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INTELLECTUAL PROPERTY LAW

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This article surveys significant developments in intellectual property (IP) law during the past year (i.e., 2017 or the Survey period). 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 trademark and copyright law, although the U.S. Court of Appeals for the Fifth Circuit’s authority is binding, other circuits are considered highly persuasive.

The U.S. Supreme Court decided several cases involving IP issues during this Survey period. In patents, the Supreme Court considered the applicability of the laches defense to infringement actions, and the patent exhaustion doctrine with respect to both domestic and international sales. In both of these cases, the Supreme Court took steps towards har-

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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.
monizing patent law and copyright law. The Supreme Court also addressed the first prong of the patent venue statute, 28 U.S.C. § 1400(b). The U.S. Court of Appeals for the Federal Circuit also weighed in on patent venue and set forth the requirements for the second prong of § 1400(b). As for administrative proceedings, the Federal Circuit addressed limits on the authority of the U.S. Patent and Trademark Office (PTO) with respect to statutory interpretation.

In trademark, the Supreme Court considered whether the disparagement clause of the Lanham Act is facially unconstitutional under the Free Speech Clause of the First Amendment. Meanwhile, in copyright, the Supreme Court defined the proper test for separability. The Federal Circuit also made important developments to copyright jurisprudence by considering whether online-marketing activity could create seller liability under various provisions of the Federal Copyright Act.

II. PATENT UPDATE

A. THE U.S. SUPREME COURT ON PATENTS

1. No Need to Rush, Take Your Time, You Have 6 Years!—SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC

Laches—an equitable defense that bars recovery in suits filed after unreasonable delays—is a well-established doctrine. The period of recovery provided by 35 U.S.C. § 286 prevents a claim for damages where the patent infringement occurred more than six years before the filing of the claim. In SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC, the Supreme Court addressed the intersection between laches and claims for damages in patent infringement actions brought within the allowed period dictated by § 286. The Supreme Court held that “[l]aches cannot be interposed as a defense against damages where the infringement occurred within the [six-year] period prescribed by § 286.” To arrive at its decision, the Supreme Court followed the reasoning it set forth in a related copyright case, Petrella v. Metro–Goldwyn–Mayer, 137 S. Ct. 954, 959 (2017).

12. Id. at 967.
Inc.,\(^\text{13}\) in which the Supreme Court held that laches is not available as a defense against damages incurred within the allowed period prescribed by the Copyright Act.\(^\text{14}\) With its decision in \textit{SCA}, the Supreme Court took another step towards harmonizing patent law with other types of law and, specifically, copyright law.

After \textit{SCA} sent a notice to First Quality in 2003 alleging infringement of \textit{SCA}'s patent, First Quality responded that it had a prior art patent that invalidated \textit{SCA}'s patent.\(^\text{15}\) \textit{SCA} then initiated a reexamination proceeding to determine the validity of \textit{SCA}'s patent in light of First Quality's earlier patent.\(^\text{16}\) About three years after receiving a certificate from the PTO confirming the validity of its patent, \textit{SCA} filed a patent infringement action against First Quality.\(^\text{17}\) The U.S. District Court for the Western District of Kentucky granted First Quality summary judgment based on laches and equitable estoppel.\(^\text{18}\)

On appeal, a Federal Circuit panel reversed the district court's decision on equitable estoppel, but held that laches did indeed bar \textit{SCA}'s claims for damages based on the precedent set in \textit{A.C. Aukerman Co. v. R.L. Chaides Construction Co.}.\(^\text{19}\) Although the panel's decision came after the Supreme Court had already decided \textit{Petrella}, the Federal Circuit reheard the case en banc in light of \textit{Petrella}. In a 6–5 en banc decision, the Federal Circuit reaffirmed based on "Aukerman's holding that laches can be used to defeat a claim for damages within the [six]-year period" provided by \$286.\(^\text{20}\)

In a majority opinion by Justice Alito, with only Justice Breyer dissenting, the Supreme Court vacated the Federal Circuit's decision in part and remanded.\(^\text{21}\) Applying the logic of \textit{Petrella}, the Supreme Court inferred that Congress intended that a patent owner "may recover damages for any infringement committed within six years of the filing of the claim," as set forth in \$286. The Supreme Court stated that \textit{Petrella} confirmed the general rule, well-established at the time of the 1952 Patent Act, that laches cannot preclude a claim for damages incurred within an allowed period set by Congress.\(^\text{22}\) The Supreme Court recognized that the Federal Circuit's position that 35 U.S.C. \$282(b)(1) codified the defense of laches and created an exception to \$286, and that First Quality's argument that laches is incorporated in \$282(b)(1) under the defense of "unenforceabil-

\(^{13}\) 134 S. Ct. 1962 (2014).
\(^{14}\) \textit{SCA}, 137 S. Ct. at 959 (citing \textit{Petrella}, 134 S. Ct. at 1967); see also 17 U.S.C. \$ 507(b) ("No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.").
\(^{15}\) Id.
\(^{16}\) Id.
\(^{17}\) Id.
\(^{18}\) Id.
\(^{19}\) Id. at 959 n.1; see also \textit{A.C. Aukerman Co. v. R.L. Chaides Constr. Co.}, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), abrogated by \textit{SCA}, 137 S. Ct. 954 (2017).
\(^{20}\) \textit{SCA}, 137 S. Ct. at 959.
\(^{21}\) Id. at 967.
\(^{22}\) Id. at 963.
ity” relied heavily on pre-1952 patent cases.\textsuperscript{23} The Supreme Court explained, however, that “nothing less than a broad and unambiguous consensus of lower court decisions could support the inference that § 282(b)(1) codifies a very different patent-law-specific rule.”\textsuperscript{24} After surveying the pre-1952 case law relied upon by First Quality and the Federal Circuit, the Supreme Court found no such broad and unambiguous consensus.\textsuperscript{25}

Notably, in a sharply worded dissent, Justice Breyer provided his own evaluation of the pre-1952 case law and pointed out that the majority could not point to one case holding that the equitable defense of laches “could not bar” a claim for damages.\textsuperscript{26} Justice Alito, however, suggested that the dissent did not appreciate that First Quality, and not the Supreme Court, bore the burden of showing that Congress intended to deviate from the general rule.\textsuperscript{27}

The Supreme Court’s decision in SCA is clear that laches is unavailable as a defense against damages for infringement that occurred within the six-year period allowed by § 286.\textsuperscript{28} Further, its decision in SCA, which relies heavily on the Petrella copyright case, continues the trend of the Supreme Court attempting to bring patent law into harmony with other areas of law and, specifically, other areas of IP law.

