Intellectual Property Law

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INTELLECTUAL PROPERTY LAW

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I. INTRODUCTION

This article surveys significant developments in intellectual property (IP) law 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 2019 Survey period. In patents, the Supreme Court considered the ability of federal agencies to initiate post-issuance challenges to granted patents,1 and whether the statutory amendments of the America Invents Act nullified previous precedent relating to the on-sale bar of 35 U.S.C. § 102.2 The Supreme Court also held that the “American Rule” preventing defendants from recovering attorney’s fees in a successful defense applies to agencies of the federal government.3 The Federal Circuit weighed in on whether state sovereign immunity can shield a state university from post-issuance challenges of its patents under AIA,4 and whether the Administrative Patent Judges (APIs) of the Patent Trials and Appeals Board (PTAB) are constitutionally appointed under the Appointments Clause.5

In copyright, the U.S. Supreme Court clarified the time at which a claimant may file suit,6 and which costs are included in the “full costs” that may be awarded under 17 U.S.C. § 505.7 In trademark, the U.S. Supreme Court considered the constitutionality of the Lanham Act’s ban on “immoral or scandalous” trademarks,8 and whether a debtor in a bankruptcy proceeding may terminate a trademark license agreement.9 The U.S. Court of Appeals for the Fourth Circuit addressed whether adding “.com” to an otherwise generic term can be protectable under federal trademark laws.10

4. Regents of the Univ. of Minn. v. LSI Corp., 926 F.3d 1327, 1330 (Fed. Cir. 2019).
In trade secret law, the U.S. Supreme Court provided clarification on the definition of “confidential” under the Freedom of Information Act.\textsuperscript{11} The U.S. Court of Appeals for the Third Circuit determined whether monitoring an employee’s social media pages results in “unclean hands” to bar trade secret misappropriate claims.\textsuperscript{12} Finally, the Texas Legislature amended its anti-SLAPP statute to prevent its use in trade secret misappropriation suits.\textsuperscript{13}

II. PATENT UPDATE

A. THE SUPREME COURT ON PATENTS

1. Petition Undeliverable – Return Mail Inc. v. U.S. Postal Service

The U.S. Supreme Court dealt a blow to the federal government in a 6–3 decision that will prohibit federal agencies from petitioning the Patent Trials and Appeals Board of the United States Patent and Trademark Office for post-grant review of patents.\textsuperscript{14}

The United States Postal Service (USPS) considered whether, and ultimately declined, to license a patent owned by Return Mail Inc., which claimed a method for processing undeliverable mail. The USPS later launched its own service for processing undeliverable mail, which Return Mail asserted infringed its patent. A patent infringement suit was filed by Return Mail in the Court of Federal Claims. In response to the infringement suit, USPS petitioned the Patent Trials and Appeals Board (PTAB) for “Covered Business Method” (CBM) review, which is one of three post-grant proceedings introduced by the 2011 Leahy-Smith America Invents Act (AIA).\textsuperscript{15}

The PTAB found the asserted claims of Return Mail’s patent to constitute ineligible subject matter under 35 U.S.C. § 101 and canceled the claims.\textsuperscript{16} The U.S. Court of Appeals for the Federal Circuit affirmed.\textsuperscript{17} Although Return Mail did not raise the issue, the Federal Circuit stated in its decision that the federal government is a “person” eligible to petition for CBM review.\textsuperscript{18}

On appeal, the Supreme Court reversed the Federal Circuit, explaining that an agency of the federal government cannot be treated as a “person” within the meaning of the AIA’s post-grant review statutes.\textsuperscript{19} The Court noted that there is a “longstanding interpretive presumption that ‘person’
does not include the sovereign.”

USPS argued that the presumption of excluding the government from statutory uses of the word “person” is rebutted by (1) the “text and context” of the patent laws; (2) “the long history of [government] participation in the patent system”; and (3) the fact that the government is subject to liability for infringement.

The Supreme Court disagreed on all three points. First, the Court highlighted and contrasted the various uses of the word “person” in the patent statutes. Some uses expressly include the government, some uses expressly exclude the government, and some uses are ambiguous. According to the Court, there is no clear rule in the statute that would indicate whether Congress intended the government to be able to participate in post-grant proceedings. Thus, the Court reasoned, the text and context of the patent laws cannot rebut the presumption.

Second, the Court noted that although the government has long participated in the acquisition and assertion of patents, that is not relevant to participation in post-grant review of patents by a federal agency. Rather, the Court explained that the post-grant proceedings created by the AIA have only existed for eight years. USPS noted, however, that the federal government has been able to initiate ex parte reexamination of another’s patent since 1981. But the Court responded that ex parte reexamination is a “fundamentally different process” from the more adversarial and adjudicatory post-grant review procedures created by the AIA.

Third, the Court was not persuaded by USPS’s contention that because federal agencies are also subject to liability for infringement, it would be “anomalous to deny [them] a benefit afforded to other infringers.” The Court dismissed this claim of unfairness, pointing out that the federal
government may still challenge an asserted patent in federal court. Further, the Court recalled other statutory provisions that limit a patent owner’s options for recourse against the federal government. Finally, the Court pointed out that their holding “avoids the awkward situation that might result from forcing a civilian patent owner (such as Return Mail) to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency (such as the Postal Service) and overseen by a different federal agency (the Patent Office).”

