark THE DEVIL IS A DEMOCRAT disparaging.").

223. *Id.* at 1355–57.

224. *Id.* at 1330 n.1.

225. *See, e.g., id.* at 1374 (Lourie, J., dissenting).

by Judge Reyna, would have found a substantial government interest in advancing and protecting the “orderly flow of commerce.”<sup>226</sup>

There is a good chance that the U.S. Supreme Court will weigh in on the issue, since the closely followed Washington Redskin’s case, *Pro-Football, Inc. v. Blackhorse*,<sup>227</sup> attacking the cancellation of pro-football team’s REDSKINS registration, is currently pending before the Fourth Circuit. The issue will be especially ripe for review if the Fourth Circuit goes the opposite way and finds the disparagement provision constitutional in light of the First Amendment. On the other hand, if the Supreme Court decides not to review the en banc Federal Circuit decision, it is likely that Congress will initiate attempts to revise the relevant section of the Lanham Act.

## V. WHAT PRACTITIONERS SHOULD WATCH FOR IN 2016

The U.S. Supreme Court will and has already been active in the intellectual property field in 2016, having granted certiorari in two IP cases.<sup>228</sup> In patents, the Supreme Court determined (in consolidated cases) that the two-part test for enhanced damages, established by the Federal Circuit in *In re Seagate Technology, LLC*,<sup>229</sup> was inconsistent with 35 U.S.C. § 284 and that “there is ‘no precise rule or formula’ for awarding damages under § 284.”<sup>230</sup> The Supreme Court also considered whether a district court has discretion to award enhanced damages based on intentional and knowing copying of a patented invention by an infringer under 35 U.S.C. § 284 and found that the district court is free to award enhanced damages without “any rigid formula.”<sup>231</sup> In *Octane Fitness*, the U.S. Supreme Court held that a finding of “exceptional” for determining whether a party is entitled to attorney’s fees can be made when the case “is simply one that stands out from others with respect to the substantive strength of a party’s litigating position,” as opposed to the rigid test used by the Federal Circuit.<sup>232</sup> As a result, district courts have more flexibility in handling cases before them, to achieve equity in patent disputes.

It is likely that the Federal Circuit will continue to see a vast number of IPR appeals, providing an important check against patent owner concerns that the pendulum has swung too far in killing patents properly issued by the Office.

Copyright practitioners will want to be aware of the ongoing battle between content owners and new media platforms that seek to make the

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226. *Id.* at 1376 (Reyna, J., dissenting).

227. *See Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439, 447–48 (E.D. Va. 2015).

228. *See Stryker Corp. v. Zimmer, Inc.*, 136 S. Ct. 356, 356–57 (2015); *Halo Elec., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016).

229. 497 F.3d 1360, 1371 (Fed. Cir. 2007).

230. *Stryker*, 136 S. Ct. at 356; *Halo*, 136 S. Ct. at 1932 (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014)).

231. *See Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 660–61 (Fed. Cir. 2014); *Halo Elec., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1384 (Fed. Cir. 2014), *vacated by*, 136 S. Ct. 1928 (2016).

232. *Octane Fitness*, 134 S. Ct. at 1756.

artistic works available to the public. Despite Pandora's recent success in the Second Circuit, the online radio provider was not as lucky against Broadcast Music, Inc., when a district court imposed a 2.5% royalty rate increase from the 1.75% Pandora had previously paid.<sup>233</sup> Additionally, content owners may increasingly negotiate with individual media platforms and pull their works from large music publishers like ASCAP.

Practitioners should also be on the lookout for the impending decision from the Fourth Circuit in the Redskins Case.<sup>234</sup> A potential circuit split could certainly set the cases up for Supreme Court intervention. If the Supreme Court affirms the Federal Circuit or denies review, the USPTO could expect an influx of "spirited" mark applications and potential action by Congress.

## VI. CONCLUSION

Developments during the Survey period continue to clarify the scope of intellectual property rights and liability for infringement. For example, the U.S. Supreme Court's decision in *Kimble* provides certainty that patent royalties cannot go past the life of the patent, while the Supreme Court's decision in *Commil* solidifies that there is not an additional defense to induced infringement.<sup>235</sup> Furthermore, *Intellectual Ventures* provided guidance on patent eligible subject matter under *Alice*, while *Teva* provided guidance on which standard of review to apply during claim construction.<sup>236</sup> The rise of the PTAB has led to quicker and more efficient resolution of patent validity. In *Authors Guild*, the boundaries of fair use in copyright were tested, while in trademark, it is now clear that in the appropriate context, a TTAB ruling on an issue can have preclusive effect in subsequent district court proceedings.<sup>237</sup> In summary, the Survey period reflects changes in the law that, although not fundamental, result in greater certainty and efficiency in resolving IP disputes.

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233. See *Broad. Music, Inc., v. Pandora Media, Inc.*, 140 F. Supp. 3d 267, 294 (S.D.N.Y. 2015).

234. See *Pro-Football, Inc. v. Blackhorse*, 112 F. Supp. 3d 439, 490 (E.D. Va. July 8, 2015).

235. See *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2406–07 (2015); *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015).

236. See *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1336, 1366–67 (2015); *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 835 (2015).

237. See *Authors Guild v. Google, Inc.*, 804 F.3d 202, 206 (2d Cir. 2015); *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302 (2015).