2. Location, Location, Location: Everyone Wants the Best Venue—TC Heartland LLC v. Kraft Foods Group Brands LLC

After sixty years of silence since its decision in Fourco Glass Co. v. Transmirra Products Corp.,\textsuperscript{29} the Supreme Court revisited the issue of venue for patent infringement actions in one of the most highly anticipated cases of 2017—TC Heartland LLC v. Kraft Foods Group Brands LLC.\textsuperscript{30} The patent venue statute, 28 U.S.C. § 1400(b), sets forth a two-prong approach to determining proper venue in a patent infringement case.\textsuperscript{31} In TC Heartland, the Supreme Court addressed the first prong of § 1400(b), which provides that venue is proper “where the defendant resides.”\textsuperscript{32}

\begin{itemize}
\item \textsuperscript{23} Id.
\item \textsuperscript{24} Id. at 964.
\item \textsuperscript{25} Id.; see also id. at 964–66 (evaluating pre-1952 case law falling into three groups: (1) pre-1938 cases in equity courts; (2) pre-1938 cases in law courts; and (3) cases decided after the 1938 merger of equity and law).
\item \textsuperscript{26} Id. at 972 (Breyer, J., dissenting); see id. at 968–71 (evaluating the pre-1952 case law).
\item \textsuperscript{27} See id. at 966, 966 n.8 (majority opinion).
\item \textsuperscript{28} Id. at 967.
\item \textsuperscript{29} 353 U.S. 222 (1957) (holding that the word “reside[nce]” in § 1400(b) as applied to domestic corporations refers only to the state of incorporation).
\item \textsuperscript{30} 137 S. Ct. 1514 (2017).
\item \textsuperscript{31} 28 U.S.C. § 1400(b) (“Any civil action for patent infringement may be brought in the judicial district [(1)] where the defendant resides, or [(2)] where the defendant has committed acts of infringement and has a regular and established place of business.”).
\item \textsuperscript{32} Id.
\end{itemize}
Issues surrounding venue in patent infringement actions have been brewing ever since the Federal Circuit’s 1990 decision in VE Holding Corp. v. Johnson Gas Appliance Co. In VE Holding, the Federal Circuit held that Congress’ 1988 amendment of the general venue statute, 28 U.S.C. § 1391, which broadened the scope of the term “resides,” also modified the meaning of the same term in § 1400(b). The Supreme Court’s decision in TC Heartland, however, overturned VE Holding, with the Supreme Court holding that under § 1400(b), “a domestic corporation ‘resides’ only in its state of incorporation.” The Supreme Court concluded that Congress’ amendments to § 1391 regarding “resides” did not affect the interpretation of “resides” in § 1400(b). The Court also reiterated that § 1400(b) is the exclusive authority for venue in patent infringement actions, as it had previously determined in Fourco.

TC Heartland is a company “organized under Indiana law and headquartered in Indiana,” while Kraft Foods is “organized under Delaware law [but] has its principal place of business in Illinois.” Kraft Foods sued TC Heartland in the District Court for the District of Delaware, but TC Heartland moved to dismiss the case or transfer venue to Indiana based on improper venue. The district court rejected TC Heartland’s motion, and the Federal Circuit denied TC Heartland’s petition for a writ of mandamus, using the meaning of “reside” under the general venue statute § 1391 to interpret “reside” under the patent venue statute § 1400(b).

The Supreme Court, relying heavily on the legislative history involved in the amendments to § 1391 over time and the express savings clause in § 1391, held that “reside[nce]” in § 1400(b), for domestic corporations, means the state of incorporation. The Supreme Court further determined that Congress did not intend to modify the meaning of “reside” in § 1400(b) as interpreted by Fourco. Although § 1391(c) indicates that the rule applies for “all” venue purposes, the Supreme Court noted that the savings clause in § 1391(a) “stating that it does not apply when ‘otherwise provided by law’ . . . contemplates that certain venue statutes may retain definitions of ‘resides’ that conflict with its default definition.”

The Supreme Court’s decision in TC Heartland definitively defines the residency requirement of the first prong of § 1400(b) for domestic corporations, but leaves other questions unanswered. For example, the Su-
Supreme Court did not address venue with respect to foreign corporations or unincorporated business entities.\textsuperscript{45} Further, the Supreme Court did not address the second prong of §1400(b), which provides that venue is proper “where the defendant has committed acts of infringement and has a regular and established place of business.”\textsuperscript{46}

While it is probably too soon to tell just how impactful the \textit{TC Heartland} decision will be, the decision appears to have already had an effect on the jurisdictional makeup of infringement action filings. In 2017, district courts in Delaware, California, and New York saw an increase in filings post-\textit{TC Heartland}.


The Supreme Court revisited the patent exhaustion doctrine in \textit{Impression Products, Inc. v. Lexmark International, Inc.} and held that when a patent owner sells a product, that sale exhausts all patent rights regardless of any limitations on the sale imposed by the patent owner and regardless of the location of the sale.\textsuperscript{47} The Supreme Court’s decision means that both domestic sales and international sales will exhaust patent rights.\textsuperscript{48}

Lexmark manufactures and sells toner cartridges for laser printers.\textsuperscript{49} Other companies, such as Impression, buy empty toner cartridges from consumers, refill these toner cartridges with toner, and then resell the toner cartridges at a discounted price.\textsuperscript{50} Lexmark, aware of the practices of these other companies, offers two options to consumers: (1) purchase the toner cartridge at full price without any restrictions; or (2) purchase the toner cartridge at a discounted price in exchange for agreeing to use the toner cartridge only once and returning it to Lexmark for remanufacturing and recycling.\textsuperscript{51} Although Lexmark installed a microchip on each toner cartridge to help enforce these restrictions on sales, the other companies became more creative and found ways to circumvent the microchip.\textsuperscript{52} Lexmark sued for patent infringement.\textsuperscript{53}

The U.S. District Court for the Southern District of Ohio granted Impression’s motion to dismiss with respect to the toner cartridges sold in the United States, but denied its motion with respect to the toner car-

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{45} See id. at 1517–20 nn.1–2.
\item \textsuperscript{46} 28 U.S.C. § 1400(b); \textit{but see In re Cray Inc.}, 871 F.3d 1355, 1362 (Fed. Cir. 2017) (holding that a “regular and established place of business” must be a physical place).
\item \textsuperscript{47} \textit{Impression Prods., Inc. v. Lexmark Int'l}, Inc., 137 S. Ct. 1523, 1529 (2017).
\item \textsuperscript{48} See id.
\item \textsuperscript{49} Id. at 1529.
\item \textsuperscript{50} Id.
\item \textsuperscript{51} Id. at 1529–30; \textit{see also Lexmark Return Cartridges}, \textsc{Lexmark}, https://www.lexmark.com/en_us/products/supplies-and-accessories/lexmark-return-cartridges.html [https://perma.cc/WB5U-FUXZ].
\item \textsuperscript{52} \textit{Impression}, 137 S. Ct. at 1530.
\item \textsuperscript{53} Id.
\end{itemize}
\end{footnotesize}
tridges sold abroad. After both parties appealed, the Federal Circuit considered the appeals en banc and found in favor of Lexmark, holding that patent owners can preserve their patent rights after both domestic and abroad sales if they impose restrictions on post-sale activities.