Justices Breyer, Ginsburg, and Kagan dissented, explaining that allowing the federal government to participate in some aspects of the patent system but excluding them from others is incongruous. The dissenting Justices point out that the patent laws only seem to exclude the government from participation in administrative matters or where including the government would be completely illogical. By contrast, the dissent explains that the government has long been able to participate in the substantive aspects of the patent system.


Justice Thomas, penning for a unanimous U.S. Supreme Court, provided some long-needed clarity on the effect of the AIA’s revisions to previous precedent by holding that the AIA’s amendments to Section 102 will not change the Court’s treatment of confidential sales with respect to the on-sale bar of Section 102.

Of the many changes brought with the AIA, one modification is a rewrite of 35 U.S.C. § 102, which defines the scope of prior art references and events that can prevent patentability of an invention. The relevant portion recited, before the enactment of the AIA, “[a] person shall be entitled to a patent unless . . . the invention was . . . in public use or on sale in this country, more than one year prior to the date of application . . . .” The so-called “on-sale bar” of pre-AIA Section 102 was interpreted by the Court to include private sales that were not known to the public. When the AIA was enacted, the corresponding language of the statute was modified to state “[a] person shall be entitled to a patent unless . . . the claimed invention was . . . in public use, on sale, or otherwise available to the public before the effective filing date of the claimed in-

37. Return Mail, 139 S. Ct. at 1867.
38. See id. at 1868–72 (Breyer, J., dissenting).
39. Id. at 1869–70.
40. Id. at 1871.
43. Helsinn, 139 S. Ct. at 630 (citing Pfaff v. Wells Elecs., Inc., 525 U.S. 55, 67 (1998)).
vention.” Here, the Court was called upon to decide whether this modification nullified the Court’s previous precedent that secret sales can trigger the on-sale bar of Section 102.

Helsinn Healthcare S.A. (Helsinn) developed Palonosetron, a drug that treats nausea and vomiting caused by chemotherapy. Helsinn entered into a supply and purchase agreement with MGI Pharma Inc. (MGI) to supply as many 0.25 mg and 0.75 mg doses of Palonosetron as MGI required. Although the partnership with MGI was publicly announced, the details of the sale—including the doses that MGI would be distributing—were not publicly known. Two years after entering into the purchase agreement, Helsinn filed a patent application covering the 0.25 mg dose of Palonosetron. U.S. Patent No. 8,598,219 (‘219 patent) was eventually issued, covering the “0.25 mg dose of palonosetron in a 5 ml solution.”

Teva Pharmaceuticals sought FDA approval to market a generic version of Palonosetron, to which Helsinn responded by filing suit against Teva for infringing the ‘219 patent. In defense, Teva challenged the validity of the ‘219 patent on the grounds that the subject matter of the ‘219 patent was “on sale” more than one year before the filing date of the application, triggering the on-sale bar of Section 102. But Helsinn argued that the on-sale bar was not triggered, since the AIA’s changes to the statute nullified the Court’s previous precedent regarding secret sales. The district court ruled in favor of Helsinn, finding that the AIA version of Section 102 was not triggered by Helsinn’s confidential sale. The U.S. Court of Appeals for the Federal Circuit reversed, and Helsinn appealed to the Supreme Court.

The Supreme Court sided with Teva, finding that the AIA did not obviate the Court’s previous treatment of the on-sale bar of Section 102. The Court reasoned there is a presumption that, when the same or similar language is used in a later version of a statute, the constructions applied to the earlier version of the statute remain in place. The Court also reasoned that the relatively modest change in “adding the phrase ‘or otherwise available to the public’ to the statute ‘would be a fairly oblique way of attempting to overturn’ that ‘settled body of law.’” The Court declined Helsinn’s invitation to apply the “associated-words canon,” explaining that the catchall phrase “or otherwise available to the public” is not a modifier for the expressly listed categories of Section 102. Rather, the phrase is meant to “capture[] material that does not fit neatly into

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45. Helsinn, 139 S. Ct. at 630.
46. Id.
47. Id.
48. Id. at 632.
49. Id.
50. Id.
51. Id. at 633–34 (citing Shapiro v. United States, 335 U.S. 1, 16 (1948)).
52. Id. at 634 (quoting amicus United States at Oral Hearing (Tr. of Oral Arg. 28.)).
53. Id.
the statute’s enumerated categories but is nevertheless meant to be covered.”54 Thus, the Court held that previous precedent with respect to the on-sale bar applies to Section 102(a) as amended by the AIA.55

3. USPTO Gets the American Rule – Peter v. NantKwest, Inc.

In Peter v. NantKwest, Inc., the U.S. Supreme Court held that the U.S. Patent and Trademark Office (USPTO) cannot recover attorney’s fees under Section 145 of the Patent Act.56 Under the Patent Act, an applicant can challenge a decision of the USPTO by appealing to the U.S. Court of Appeals for the Federal Circuit (under Section 141) or by suing the USPTO Director in the United States District Court for the Easter District of Virginia (under Section 145). If the applicant chooses to file a new civil suit, Section 145 requires that party to pay the legal expenses of the USPTO.