When the case reached the Supreme Court, the Supreme Court reversed. First addressing the issue of patent exhaustion with respect to domestic sales, the Supreme Court explained that “[t]he Federal Circuit reached a different result largely because it got off on the wrong foot.” The Supreme Court explained that the Federal Circuit’s error was in interpreting the patent exhaustion doctrine as a presumption about the particular rights that accompany a sale. The Supreme Court clarified that the patent exhaustion doctrine actually limits the scope of a patent owner’s rights. The Supreme Court went on to state that the Federal Circuit’s concern regarding creating an artificial distinction between a sale of a product and a sale by license is misplaced. The patent exhaustion doctrine is rooted in concerns against restraints on the alienability of a product after sale. Accordingly, a patent owner’s ability to place restrictions on licensees does not translate to the patent owner being able to “impose post-sale restrictions on purchasers that are enforceable through the patent laws” because the sale of a license does not pose the same concerns regarding alienation.

In addressing the second issue of patent exhaustion with respect to sales abroad, the Supreme Court likened the patent exhaustion doctrine to the copyright first sale doctrine, noting that it would make little sense to differentiate between the two. The Supreme Court relied on the reasoning of yet another copyright case, Kirtsaeng v. John Wiley & Sons, Inc., noting that both Kirtsaeng and Impression shared a “strong similarity . . . and identity of purpose.” In Kirtsaeng, the Supreme Court held that the first sale doctrine applies to copyrighted works sold abroad. In Impression, relying at least in part on its decision in Kirtsaeng, the Supreme Court ultimately concluded that a sale abroad exhausts a patent owner’s patent rights. Of note, the government, participating as an amicus party, argued that a compromise where “a foreign sale authorized by the U.S. patentee exhausts U.S. patent rights un-

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54. Id.
55. Id.
56. Id. at 1531.
57. Id. at 1533.
58. Id. at 1534.
59. Id.
60. Id.
61. Id. at 1527.
62. Id. at 1534–35.
63. Id. at 1536.
64. 568 U.S. 519 (2013).
65. Impression, 137 S. Ct. at 1536 (citation omitted).
66. Id. (citing Kirtsaeng, 568 U.S. at 525).
67. See id.
less those rights are expressly reserved.” 68 The Supreme Court, however, rejected the government’s arguments, finding the “compromise” to be simply public policy and not principle. 69

Justice Ginsburg concurred in part with respect to the holding on domestic sales, but dissented with respect to the holding on international sales. 70 Justice Ginsburg reasoned that a sale abroad “operates independently of the U.S. patent system,” and therefore cannot exhaust the U.S. patent rights of a patent owner. 71 Justice Ginsburg further noted that the protections provided by a U.S. patent do not extend beyond the United States, emphasizing that a competitor who sells a U.S.-patented product abroad faces no consequences. 72 Although just how profound its impact will be remains to be seen, in a global economy that includes gray market goods, watching how the Supreme Court’s decision in Impression will unfold may prove interesting.


In 2018, the Supreme Court will likely reach decisions in Oil States Energy Services, LLC v. Greene’s Energy Group, LLC 73 and SAS Institute Inc. v. Matal. 74 In Oil States, the Supreme Court is confronted with the question of the constitutionality of Inter Partes Reviews (IPRs). In SAS, the Supreme Court is confronted with the question of whether the Patent Trial and Appeal Board (PTAB) is required to provide a Final Written Decision for every claim that a petitioner challenges in a petition for an IPR. The Supreme Court has already heard oral arguments in both cases. While the potential ramifications of the Supreme Court finding IPRs unconstitutional in Oil States are significant, SAS is also highly anticipated, as the Supreme Court’s decision will likely have a significant effect on the strategy used by petitioners in IPRs. These two cases have the potential to create an interesting juxtaposition of outcomes for practitioners.

B. The Federal Circuit on Patents

1. Settling on the Admission of Settlement Agreements, an Exercise in Balance—Prism Technologies LLC v. Sprint Spectrum L.P.

The Federal Circuit’s opinion in Prism Technologies LLC v. Sprint Spectrum L.P. provides guidance to district courts considering the probative value and prejudicial implications of allowing a patent owner to in-
Introduce a prior settlement agreement to support reasonable royalty damage calculations. As explained in *Sprint*, the particulars of the litigation underlying the settlement agreement, and its similarities to the instant action “matter” to the balancing courts, should do under Federal Rule of Evidence 403 (Rule 403) before admitting the prior settlement as evidence.

In April 2012, Prism filed separate suits against five wireless service providers, including Sprint and AT&T Mobility (AT&T), alleging infringement of its patents relating to a system for managing access to protected computer resources. While the U.S. District Court for the District of Nebraska consolidated some of the pretrial proceedings, the district court tried the cases separately. Although the AT&T case proceeded to trial, just prior to closing arguments Prism and AT&T settled (AT&T Agreement) and the AT&T case was dismissed.

In *Sprint*, Prism offered the AT&T Agreement as evidence of the proper amount of reasonable royalty damages and argued that the probative value of the agreement outweighed any prejudice. Although Sprint timely objected to the admission of the AT&T Agreement and argued that its admission would be unfairly prejudicial, the district court agreed with Prism and admitted the prior settlement. At the conclusion of trial, the jury found Sprint liable for infringement and awarded Prism $30 million in reasonable royalty damages. While the Federal Circuit considered a number of legal issues on appeal, its holding that the district court did not err in admitting the AT&T Settlement Agreement under Rule 403 will likely be the primary reasoning cited for the opinion.