After the USPTO denied its patent application, NantKwest, Inc. (NantKwest) filed a civil action under Section 145. After the district court and the Federal Circuit affirmed the denial, the USPTO moved for NantKwest to pay for its expenses, including the pro rata salaries of its legal staff that worked on the case. The district court held that recovery of pro rata legal fees did clearly overcome the “American Rule,” the presumption that holds each party accountable for its own legal expenses regardless of outcome.57 The Federal Circuit reversed, holding that “the term ‘expenses’ in § 145 ‘specifically’ and ‘explicitly’ authorized an award of fees.”58 However, the en banc Federal Circuit reheard the case and reversed the prior decision, holding that the American Rule did apply to Section 145 “because it is ‘the starting point whenever a party seeks to shift fees from one side to the other in adversarial litigation.’”59

Before the Supreme Court, the United States argued that the American Rule presumption does not apply to Section 145 because the section requires the patent applicant to pay the expense of the USPTO regardless of outcome.60 Thus, the government argued, the statute avoids the American Rule, which only applies when a statute awards fees to a “prevailing party.”61 The Court disagreed, stating that “the presumption against fee shifting applies to all statutes—even those like § 145 that do not explicitly award attorney’s fees to ‘prevailing parties.’”62 Thus, “[t]he American Rule provides the starting point for assessing whether § 145 authorizes payment for the PTO’s legal fees.”63 The Court held that the word “expenses” in the Patent Act “does not invoke attorney’s fees with the kind

54. Id.
55. Id.
57. Id. at 370.
58. Id.
59. Id.
60. Id.
61. Id. at 371.
62. Id. (citing Sebelius v Cloer, 569 U.S. 369 (2013)).
63. Id.
of ‘clarity we have required to deviate from the American Rule.’” \textsuperscript{64} Thus, the Supreme Court found that the USPTO “cannot recover the pro rata salaries of its legal personnel under § 145” of the Patent Act.\textsuperscript{65}

\textbf{B. The Federal Circuit on Patents}

\textit{1. Nice Try – Regents of the University of Minnesota v. LSI Corp.}

In 2018, the U.S. Court of Appeals for the Federal Circuit turned down an attempt to protect patents from post-grant challenges based on Tribal Immunity.\textsuperscript{66} In \textit{Regents of the University of Minnesota v. LSI Corp.}, the Federal Circuit similarly held that state sovereign immunity cannot protect a state’s patents from \textit{inter partes} review (IPR) challenges.\textsuperscript{67}

The University of Minnesota obtained several patents covering telecommunications technologies. These patents were later asserted by the University of Minnesota against LSI and customers of Ericsson, Inc. in federal district courts. In response to the infringement suits, LSI and Ericsson separately petitioned the PTAB for IPRs of the asserted patents. Respective panels of the PTAB held the asserted claims to be invalid.\textsuperscript{68} The University of Minnesota appealed each PTAB decision to the Federal Circuit, arguing that because the University is immune from such litigation as an arm of the state, the IPR challenges could not be brought against it. The Federal Circuit consolidated the appeals based on the issue common to each case.\textsuperscript{69}

As explained by the Federal Circuit, states typically enjoy immunity from suits by private parties.\textsuperscript{70} The University of Minnesota argued that because IPRs are initiated by private parties, they are essentially private disputes between a third party and the patent owner, and therefore the state should not be subject to post-grant challenges of its patents by third parties. The Federal Circuit disagreed, recalling its previous decision in \textit{St. Regis Mohawk Tribe}, which held that Tribal Immunity did not apply to IPR proceedings because IPRs amount to agency reconsideration of a patent, and are not simply disputes between parties about private rights.\textsuperscript{71} The Federal Circuit highlighted important differences in the character of post-grant proceedings from district court litigation.\textsuperscript{72} In particular, the court noted that the PTAB can proceed forward to a final decision even if one or both parties decides to cease participating, whereas in federal district court litigation there must be a case or controversy for the case to

\textsuperscript{64} Id. at 372 (citing Baker Botts L.L.P. v. ASARCO LLC, 135 S. Ct. 2158, 2164 (2015)).

\textsuperscript{65} Id. at 374.


\textsuperscript{67} Regents of the Univ. of Minn. v. LSI Corp. 926 F.3d 1327, 1330 (Fed. Cir. 2019).

\textsuperscript{68} Id.

\textsuperscript{69} Id.

\textsuperscript{70} Id. at 1337 (citing Alden v. Maine, 527 U.S. 706, 713 (1999)).

\textsuperscript{71} Id. (citing St. Regis Mohawk Tribe v. Mylan Pharms. Inc., 896 F.3d 1322 (Fed. Cir. 2018)).

\textsuperscript{72} Id. at 1339–40.
The Federal Circuit also highlighted that the Federal Rules of Civil Procedure do not govern post-grant proceedings and that patent owners “may amend [their] claims” during an IPR, which is unlike district court litigation.74

The Federal Circuit also rebutted the University of Minnesota’s argument that the differences between tribal immunity and state sovereign immunity merit a different outcome from *St. Regis Mohawk Tribe*.75 The court explained that, while there are clear differences in the foundation and effect of each type of immunity, those differences are not relevant to the question posed in *St. Regis Mohawk Tribe* and in the present case.76 Rather, in both cases, the reason the immunities do not apply is a matter of the character of IPRs as agency action rather than private legal disputes.77

Judges Dyk, Wallach, and Hughes of the Federal Circuit submitted a concurrence, explaining an additional reason that state sovereign immunity does not apply to IPR proceedings.78 As similarly stated in concurring opinions by the PTAB panels of the IPR decisions below,79 the concurring judges explained that IPRs are more similar to in rem proceedings in which the courts exercise jurisdiction over property, and not the parties disputing the property.80 Thus, explains the concurrence, states cannot assert sovereign immunity as a shield against IPRs.81