The Federal Circuit began by recognizing that it has ruled in favor of the admissibility of settlement agreements in patent suits under certain circumstances, and that the district court has broad discretion under Rule 403. The Federal Circuit explained that when considering the admissibility of a settlement agreement, the district court should consider and balance the various reasons that a particular settlement may or may not be probative in valuing the patented technology rather than applying a per se rule. The Federal Circuit recognized that a prior settlement agreement can be probative of the technology’s value because it “can reflect the assessment by interested and adversarial parties of the range of

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76. Id. at 1370.
77. Id. at 1365.
78. Id.
79. Id.
80. Id. at 1368.
81. Id. at 1365–66.
82. Id. at 1366.
83. See id. at 1368 (holding that the district court’s denial of Sprint’s motion to exclude was not an abuse of discretion).
84. Id. at 1368–69.
85. Id. at 1369.
plausible litigation outcomes on that very issue of valuation.”86 The Federal Circuit also suggested that two kinds of settlement agreements might be especially informative of a technology’s value—those covering the same technology as the technology at issue in the instant action, and those further along in the litigation process—after issues are explored and tested.87

On the other hand, the Federal Circuit acknowledged there could be various reasons why a prior settlement may not reflect the value of the technology at issue.88 For example, the prior settlement value may be too low if it involves a discount for litigation concerns, such as the probability of losing on validity or infringement or the avoidance of unrecoverable future litigation costs.89 Similarly, a prior settlement may be inflated if it reflects a risk of enhanced damages or if it involves technology not at issue in the later suit.90

Applying these factors to the evidence offered in Sprint, the Federal Circuit found that the district court had an adequate basis for admitting the AT&T Agreement into evidence.91 Although the agreement covered patents in addition to the patents in suit, Prism had provided evidence and expert testimony to allow the jury to compare the amounts in the prior settlement to the value of the patents-in-suit.92 Furthermore, the timing of the AT&T Agreement suggested that “the record was fully developed and thoroughly tested” and the risk of an inflated settlement value due to litigation-cost avoidance was diminished.93


Under the pre- and post-Leahy-Smith American Invents Act (AIA) versions of 35 U.S.C. § 102 and the Supreme Court’s precedent in Pfaff v. Wells Elecs., Inc., a patent may be found invalid if, before its critical date, the invention is (1) the subject of a commercial sale or offer for sale; and (2) ready for patenting.94 Although post-AIA 35 U.S.C. § 102(a)(1) and pre-AIA 35 U.S.C. § 102(b) both use the phrase “on-sale” to describe this bar to patentability, the addition of the phrase “or otherwise available to the public” to § 102(a)(1) has raised speculation that the on-sale bar for post-AIA patents can only be triggered when an invalidating disclosure includes details of the patented invention.95 The Federal Cir-

86. Id.
87. Id.
88. Id.
89. Id. (internal citations omitted).
90. Id. at 1369–70.
91. Id. at 1371.
92. Id. at 1370–71.
93. Id. at 1371.
cuit’s decision in *Helsinn Healthcare v. Teva Pharmaceuticals* rejects this proposition and holds that the sale of a patented invention may suffice to invalidate the associated patent(s) under the post-AIA on-sale bar, even when the terms of the sale do not include details of the patented invention.96

In April 2001, Helsinn and MGI Pharma, Inc. (MGI) entered into licensing and supply agreements for the distribution and sale of 0.25 and 0.75 doses of palonosetron.97 Although the FDA trials were ongoing and Helsinn had not yet sought patent protection, the parties publically announced the terms of the sale in a joint press release and Securities and Exchange Commission filing.98 Almost two years later, after successful completion of all FDA testing, Helsinn filed a provisional patent application. The PTO eventually granted Helsinn four patents (CINV Patents) directed to treating chemotherapy-induced nausea and vomiting (CINV) with a 0.25 mg dose of palonosetron.99 While all four patents share a critical date of January 30, 2002, based on the filing date of Helsinn’s provisional application to which they claim priority, only U.S. Patent No. 8,598,219 (‘219 Patent) is governed by the post-AIA on-sale bar.100

In 2011, Helsinn sued Teva for infringement of its CINV Patents, and Teva defended on the ground that the patents were invalid under the § 102 on-sale bar.101 The U.S. District Court for the District of New Jersey upheld the validity of the CINV Patents, finding that the invention was not ready for patenting prior to the critical date.102 Teva appealed.103

The Federal Circuit agreed with the district court’s finding “there was a sale of the invention” under pre-AIA § 102(b).104 In doing so, the Federal Circuit dismissed Helsinn’s argument that their transactions with MGI did not invalidate the CINV Patents because the 2001 licensing and supply agreements were conditioned on FDA approval, which was not received before the critical date.105 According to the Federal Circuit, “while the absence of FDA approval may be a relevant consideration,” the fact that a transaction is subject to regulatory approval would not “prevent it from being a sale for purpose of the on-sale bar.”106 The Federal Circuit also distinguished the Helsinn-MGI transaction from situations where the allegedly invalidating future sale is for a product “when and if it” was developed or includes no price or quantity term, and from situations where a company relies on “the confidential services of a contract

96. *Id.* at 1371.
97. *Id.* at 1361.
98. *Id.*
99. *Id.* at 1362.
100. *Id.* at 1363.
101. *Id.*
102. *Id.*
103. *Id.*
104. *Id.* at 1364.
105. *Id.* at 1365–67.
106. *Id.* at 1366.
manufacturer.”

Next the Federal Circuit considered whether the “AIA changed the meaning of the on-sale bar under \[ \] § 102 so that there was no [future] sale as to the ’219 Patent.”\textsuperscript{108} Helsinn and other amici argued that floor statements made by individual members of Congress and the addition of the phrase “otherwise available to the public” to post-AIA § 102(a)(1) suggest that the on-sale bar no longer encompasses secret sales and instead “requires that a sale make the invention available to the public in order to trigger” the post-AIA on-sale bar.\textsuperscript{109} The Federal Circuit determined however, that the floor statements referred to “public use” cases where “the invention was not, as a result of the use, disclosed to the public” and not relevant to the facts of the present case.\textsuperscript{110} Thus, the prior cases establishing that the on-sale bar applies even when there is no delivery, when delivery is set after the critical data, or when the public cannot ascertain the claimed invention, were not overturned by the AIA amendments. Therefore, as in pre-AIA cases, “if the existence of the sale is public, the details of the invention need not be publicly disclosed in the terms of the sale” for the post-AIA on-sale bar apply.\textsuperscript{111}

Finally, the Federal Circuit reiterated that an invention is “ready for patenting” when the “particular invention [will] work for its intended purpose,” and that neither the completion of FDA testing nor FDA approval is required for an invention to be ready for patenting.\textsuperscript{112} After reviewing the facts of the present case, the Federal Circuit found “overwhelming” evidence that the patented invention would work for its intended purpose prior to the critical date and, accordingly, the asserted claims were invalid under the pre-AIA and post-AIA on-sale bar.\textsuperscript{113}


The Supreme Court’s decision in \textit{TC Heartland} shone a spotlight on patent venue.\textsuperscript{114} In \textit{In re Cray Inc.}, the Federal Circuit examined the second prong of the patent venue statute to clarify the meaning of the statutory terms “regular and established place of business” in § 1400(b).\textsuperscript{115} Raytheon sued Cray in the Eastern District of Texas for infringing patents related to high performance computing systems.\textsuperscript{116} Cray, a Washington corporation, moved to transfer the case, arguing that venue was improper under the Supreme Court’s decision in \textit{TC Heartland} and

\textsuperscript{107} Id. at 1366–67 (citing Elan Corp., PLC v. Andrx Pharm., Inc., 366 F.3d 1336, 1341 (Fed. Cir 2004); Medicines Co. v. Hospira, Inc., 827 F.3d 1363, 1378 (Fed. Cir. 2016) (en banc)).