The Supreme Court denied a petition for certiorari.82


In a blood-chilling decision on Halloween, the U.S. Court of Appeals for the Federal Circuit held that the Administrative Patent Judges (APJs) appointed by the Director of the USPTO (Director) to adjudicate post-grant proceedings were appointed in violation to the Constitution.83 However, the Federal Circuit limited the impact of its holding by severing the portion of the statute that restricted removal of the APJs in order to be treated as “inferior officers.”84

Smith & Nephew, Inc. and Arthrocare filed IPR petitions to challenge Arthrex’s a patent relating to “a knotless suture securing assembly.”85 A final written decision from a board of APJs found several claims of Ar-
Arthrex’s patent “unpatentable as anticipated.” 86 Although they did not raise the issue before the board, Arthrex appealed the decision on the grounds that the appointments of the APJs of the PTAB panels were in violation of the Appointments Clause of Article II of the Constitution.

The Appointments Clause requires that “superior officers” be appointed by the President of the United States, while “inferior Officers” may be appointed by “the Courts of Law, or [] the Heads of Departments.” 87 While there is no definitive test for distinguishing superior and inferior officers, the Federal Circuit evaluated several factors related to the oversight and responsibilities of the APJs of the PTAB, including their subjection to review, supervision, and removal. 88

Regarding the reviewability of PTAB actions, the Federal Circuit found that the lack of intra-agency review procedures makes the APJs look like superior officers. 89 Although participants in a post-grant proceeding may request a re-hearing, PTAB actions are only appealable to the Federal Circuit. 90 The lack of reviewability weighs in favor of treating APJs as principal officers. 91

By contrast, the Federal Circuit found that APJs are subject to substantial supervision by the Director, which is a characteristic of inferior officers. 92 In particular, the Federal Circuit noted that the Director can issue policy directives, provide instructions including exemplary fact patterns, and designate PTAB decisions as precedential or non-precedential. 93 Further, the Director has authority to create regulations governing the conduct of post-grant proceedings, designate which APJs sit on a panel of a given post-grant proceeding, and even set their pay, among other powers. 94

Finally, the Federal Circuit considered whether the Director has sufficient power to remove an APJ, which would suggest the status of an “inferior officer.” 95 The court held that although the Director has the power to assign, and possibly to remove, APJs from individual post-grant proceedings, the restrictions on removal weigh in favor of treating APJs as principal officers. 96 Specifically, the court noted that the Director may only remove an APJ in accordance with Title 5, which poses several requirements and limitations on officer removal, including a “nexus between [] misconduct and the work of the agency,” 97 written notice of the

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86. Id. at 1326.
87. U.S. CONST. art. II, § 2, cl. 2.
88. Arthrex, 941 F.3d at 1328–29.
89. Id. at 1331.
90. Id. at 1329.
91. Id. at 1331.
92. Id. at 1332.
93. Id. at 1331.
94. Id.
95. Id. at 1332–34.
96. Id. at 1332–33.
97. Id. at 1333 (citing Brown v. Dept. of the Navy, 229 F.3d 1356, 1358 (Fed. Cir. 2000) (explaining requirements of 5 U.S.C. § 7513(a) (2019))).
removal that provides evidence and an opportunity to answer, and a right to appeal the decision to remove.

Based on these factors, the Federal Circuit held that APJs are principal officers, given “[t]he lack of any presidentially-appointed officer who can review, vacate, or correct decisions by the APJs,” in addition to the limited power to remove them. However, the court mitigated the effects of its decision based on the principle of severability. According to this principle, severing a problematic part of a statute “is appropriate if the remainder of the statute is (1) constitutionally valid, (2) capable of functioning independently, and (3) consistent with Congress’ basic objectives in enacting the statute.” Here, the court severed the portion of the patent statute that applied Title 5’s removal restrictions to the APJs. Severing these restrictions gives the Director sufficient removal power over the APJs to afford them treatment as inferior officers. However, since the panel of APJs that decided the petition above was still subject to Title 5’s removal restrictions, and thus constitutionally invalid, the Federal Circuit held that a new panel must be designated and a new hearing granted.

The effects of Arthrex extended widely beyond this case. Judge Dyk lamented that the Arthrex decision required “potentially hundreds of new proceedings” to be initiated. The Federal Circuit declined the parties’ petition for en banc review.

III. TRADEMARK UPDATE

A. Explicitly Approved – Iancu v. Brunetti

In Iancu v. Brunetti, the U.S. Supreme Court cleared the way for the registration of “immoral” or “scandalous” trademarks, holding that the Lanham Act’s bar on such marks violated the First Amendment. After the USPTO denied Erik Brunetti’s application for the trademark “FUCT” on the basis of the Lanham Act’s prohibition on immoral or scandalous trademarks, Brunetti appealed to the U.S. Court of Appeals for the Federal Circuit, arguing that the ban was unconstitu-

98. Id. (citing 5 U.S.C. § 7513(b)).
99. Id. (citing 5 U.S.C. § 7513(d)).
100. Id. at 1335.
101. Id. at 1335–40.
102. Id. at 1335 (quoting United States v. Booker, 543 U.S. 220, 258–59 (2005)).
103. Id. at 1338 (severing “Officers and Employees of the Office” from 35 U.S.C. § 3(c)).
104. Id. at 1338.
105. Id. at 1338–40.
tional, and the USPTO appealed to the Supreme Court.\footnote{109}

The Court likened Brunetti’s claims to those heard in the recent \textit{Matal v. Tam} decision in which “the Court [held] unconstitutional the Lanham Act’s bar on registering marks that ‘disparage’ any ‘person[,] living or dead.’”\footnote{110} Like the Act’s disparagement bar, the Court held that the “immoral or scandalous” ban discriminates on the basis of viewpoint by distinguishing between “those [ideas] aligned with conventional moral standards and those hostile to them.”\footnote{111} For example, the USPTO has denied the registration of marks like “YOU CAN’T SPELL HEALTHCARE WITHOUT THC, MARIJUANA COLA, KO KANE,” and “BONG HITS 4 JESUS,” while approving marks like “D.A.R.E. TO RESIST DRUGS AND VIOLENCE” and “SAY NO TO DRUGS—REALITY IS THE BEST TRIP IN LIFE.”\footnote{112} Thus, because the ban discriminates on the basis of viewpoint, favoring some ideas over others, the Supreme Court held that the Lanham Act’s bar on “immoral or scandalous” trademarks violates the First Amendment.\footnote{113}

\section*{B. The Debtor’s Dilemma – Mission Product Holdings, Inc. v. Tempnology, LLC}

In this case, the U.S. Supreme Court settled a circuit split concerning whether a debtor’s rejection of a trademark license under Section 365 of the Bankruptcy Code “deprives the licensee of its rights to use the trademark.”\footnote{114} The Supreme Court held that while a debtor-licensor’s rejection of a trademark license results in a pre-petition breach, it does not constitute a rescission of the contract, and thus the licensee may retain the rights granted to it under the license.\footnote{115}

The Bankruptcy Code permits a debtor filing for Chapter 11 protection to “reject any executory contract” subject to court approval, but “if the rejected contract is one ‘under which the debtor is a licensor of a right to intellectual property,’ the licensee may elect to ‘retain its rights . . . to such intellectual property.’”\footnote{116} However, the relevant statutory definition of “intellectual property” does not include trademarks, leading to a longstanding question regarding the effect of a debtor-licensor’s rejection of a trademark license.\footnote{117}

Here, Tempnology granted a non-exclusive license to Mission Product Holdings to use its trademarks. Several years later, Tempnology filed for Chapter 11 bankruptcy and rejected the license agreement.\footnote{118} Though

\begin{footnotes}
\item[109.] Id. at 2298.
\item[110.] Id.
\item[111.] Id. at 2300.
\item[112.] Id.
\item[113.] Id. at 2302.
\item[115.] Id. at 1657–58.
\item[117.] Id. § 101(35A).
\item[118.] Mission Prod. Holdings, 139 S. Ct. at 1657.
\end{footnotes}
both parties agreed that the rejection allowed Tempnology to stop performing under the contract and entitled Mission to a pre-petition claim for damages. Tempnology asserted that the rejection also terminated Mission’s rights to use the licensed marks.

Tempnology obtained a declaratory judgment from the U.S. Bankruptcy Court for the District of New Hampshire confirming that its rejection of the license agreement terminated Mission’s rights. Thereafter, the U.S. Bankruptcy Appellate Panel of the First Circuit reversed, holding that rejection does not eliminate the licensee’s contractual rights, just as the breach of an agreement outside of bankruptcy does not extinguish the rights of the non-breaching party. Tempnology appealed, and the Court of Appeals for the First Circuit overturned the Bankruptcy Appellate Panel’s decision. The First Circuit concluded that allowing the licensee to use the mark post-rejection would frustrate the statute’s intent to “release the debtor’s estate from burdensome obligations” because trademark licensors must exercise quality control over goods bearing the licensed marks in order to maintain their trademark rights.

The Supreme Court reversed, holding that “[r]ejection of a contract—any contract—in bankruptcy operates not as a rescission but as a breach.” While “[t]he debtor can stop performing its remaining obligations under the agreement . . . the debtor cannot rescind the license already conveyed.”

C. THE DOT COM CONUNDRUM – BOOKING.COM v. USPTO

In Booking.com v. USPTO, the U.S. Court of Appeals for the Fourth Circuit held that the term BOOKING.COM was descriptive, rather than generic, and thus was eligible for trademark protection.

Booking.com, the well-known website for booking travel accommodations, filed four applications for the trademark BOOKING.COM, which sought protection for the mark in connection with online hotel reservation services. The USPTO denied registration of the BOOKING.COM marks, stating that BOOKING.COM was a generic term for hotel reservation services. The USPTO also held that, if not generic, the marks were at least merely descriptive and that Booking.com did not prove that BOOKING.COM had acquired secondary meaning, a requisite showing for marks that are considered “merely descriptive.” Booking.com appealed to the Trademark Trial and Appeal Board (TTAB), which affirmed the refusals on the same grounds as the trademark examining
Next, Booking.com appealed in a civil action in the Eastern District of Virginia, arguing that BOOKING.COM was eligible for trademark protection because it was not a generic term, but rather was suggestive—or at least descriptive—of hotel reservation services. The district court agreed, finding that, while “booking” was a generic term for the services, BOOKING.COM was descriptive and Booking.com’s consumer survey proved that the marks had acquired secondary meaning. The district court ordered the USPTO to register two of the BOOKING.COM marks and ordered Booking.com to pay the USPTO’s expenses, including the salaries of the legal personnel who worked on the case. Both parties appealed, the USPTO challenging the descriptive-ness holding and Booking.com challenging the order to pay the USPTO’s attorney’s fees.