\textsuperscript{108} Id. at 1367.

\textsuperscript{109} Id. at 1368.

\textsuperscript{110} Id. at 1368–69.

\textsuperscript{111} Id. at 1371.

\textsuperscript{112} Id. at 1372.

\textsuperscript{113} Id. at 1373, 1375.

\textsuperscript{114} See supra Section II.A.2.

\textsuperscript{115} In re Cray Inc., 871 F.3d 1355 (Fed. Cir. 2017).

\textsuperscript{116} Id. at 1359.
§ 1400(b) because it did not “maintain[ ] a regular and established place of business within that district.” 117 The Eastern District of Texas denied Cray’s motion and set forth a specific framework for future analysis, but the Federal Circuit vacated the trial court’s ruling on appeal and established a different framework. 118

“On the issue of improper venue, the only question before the [Federal Circuit was] whether Cray has a ‘regular and established place of business’ in the Eastern District of Texas within the meaning of § 1400(b).” 119 To answer the question, the Federal Circuit began by setting forth “three general requirements relevant to the inquiry: (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant” otherwise venue is improper. 120 The Federal Circuit stressed, however, that the requirements “inform whether there exist the necessary elements” to establish venue but that the venue analysis “must be closely tied to the language of the statute.” 121

Next, the Federal Circuit refined each of the requirements. First, it determined that “place” implied that “there must still be a physical, geographical location in the district” and ruled out the possibility of “a virtual space or [ ] electronic communications from one person to another” establishing venue. 122 In addition, the statute requires that the place must be “regular,” meaning that “sporadic activity cannot create venue,” and the place must be “established,” not “transient,,” and have “sufficient permanence.” 123 Finally, the place must be “a place of the defendant,” not solely a place of the defendant’s employee.” The Federal Circuit explained that the defendant must “establish or ratify the place of business” in order for that location to establish venue within the district. 124 Although the Federal Circuit stressed that no fact was controlling, it listed considerations such as “whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place,” and the “defendant’s representations that it has a place of business in the district as relevant” to determine whether the place is a place “of the defendant.” 125 The Federal Circuit warned however, “the mere fact that a defendant has advertised that it has a place of business or has even set up an office is not sufficient; the defendant must actually engage in business from that location.” 126

After applying the facts of the present case, the Federal Circuit agreed with Cray that venue in the district was improper since the employee’s

117. Id. at 1357–58; see also supra Section II.A.2.
118. In re Cray, 871 F.3d 1355, 1360.
119. Id.
120. Id.
121. Id. at 1362.
122. Id.
123. Id. at 1362–63.
124. Id. at 1363.
125. Id. at 1363, 1366.
126. Id. at 1364.
home, while located in the Eastern District of Texas, did not constitute “a
regular and established place of business” of Cray, and therefore venue
cannot exist in the district under § 1400(b). 127

C. ADMINISTRATIVE PROCEEDINGS

1. Parallel PTO Proceedings and Federal Court Litigation—Tinnus
Enterprises, LLC v. Telebrands Corp.

Although the Federal Circuit’s decision in Tinnus Enterprises, LLC v.
Telebrands Corp. does not stem directly from an appeal of a PTAB deci-
sion, Tinnus provides an interesting take on the interplay between paral-
lel PTO proceedings and district court litigation. 128 In Tinnus, the Federal
Circuit indicated that, at least with respect to the review of a preliminary
injunction, a PTAB decision is not binding on the Federal Circuit. 129

Tinnus sued Telebrands for patent infringement and filed a motion for
a preliminary injunction, which the district court granted. 130 Telebrands
appealed the preliminary injunction to the Federal Circuit. 131 Tinnus’ suit
against Telebrands for patent infringement operated in parallel with
Telebrands’ Post Grant Review petition to invalidate Tinnus’ patent. 132
The Federal Circuit noted that the PTAB “relied on the same evidence
and arguments before the district court” to institute review of all claims
in the patent shortly after the preliminary injunction was granted. 133
While the Federal Circuit acknowledged it was aware the PTAB had is-
sued a Final Written Decision finding all claims of Tinnus’ patent indefi-
nite, the Federal Circuit expressed that it was not bound by the PTAB’s
decision, or even persuaded “that the district court abused its discretion
in granting the preliminary injunction.” 134 Thus, litigants should be aware
that a decision by an Article I court may not be applicable in a parallel
proceeding before an Article III court until all appeals of the Article I
court’s decision have been exhausted.

2. Don’t Be Shy, Proudly Make Your Claims ‘Bout Money—Secure
Axcess, LLC v. PNC Bank National Association

The Federal Circuit’s decision in Secure Axcess, LLC v. PNC Bank Na-
tional Association decreases the pool of patents that may be eligible for
Covered Business Method (CBM) reviews. 135 At the initial stage of de-
ciding whether to institute a proceeding, the PTAB decided that Secure

127. Id. at 1364–65.
129. Id. at 1201 n.7.
130. See id. at 1197, 1201.
131. Id. at 1202.
132. Id. at 1201.
133. See id.
134. Id. at 1201 n.7.
135. See Secure Axcess, LLC v. PNC Bank Nat’l Ass’n, 848 F.3d 1370, 1381 (Fed. Cir.
2017).
Axcess’s patent was eligible for CBM review. Secure Axcess appealed the PTAB’s Final Written Decision, challenging the PTAB’s decision to treat the patent as a CBM patent. The Federal Circuit reversed the PTAB’s decision, finding that the claims of Secure Axcess’s patent relating to web page authentication for customers of financial institutions were not eligible for CBM review. By statute, a CBM patent is one “that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” Interpreting the statute narrowly, the Federal Circuit held that “[i]t is the claims, in the traditional patent law sense, properly understood in light of the written description, that identifies a CBM patent.” The Federal Circuit stated that the written description by itself is not sufficient to determine whether a patent is eligible for CBM review. The Federal Circuit further expressed that merely being “incidental to” or “complementary to” a financial activity is not sufficient to establish CBM scope. Rather, the claims must state that they relate to a financial product or service, and must contain language that explicitly contains a financial activity element.