The Fourth Circuit held that BOOKING.COM was not generic and was indeed a protectable trademark. First, the court found that the burden of proving genericness falls on the USPTO. In determining whether the mark was generic, the court relied on a three-step analysis:

1. identify the class of product or service to which use of the mark is relevant;
2. identify the relevant consuming public; and
3. determine whether the primary significance of the mark to the relevant public is as an indication of the nature of the class of the product or services to which the mark relates, which suggests that it is generic, or an indication of the source or brand, which suggests that it is not generic.

As both parties agreed that (1) BOOKING.COM identifies hotel reservation services, and (2) “the relevant purchasing public consists of consumers who use hotel reservations services offered via the internet or in person,” only the third factor was at issue.

The Fourth Circuit found no error in the district court’s ruling that BOOKING.COM was not generic. The court noted that “using the characters ‘booking.com’ or ‘bookings.com’ in a longer domain name,” such as “hotelbooking.com” or “ebooking.com,” did not necessarily indicate that BOOKING.COM was generic, contrary to the USPTO’s argument. Indeed, the court found that consumer surveys such as the one provided by Booking.com “are the ‘preferred method of proving genericness.’”

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125. Id.
126. Id. at 178.
127. Booking.com’s Teflon survey showed that “74.8% of consumers recognized BOOKING.COM as a brand.” Id.
128. Id.
129. Id. at 179.
130. Id. at 179–80.
131. Id. at 180.
132. Id. at 180–81.
133. Id.
134. Id. at 182.
135. Id. at 183.
Next, the court declined to adopt the USPTO’s proposed rule “that adding the top-level domain (TLD) .com to a generic second-level domain (SLD) like booking can never yield a non-generic mark.” The court also disagreed with the USPTO’s proposition that BOOKING.COM is necessarily generic because its component parts, “booking” and “.com,” are themselves generic. The ultimate question, the court held, was “what the public primarily perceives the term as a whole to refer to.” The court clarified, however, that “[m]erely appending .com to an SLD does not render the resulting domain name non-generic.”

Ultimately, the court held that “when ‘.com’ is combined with an SLD, even a generic SLD, the resulting composite may be non-generic where evidence demonstrates that the mark’s primary significance to the public as whole is the source, not the product.” Thus, the court found BOOKING.COM to be a protectable trademark and affirmed the district court’s partial grant of summary judgment.

With regard to attorney’s fees, the Fourth Circuit relied on its own precedent to side with the government. Under 15 U.S.C. § 1071(b)(3), a trademark applicant can appeal a decision of the USPTO to the Federal Circuit or to the district court. If the applicant appeals to the district court, the applicant is required to pay for all expenses of the case, win or lose. Under Fourth Circuit precedent, the American Rule—the principal that each party pays its own attorney’s fees unless Congress explicitly states otherwise—only applies where attorney’s fees are awarded to a prevailing party. Thus, the court found that the American Rule did not apply to the relevant section of the Trademark Act, which awarded expenses to the USPTO regardless of outcome, and affirmed the grant of the USPTO’s attorneys’ fees.

The U.S. Supreme Court has granted certiorari, and the case has been placed on the 2020 docket.

D. Cannabis Connection – Woodstock Ventures LC v. Woodstock Roots, LLC

In this case, the producers of the 1969 Woodstock musical festival sued the defendants for trademark infringement for selling marijuana products under the WOODSTOCK trademark. In response, the defendants counterclaimed, seeking a preliminary injunction to enjoin the plaintiffs
from selling “cannabis and cannabis-related products” under the WOODSTOCK name.146

The plaintiffs own multiple trademark registrations for the WOODSTOCK mark that cover entertainment services and related merchandise, while the defendants own two trademark registrations for the WOODSTOCK mark in connection with various smokers’ articles, including “cigarette rolling papers” and “tobacco free electronic cigarettes for medical purposes comprised of e-liquids derived from the mature stalks of industrial hemp exclusive of any resins.”147 In 2016, the plaintiffs began using the WOODSTOCK mark in connection with recreational marijuana. In 2008, the parties had entered into a coexistence agreement in which both parties “‘have rights in the WOODSTOCK mark; defendants for broadcasting and promotional goods and services, and Plaintiffs for entertainment and promotional goods and services.’”148

Ultimately, the court found no likelihood of confusion between the “plaintiffs’ use of the WOODSTOCK mark for recreational marijuana products . . . and the [d]efendants’ use of the mark in connection with ‘smokers’ articles.”149 In addition to the dissimilarity in the typeface and styles of the two WOODSTOCK marks, the court found that the parties’ goods are different, as “plaintiffs’ products all involve the use of recreational marijuana, while [d]efendants have expressly disavowed the notion that their products are intended for use with recreational marijuana.”150 Indeed, in obtaining the WOODSTOCK trademark registrations for various smokers’ articles, the defendants told the USPTO that the products would not be used in connection with selling marijuana.151 The court further concluded that it “cannot give weight to [d]efendants’ alleged intent to expand into the area of selling recreational marijuana, because the sale of recreational marijuana is illegal under federal law.”152

As this case illustrates, the disparity in federal and state laws regarding the legality of marijuana products can lead to seemingly unusual outcomes in trademark enforcement cases. While thirty-three states have legalized marijuana to some degree, the substance remains banned at the federal level. Consequently, cannabis companies seeking federal protection for their trademarks to apply for registration in connection with smoking accessories and similar products, but they may not obtain protection for anything that contains cannabis. Until marijuana is legalized at the federal level, cannabis companies will continue to encounter difficulties in enforcing their trademark rights.

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146. Id. at 310–11.
147. Id. at 312.
148. Id. at 310.
149. Id. at 311.
150. Id. at 318.
151. Id. at 319.
152. Id. at 318.
IV. COPYRIGHT UPDATE

A. NOT SO FAST – FOURTH ESTATE PUBLIC BENEFIT CORP. v. WALL-STREET.COM

This year, the U.S. Supreme Court settled a split among U.S. Courts of Appeals regarding whether a copyright owner can sue for infringement before the Copyright Office grants registration.153 The Copyright Act of 1976 gives copyright protection to “original works of authorship fixed in any tangible medium of expression,” and rights in such works attach as soon as the works are created.154 However, 17 U.S.C. § 411(a) provides that “no civil action for infringement of the copyright in any United States work shall be instituted until . . . registration of the copyright claim has been made in accordance with this title.”155 The parties in Fourth Estate disputed the meaning of “registration” in Section 411(a).

Plaintiff Fourth Estate, a news organization, sued Wall-Street.com and its owner for copyright infringement after Wall-Street failed to remove Fourth Estate’s news articles from its website despite having canceled the parties’ license agreement.156 Before filing suit, Fourth Estate had filed copyright applications for the news articles, but the Copyright Office had not yet granted or refused registration. The district court dismissed the complaint because the Copyright Office had not yet processed Fourth Estate’s applications at the time the suit was filed, and the Court of Appeals for the Eleventh Circuit affirmed the dismissal.

Fourth Estate appealed, arguing that “registration” for the purposes of Section 411(a) occurs “when a copyright owner submits the application, materials, and fee” to the Copyright Office.157 Wall-Street, in line with a previous holding by the Eleventh Circuit, argued that Section 411(a)’s registration requirement is “satisfied only when the Copyright Office grants registration.”158

The Supreme Court unanimously agreed with Wall-Street and the lower courts, holding that “registration” in Section 411(a) “refers to the Copyright Office’s act of granting registration, not to the copyright claimant’s request for registration.”159 In other words, “registration occurs, and a copyright claimant may commence an infringement suit, when the Copyright Office registers a copyright.”160 The statute provides several exceptions to this rule, including for movies or musical compositions, where an owner can apply for preregistration, a limited review of the application after which the copyright owner may commence an infringement suit.161

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156. Fourth Estate, 139 S. Ct. at 887.
157. Id. at 888.
158. Id.
159. Id. at 890.
160. Id. at 886.
161. Id. (first citing 17 U.S.C. § 408(f)(2); then citing 37 C.F.R. § 202.16(b)(1) (2018)).
The statute provides a similar exception for live broadcasts.\(^{162}\) In addition, copyright owners may institute an infringement suit after the Copyright Office refuses registration.\(^{163}\) The Court explained these exceptions would be “superfluous” if a copyright application alone satisfied the requirements of Section 411(a).\(^{164}\)

### B. A Damper on Damages – Rimini Street, Inc. v. Oracle USA, Inc.

In the context of damage awards in copyright cases, the U.S. Supreme Court considered the ability of a district court to award “full costs,” ultimately finding that an award of “full costs” must comply with definition of costs provided in the general costs statute of the Judicial Code.\(^{165}\)

After finding that Rimini Street had infringed multiple Oracle copyrights, a jury awarded Oracle $12.8 million in damages, which included compensation for expert witnesses, e-discovery, and jury consulting. The U.S. Court of Appeals for the Ninth Circuit affirmed the award, though recognized that the award covered expenses that are not provided for in 28 U.S.C. §§ 1821 and 1920, the federal statute that allows district courts to award costs. Under these sections of the statute, Congress delineated six categories of litigation expenses that may be awarded as “costs.”\(^{166}\)

On appeal, the Supreme Court found that a court may not award costs for litigation expenses that fall outside of the statutory categories because the Copyright Act does not explicitly authorize an award of any expenses that fall outside of the statutory parameters.\(^{167}\)

### V. TRADE SECRET UPDATE

#### A. Give Us the Goods – Food Marketing Institute v. Argus Leader Media

Under the National Parks test followed by courts of appeal, if a party sought commercial information from a federal agency under the Freedom of Information Act (FOIA), the federal agency was required to provide the information unless disclosing the information would result in substantial competitive harm.\(^{168}\) Argus Leader Media submitted a FOIA request to obtain information about the retailers affiliated with the Supplemental Nutrition Assistance Program (SNAP) from the U.S. Department of Agriculture (USDA). The USDA refused to provide some of the requested information, and Argus Leader Media sued in federal district court. The district court sided with Argus Leader Media, and the U.S. Court of Ap-

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\(^{162}\) Id. (citing 17 U.S.C. § 411(c) (2020)).

\(^{163}\) Id. at 889 (citing 17 U.S.C. § 411(a)).

\(^{164}\) Id.