In another case involving the interplay between parallel PTO proceedings and district court litigation, Aylus Networks, Inc. v. Apple Inc., the Federal Circuit held that a patent owner’s statements during an IPR proceeding can amount to prosecution disclaimer. Although this issue was one of first impression before the Federal Circuit, the Federal Circuit noted that the doctrine of prosecution disclaimer had been previously applied to statements made during other reexamination proceedings.

After Aylus sued Apple for infringement, Apple filed two separate petitions for IPR with the PTAB. The PTAB instituted an IPR based on the petition challenging all claims of the patent except for claims 2, 4, 21, and 23. Aylus then filed for a voluntary dismissal with prejudice in the U.S. District Court for the Northern District of California with respect to all infringement contentions, except those involving claims 2 and 21. Apple moved for summary judgment of noninfringement on claims 2 and

136. Id. at 1375.
137. Id. at 1373.
138. See id.
140. Secure Axcess, 848 F.3d at 1379.
141. Id. at 1378–79.
142. See id. at 1380 (internal citation omitted).
143. Id.
145. Id. at 1359–60.
146. Id. at 1358.
147. Id.
148. Id.
21. In granting summary judgment, the district court construed the main claim term at issue based on statements that Aylus made when responding to Apple’s petition for IPR. Aylus appealed, arguing that statements made during an IPR cannot constitute prosecution disclaimer and that, regardless, its statements did not constitute a “clear and unmistakable disclaimer of claim scope.”

The Federal Circuit affirmed the district court’s claim construction and grant of summary judgment, holding that: (1) statements made during an IPR can indeed constitute prosecution disclaimer; and (2) Aylus’ statements did constitute a disclaimer of claim scope. The Federal Circuit emphasized that prosecution disclaimer is a fundamental concept in our jurisprudence, and that extending this doctrine to IPRs will promote public interests and ensure that the “claims are not construed one way in order to obtain their allowance and in a different way against accused infringers.” Additionally, the Federal Circuit rejected Aylus’ arguments that IPR proceedings are different from other reissue or reexamination proceedings, pointing to the Supreme Court’s decision in Cuozzo Speed Technologies, LLC v. Lee, in which the Supreme Court recognized IPR proceedings as involving reexamination. Thus, parties should consider how statements made during PTAB proceedings may affect litigation and vice versa.

4. The Court Has a Construction of Its Own—Homeland Housewares, LLC v. Whirlpool Corporation

In Homeland Housewares, LLC v. Whirlpool Corp., the Federal Circuit overturned the PTAB’s Final Written Decision and adopted a claim construction not proposed by either party. Normally, the Federal Circuit reviews the PTAB’s “conclusions of law de novo and the [PTAB]’s findings of fact for substantial evidence.” Further, where relevant extrinsic evidence is not present, the Federal Circuit reviews claim construction de novo.

In its Final Written Decision for an IPR sought by Homeland, the PTAB declined to provide a construction for a “predetermined settling speed” for a blender and further determined that Homeland failed to show that the prior art anticipated the patent at issue. Whirlpool argued for a construction of predetermined settling speed that requires em-
pirical testing to determine the “settling speed.” Homeland argued for a construction that the settling speed means any speed less than the operating speed, because not all speeds lower than the operating speed would cause settling. The Federal Circuit rejected both parties’ claim construction and opted instead to give the words of the claim their “ordinary and customary meaning” and to “adopt a definition . . . that best fits with the claim language and specification.” Settling on the broadest reasonable construction, the Federal Circuit construed a predetermined settling speed as “a speed that is slower than the operating speed and permits settling of the blender contents.” Thus, Homeland illustrates that, in certain cases, the court may construe claims de novo and adopt a construction not proposed by either party.

5. The Cogitations of Five Opinions—Aqua Products, Inc. v. Matal

In a 7–4 en banc decision, the Federal Circuit overruled several recent Federal Circuit decisions, and held that the PTO cannot place the burden of persuasion regarding the patentability of claims amended during an IPR proceeding on the patent owner. The Federal Circuit published five opinions, with Judge O’Malley authoring the main plurality opinion in which four judges joined and two judges concurred in the result. Four judges, including Chief Judge Prost, dissented in the judgment. The conclusion of the main opinion by Judge O’Malley provides possibly the most interesting insight into the different judges’ thoughts:

This process has not been easy. We are proceeding without a full court, and those judges who are participating disagree over a host of issues. As frustrating as it is for all who put so much thought and effort into this matter, very little said over the course of the many pages that form the five opinions in this case has precedential weight. . . . All the rest of our cogitations, whatever label we have placed on them, are just that—cogitations. Even our discussions on whether the statute is ambiguous are mere academic exercises.

During an IPR initiated by Zodiac, Aqua moved to provide substitute claims that complied with 35 U.S.C. § 316(d), and argued that the substitute claims were patentable over the obviousness combinations presented

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159. Id. at 1376.
160. Id.
161. Id.
162. Id.
163. Aqua Prods., Inc. v. Matal, 872 F.3d 1290, 1327 (Fed. Cir. 2017) (overruling Microsoft Corp. v. Proxyconn, Inc., 789 F.3d 1292 (Fed. Cir. 2015); Proliitec, Inc. v. ScentAir Techs., Inc., 807 F.3d 1353 (Fed. Cir. 2015), petition for rehe’g pending; Synopsys, Inc. v. Mentor Graphics Corp., 814 F.3d 1309 (Fed. Cir. 2016); Nike, Inc. v. Adidas AG, 812 F.3d 1326 (Fed. Cir. 2016)); see also 35 U.S.C. § 316(d) (“During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent . . . .”); c.f. 35 U.S.C. § 316(e) (“In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”).
during the IPR.\textsuperscript{165} Finding that Aqua had not proved the patentability of the substitute claims, the PTAB denied the motion.\textsuperscript{166} After losing its Federal Circuit appeal in a panel decision, Aqua sought an en banc re-hearing. The Federal Circuit granted the rehearing with two questions proposed, only one of which was answered by the court’s decision—who has the burden of persuasion with respect to the patentability of claims amended under § 316(d)?\textsuperscript{167}

The Federal Circuit arrived at two legal conclusions:

(1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee.\textsuperscript{168}

The Federal Circuit stated that it thought Congress clearly meant to place the burden on the petitioner rather than the patent owner, even though § 316(e) does not specifically identify amended claims.\textsuperscript{169} Judge O’Malley noted, however, that the Federal Circuit had to consider whether the PTO’s interpretation of the statute was entitled \textit{Chevron} deference because six of the eleven judges believed the statute to be ambiguous.\textsuperscript{170} Judge O’Malley also noted that the Federal Circuit has previously explained that \textit{Chevron} deference to an agency’s interpretation of a statute is required only when the interpretation is permissible.\textsuperscript{171} Although the PTO contended that its regulations addressed and interpreted the scope of both § 316(d) and § 316(e), the Federal Circuit rejected these contentions, and noted that neither the PTO’s regulations nor the corresponding commentary included any reference to the statutory section in question, any reference to proving patentability or unpatentability, or any reference to a “burden of persuasion.”\textsuperscript{172} Thus, the Federal Circuit determined that the PTO did not have any interpretation of the statute that even might be entitled deference.\textsuperscript{173}

\textbf{III. TRADEMARK UPDATE}

\textbf{A. FREEDOM OF SPEECH WINS OUT—Matal v. Tam}

In another highly anticipated case, \textit{Matal v. Tam}, the Supreme Court considered whether the disparagement clause of the Lanham Act is facially unconstitutional under the First Amendment’s Free Speech
Clause. The Supreme Court unanimously held that the disparagement clause violates the First Amendment. Justice Alito delivered the judgment and majority opinion, which includes multiple parts.

The word “slants” is a derogatory term referring to people of Asian descent. A rock band comprised of Asian-American members took the name “The Slants” with the goal of reclaiming the word and weakening its power. The band applied for federal registration of “THE SLANTS,” but the PTO denied the band’s application under the disparagement clause. Tam, the lead singer of the band, appealed the PTO’s decision to the Federal Circuit, where an en banc court found the disparagement clause facially unconstitutional by a majority.

Affirming the Federal Circuit’s decision, the Supreme Court determined that the disparagement clause “offends a bedrock First Amendment principle: [s]peech may not be banned on the ground that it expresses ideas that offend.” The government argued that trademarks are not private speech but rather government speech that does not fall under regulation by the Free Speech Clause. The Supreme Court, however, definitively declared that trademarks are not government speech, but rather private speech. The Supreme Court did recognize the importance of the government-speech doctrine, noting that the “Free Speech Clause does not require government to maintain viewpoint neutrality” because to do so would be paralyzing. The Supreme Court, however, cautioned about the dangers of misusing the doctrine and extending the doctrine to speech that is actually private in an effort to quiet unfavorable viewpoints. Likening the content of trademarks to the expressive content of copyrights, the Supreme Court also expressed concerns about whether declaring that federal trademark registration constitutes government speech would also lead to copyright registration amounting to government speech.

174. Matal v. Tam, 137 S. Ct. 1744, 1751 (2017); see 15 U.S.C. § 1052(a) (prohibiting trademarks that “disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute”); see also U.S. Const. amend. I (“Congress shall make no law . . . abridging the freedom of speech . . . .”).
175. Matal, 137 S. Ct. at 1751.
176. Id. at 1750 (Justices Roberts, Kennedy, Ginsburg, Breyer, Sotomayor, and Kagan joining in parts I, II, and III-A; Justice Thomas joining except part II; Justices Roberts, Thomas, and Breyer joining parts III-B, III-C, and IV; Justice Gorsuch taking no part in the consideration or decision).
177. See id.
178. Id.
179. Id. at 1751.
180. Id. at 1754.
181. Id. at 1751.
182. See id. at 1757.
183. Id. at 1760.
184. Id. at 1757.
185. See id. at 1758.
186. Id. at 1760; see also id. (citing In re Tam, 808 F.3d 1321, 1331 (Fed. Cir. 2015) (en banc), as corrected (Feb. 11, 2016)).
B. Does “google” Even Mean “Google” Anymore?—

Elliott v. Google, Inc.

In Elliott v. Google, Inc., the U.S. Court of Appeals for the Ninth Circuit addressed the issue of genericide and the “primary significance” test used to determine when a trademark becomes generic. A trademark falls to genericide when “the public appropriates [the] trademark and uses it as a generic name for particular types of goods or services irrespective of its source.” The “fateful step” that signifies genericide is when “the ‘primary significance of the [trademark] to the [ ] public’ is as the name for a particular type of good or service irrespective of its source.”

Chris Gillespie acquired 763 domain names involving the word “google” using a domain name registrar. After Google objected to these registrations, Gillespie and David Elliott petitioned for cancellation of the GOOGLE trademark under the genericide provision of the Lanham Act, claiming that the word “google” had the generic meaning of internet searching. On cross-motions for summary judgment by both parties, the U.S. District Court for the District of Arizona decided in favor of Google, holding that using a word as a verb does not automatically render that word generic. The district court granted Google’s motion for summary judgment, and Elliott appealed.

On appeal, the Ninth Circuit did not find sufficient evidence to support that “GOOGLE” had become generic with respect to a particular type of good or service. Although Elliott argued that consumer surveys indicated that consumers use the word “google” as a verb, the Ninth Circuit determined that verb use of a mark does not automatically mean that the mark has become generic. Elliott also argued that Google had used its own mark generically, but the Ninth Circuit found no evidence to support this argument. Lastly, Elliott argued that there is no alternate word for “google” that means to search the internet, but the Ninth Circuit repeated that a claim of genericide “must relate to a particular type of good or service.” The Ninth Circuit noted that Elliott would have had to show that there is no alternative word to describe “internet search engines.” The Ninth Circuit affirmed the district court’s grant of summary judgment, stating that the case could not survive based on irrelevant evidence.

187. Elliott v. Google, Inc., 860 F.3d 1151, 1155–56 (9th Cir.), cert. denied, 138 S. Ct. 362 (2017); see also 15 U.S.C. § 1064(3) (allowing cancellation of a trademark that has become generic for a particular type of good or service).
188. Elliott, 860 F.3d. at 1156.
189. Id. (citing § 1064(3)).
190. Id. at 1154.
191. Id. at 1154–55.
192. Id. at 1155.
193. See id.
194. Id. at 1159.
195. Id. at 1160.
196. See id. at 1162.
197. Id.
198. Id.
C. **DON’T MESS WITH A GIRL’S BEST FRIEND!—** *Tiffany & Co. v. Costco Wholesale Corp.*

In *Tiffany & Co. v. Costco Wholesale Corp.*, the U.S. District Court for the Southern District of New York reviewed damages awarded to Tiffany in an action against Costco for trademark infringement, trademark counterfeiting, and unfair competition. After the district court granted summary judgment to Tiffany, a jury in the Southern District of New York awarded $3.7 million in profits and $8.25 million in punitive damages to Tiffany for Costco’s use of the Tiffany trademark. The district court upheld the jury awards for profits and punitive damages. Costco had used signage in its stores for diamond rings that had the word “Tiffany” on one line without any modifier (e.g. “setting” or “style”) on the same line. In reviewing the jury’s verdict on damages, the district court looked at Costco’s valuations of prices for the diamond rings that were identical to the prices that Tiffany had charged for similar rings. The district court also considered Costco’s “cavalier attitude” in responding to inquiries and complaints by consumers who found out that the rings were not manufactured by Tiffany. In addition to upholding the jury’s award for profits, the district court also determined that the trebling of damages under New York law was not excessive, given that “Costco is a company with billions of dollars in annual revenue.”

D. **WHAT A COLORFUL WORLD—** *Deere & Co. v. FIMCO Inc.* and *In re General Mills IP Holdings II, LLC*

The Trademark Trial and Appeal Board (TTAB), in *In re General Mills IP Holdings II, LLC*, affirmed a decision by the PTO to not register a mark consisting of a yellow box. The TTAB recognized that a single color applied to a product or a packaging of the product could be a trademark. The TTAB explained, however, that General Mills did not provide sufficient evidence to show that a yellow box on its own indicates the Cheerios brand to the public. The TTAB further noted that many other cereal brands use yellow boxes as part of their packaging.

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199. *Id.*
201. *Id.* at 219.
202. *Id.* at 220.
203. *Id.* at 219.
204. *Id.* at 221.
205. *Id.*
206. *Id.* at 226.
208. *Id.* at *1.
209. *Id.* at *7.
210. *Id.*
In *Deere & Co. v. FIMCO Inc.*, the U.S. District Court for the Western District of Kentucky found in favor of Deere, determining that FIMCO had infringed and diluted Deere’s green and yellow trademark.211 The district court explained that the Deere mark is a “famous trademark in green and yellow as it is used on John Deere agricultural tractors.”212 The district court concluded that “FIMCO’s use of green and yellow on trailed agricultural sprayers and liquid applicators [was] likely to cause confusion.”213

E. **CASE TO WATCH FOR IN 2018: A WHISKEY—“ZERO” IF YOU PLEASE—** *Royal Crown Co. v. Coca-Cola Co.*

The Federal Circuit will review a ruling by the TTAB214 deciding that “zero” is a valid trademark for the Coca-Cola Company.215 The Federal Circuit is faced with the question of whether a term that seems generic, such as “zero,” can hold a secondary meaning when the term is directly attached to a specific brand in the context of a species of an identified genus of beverages.216

IV. **COPYRIGHT UPDATE**


In *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, the Supreme Court held that features incorporated into the design of a useful article are eligible for copyright protection if they can be perceived as a work of art separate from the useful article, and would qualify as a protectable work if imagined separately from that article.217 The majority opinion also clarified that the separability inquiry should focus on the usefulness of the extracted feature, not the item left behind; accordingly, “[t]he debate over the relative utility of a plain white cheerleading uniform is unnecessary” to the disposition of the case.218

Varsity Brands sued Star Athletica, charging Star with copyright infringement for marketing cheerleading uniforms similar to their copyrighted designs.219 The U.S. District Court for the Western District of Tennessee entered summary judgment in favor of Star, finding that Varsity’s copyrights were invalid because cheerleading uniforms are noncopyrightable useful articles, and the pictorial, graphic, or sculptural

212. *Id.* at 895.
213. *Id.* at 897.
216. *See Brief of Appellee the Coca-Cola Co. at 3, Royal Crown Co. v. Coca-Cola Co.*, No. 16-2375 (Fed. Cir. filed July 22, 2016), 2017 WL 464562 at *3.
218. *Id.* at 1013–14.
219. *Id.* at 1007.
elements of Varsity’s designs—the stripes, chevrons, zigzags, and color blocks—were not physically or conceptually separable from the uniforms. The Sixth Circuit sided with Varsity, finding that the graphic features of the designs are more like fabric designs than dress designs and are thus are protectable subject matter under the Copyright Act.

Rather than resolving the circuit split by choosing one of the nine separability tests noted in the Sixth Circuit opinion, the Supreme Court set forth its own two-step test, relying on its opinion in *Mazer v. Stein*. The majority opinion, authored by Justice Clarence Thomas, determined that a design could be copyrighted if (1) it can be perceived as a 2- or 3-dimensional work that is pictorial, graphic, or sculptural once it is separate from the useful article; and (2) the design meets the other requirements for copyright, including originality.

B. **Defining a Seller in an Increasing Online Marketplace—Milo & Gabby LLC v. Amazon.com, Inc.**

In *Milo & Gabby LLC v. Amazon.com, Inc.*, the Federal Circuit held that Amazon’s activities, which included providing an online marketplace and shipping services to third-party vendors selling pillowcases that allegedly infringed the plaintiff’s copyrighted products did not create seller liability for the purposes of the Copyright Act. The Federal Circuit also recognized that there were “clear parallels between the legal standards” for what constitutes “a sale” in the patent and copyright contexts, and that the presence or absence of passage of title is a strong indicator of whether a sale had occurred in both contexts. Although Milo & Gabby argued that Amazon was liable under several different theories, the Federal Circuit noted that the third-party sellers retained title to the infringing pillowcases at all times. Because Amazon merely provided an online marketplace, followed by logistical and shipping services, Amazon was not a seller for the purposes of copyright infringement.

V. **CONCLUSION**

The developments in IP law during the Survey period continue to clarify the scope of intellectual property rights and provide guidance for parties in various industries. For example, the Supreme Court definitively declared that the equitable defense of laches is unavailable against damages for infringement that occurred within the allowed period of § 286. Further, the Supreme Court’s decision in *TC Heartland*, and the Federal

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222. See Star Athletica, L.L.C., 137 S. Ct. at 1010–12 (internal citations omitted).
223. Id. at 1016.
225. Id. at 885–86 (internal citations omitted).
226. Id. at 890.
Circuit’s holding in *In re Cray*, provide guidance on proper venue for patent infringement actions. The Supreme Court’s decision in *Matal v. Tam* illustrates that the Court will not hesitate to declare laws that offend the principles of the First Amendment unconstitutional. In summary, the Survey period reflects changes in the law that provide guidance for parties and practitioners alike. Looking forward, 2018 is already shaping up to be an interesting year in which several key issues may be decided.