\(^{165}\) Rimini St., Inc. v. Oracle USA, Inc., 139 S. Ct. 873, 875–76 (2019).

\(^{166}\) Id. at 876.

\(^{167}\) Id. at 878.

peals for the Fourth Circuit affirmed, explaining that a “competitive harm” is required to withhold information under exemption four of FOIA, which was not shown in this case.169

On appeal, the U.S. Supreme Court reversed, holding that the confidentiality exemption of the FOIA does not require a showing of substantial competitive harm.170

B. Monitoring Is Okay – Scherer Design Group v. Ahead Engineering

In Scherer Design Group LLC v. Ahead Engineering LLC,171 the U.S. Court of Appeals for the Third Circuit clarified what does and does not constitute “unclean hands” for the purpose of trade secret misappropriation claims. Scherer sought an injunction in federal district court to block former employees from using its commercial information in competing companies started by one of the employees. Scherer became aware of the potential trade secret appropriation by monitoring Facebook activity from the former employees. Scherer had recovered a password to an employee’s Facebook profile from the computer cache after they left. The district court granted the injunction, and declined to accept the employee’s defense that Scherer’s Facebook monitoring constituted unclean hands that would bar Scherer’s injunction.172

The Third Circuit agreed, clarifying that unclean hands applies only when the party seeking the injunction has “committed an unconscionable act” related to the events giving rise to the injunction request.173 The Third Circuit held that Scherer’s spying was unrelated to the employee’s breach of loyalty, and therefore did not invoke the unclean hands doctrine.174

C. Texas Anti-SLAPP Statute Amendments

The last year has seen two significant legal changes relating to trade secret causes of action and the Texas anti-SLAPP statute, the Texas Citizens Participation Act (TCPA). First, in August, the United States Court of Appeals for the Fifth Circuit resolved a lingering question about the applicability of the TCPA in a federal court sitting in diversity. Second, the Texas legislature amended the TCPA to render it inapplicable to the most common types of trade secret cases.

As a state law, many courts have held that the TCPA is inapplicable to federal claims in federal court.175 But federal courts struggled with

169. Id. at 2361–62.
170. Id. at 2361.
171. 764 F. App’x 147 (3d Cir. 2019).
172. Id. at 149.
173. Id. at 150.
174. Id. at 152.
175. E.g., Sw. Airlines Co. v. Roundpipe, LLC, 375 F. Supp. 3d 687, 697 n.3 (N.D. Tex. 2019) (“[B]ecause the court exercises federal question jurisdiction over all of Southwest’s federal claims, state laws such as the TCPA would not apply.”) (citing N.P.U., Inc. v. Wil-
whether the TCPA applied to state claims when the federal court was exercising diversity or supplemental jurisdiction. On August 23, 2019, the Fifth Circuit confronted the issue directly in *Klocke v. Watson*. There, the court held that provisions of the TCPA conflict with certain Federal Rules of Civil Procedure and, therefore, the TCPA was not applicable in federal court when the court is sitting in diversity jurisdiction. Accordingly, it now seems unlikely that the TCPA will be utilized in federal court litigation.

On September 1, 2019, Texas House Bill 2730 went into effect. That bill amended the TCPA and redefined the “legal actions” to which the TCPA was applicable to generally exclude trade secret cases. In particular, the amended TCPA does not apply to legal actions seeking recovery for misappropriation of trade secrets that arise “from an officer-director, employee-employer, or independent contractor relationship.” The revised TCPA applies to all actions filed on or after its effective date of September 1, 2019. Thus, litigants in trade secret misappropriation cases filed in Texas Courts on or after September 1, 2019, will not likely enjoy the provisions of the TCPA in their cases, as the amendments generally exclude typical and well-plead trade secret misappropriation cases. Of course, novel cases, cases involving unique facts, and poorly plead cases that mention trade secret misappropriation (i.e., those that do not arise from one of the three enumerated relationships) may still be subject to dismissal under the TCPA.

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177. 936 F.3d 240, 244 (5th Cir. 2019).

177. Id. at 245–49.


179. Act of May 17, 2019, 86th Leg., R.S., Ch. 378, (H.B. 2730), §§ 11–12.
VI. CONCLUSION

Courts during the Survey period continued to provide new clarity in the patent, trademark, and broader IP landscape. In patents, the U.S. Supreme Court dealt a blow to the federal government, prohibiting federal agencies from petitioning the PTAB for post-grant review of patents.\textsuperscript{181} The Supreme Court also weighed in on the trademark side, striking down the Lanham Act’s ban on “immoral” and “scandalous” marks (likely making way for a colorful batch of trademark applications in the future).\textsuperscript{182} The lower federal courts also removed ambiguity in important areas, including the Federal Circuit’s decision regarding state sovereign immunity and IPR challenges,\textsuperscript{183} and the Supreme Court’s decision regarding the protectability of trademarks containing the term “.com.”\textsuperscript{184}

In summary, some decisions during the survey period delivered answers to long-standing questions in IP law, while others will continue to develop into cases to watch in 2020.

\textsuperscript{181} Return Mail, Inc. v. U.S. Postal Serv., 139 S. Ct. 1853, 1858–59 (2019).
\textsuperscript{182} Iancu v. Brunetti, 139 S. Ct. 2294, 2297 (2019).
\textsuperscript{183} Regents of the Univ. of Minn. v. LSI Corp. 926 F.3d 1327, 1330 (Fed. Cir. 2019).