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## Intellectual Property Law

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# INTELLECTUAL PROPERTY LAW

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## I. INTRODUCTION

THIS Article surveys significant developments in intellectual property (IP) law in the past year.<sup>1</sup> While we focus on case law that is precedential in the Fifth Circuit, we also review IP law developments that are likely to have an economic impact on Texas or be influential in the evolution of Texas IP jurisprudence. Thus, the cases cited focus on the decisions of the U.S. Supreme Court and the U.S. Courts of Appeals for the Fifth and Federal Circuits. For developments in trademark and copyright law, the Fifth Circuit’s authority is binding, but other circuits, such as the Second and Ninth, are considered highly persuasive. Because all cases concerning a substantive issue of patent law are appealed to the U.S. Court of Appeals for the Federal Circuit, decisions from that court during the Survey period are also included in this article.

While lacking the landmark cases of previous survey periods, such as the 2008 period’s *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>2</sup> and the 2007 period’s *KSR International Co. v. Teleflex Inc.*,<sup>3</sup> the 2009 period witnessed significant developments in IP law and once again established the importance of IP in our economy. Courts throughout the country weighed in on IP issues with considerable potential economic impact, such as the constitutionality of the governmental arm that sets the compulsory licensing terms for the digital transmission of sound recordings under the copyright laws, the proper test for fraud on the Patent and Trademark Office (PTO) under the trademark laws, and the scope of infringement damages under the patent laws. The patent “rocket docket” of the Eastern District of Texas continued to wrestle with the impact of the Fifth Circuit Court’s venue transfer provisions on the district’s status as a favored venue for patent litigation. In addition, courts, including the Supreme Court, set the stage to resolve fundamental issues of copyright and patent law, such as whether registration of a copyright is a jurisdic-

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

2. 553 U.S. 617 (2008) (applying the patent exhaustion doctrine to method claims).

3. 550 U.S. 398 (2007) (overruling the Federal Circuit’s rigid application of the teaching-suggestion-motivation test for patent obviousness).

tional prerequisite to an infringement action,<sup>4</sup> the proper scope of patentable subject matter,<sup>5</sup> and the written disclosure required to receive a patent.<sup>6</sup>

## II. PATENT UPDATE

### A. THE TRANSFORMATION OF THE PATENTABILITY PARADIGM—*IN RE COMISKEY, IN RE FERGUSON, AND PROMETHEUS LABORATORIES, INC. v. MAYO COLLABORATIVE SERVICES*

The Federal Circuit continued to consider and define the scope of patentable subject matter following its 2008 decision, *In re Bilski*,<sup>7</sup> and its 2007 decisions, *In re Nuijten*<sup>8</sup> and *In re Comiskey*.<sup>9</sup> First, the court indicated a willingness to further contract what constitutes patentable subject matter in a revised opinion issued in *In re Comiskey*.<sup>10</sup> Next, in *In re Ferguson*, the court definitely found that the only test for what constitutes a patentable process is the machine-or-transformation test announced in *Bilski*.<sup>11</sup> Finally, the court applied the machine-or-transformation test and determined that a method for calibrating a drug dosage was patentable in *Prometheus Labs., Inc. v. Mayo Collaborative Services*.<sup>12</sup> Ironically, the *Prometheus* method is strikingly similar to the method that Justice Breyer considered unpatentable in his dissent to the 2006 dismissal of certiorari in *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*—a dissent that is perhaps the impetus for the Federal Circuit's current efforts to define and contract the scope of patentable subject matter.<sup>13</sup> Now, the Supreme Court is set to weigh in on the issue, having granted certiorari and heard oral arguments in the *Bilski* case.<sup>14</sup>

In the revised *In re Comiskey* opinion (*Comiskey II*), the Federal Circuit retreated from statements in its 2007 opinion concerning the patent eligibility of machine-implemented mental processes under 35 U.S.C. § 101 and the link between patent eligibility under § 101 and obviousness

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4. *Reed Elsevier, Inc. v. Muchnick*, 129 S. Ct. 1523 (2009) (granting certiorari on the issue of whether 17 U.S.C. § 411(a) "restrict[s] the subject matter jurisdiction of the federal courts over copyright infringement actions").

5. *See Bilski v. Doll*, 129 S. Ct. 2735 (2009) (granting certiorari on the issue of the proper test for a patentable method).

6. *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 595 F.3d 1329, 1329 (Fed. Cir. 2009) (granting en banc review on "[w]hether 35 U.S.C. § 112, paragraph 1, contains a written description requirement separate from an enablement requirement").

7. 545 F.3d 943 (Fed. Cir. 2008) (en banc), *cert. granted sub nom. Bilski v. Doll*, 129 S. Ct. 2735 (2009).

8. 500 F.3d 1346 (Fed. Cir. 2007).

9. 499 F.3d 1365 (Fed. Cir. 2007) [hereinafter *Comiskey I*].

10. 554 F.3d 967, 981-82 (Fed. Cir. 2009) (en banc) [*Comiskey II*].

11. *In re Ferguson*, 558 F.3d 1359, 1365 (Fed. Cir. 2009), *petition for cert. filed*, 77 U.S.L.W. 3680 (U.S. June 2, 2009) (No. 08-1501).

12. 581 F.3d 1336 (Fed. Cir. 2009), *petition for cert. filed*, 78 U.S.L.W. 3454 (U.S. Oct. 22, 2009) (No. 09-490).

13. *See Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 134-39 (2006) (Breyer, J., dissenting).

14. *See Bilski v. Doll*, 129 S. Ct. 2735 (2009).

under § 103.<sup>15</sup> As it did in the original opinion, the court rejected the claims to a “method for mandatory arbitration” as directed to unpatentable subject matter because the method operates on human intelligence alone.<sup>16</sup> Noticeably absent from the revised opinion, however, are the court’s 2007 statements that: (1) “the combination [of an unpatentable mental process and a machine] may produce patentable subject matter,”<sup>17</sup> and (2) “[t]he routine addition of modern electronics to an otherwise unpatentable invention typically creates a prima facie case of obviousness.”<sup>18</sup>

*Comiskey II* may foreshadow a further contraction in what constitutes patentable subject matter. The *Comiskey I* court determined that the claims to a system of mandatory arbitration comprising a number of discrete functional “modules” were directed to patentable subject matter because of the addition of a machine (the modules).<sup>19</sup> Likewise, the court deemed claims to a “method for mandatory arbitration” that included a communication-means access step as directed to patentable subject matter.<sup>20</sup> The court originally remanded the system and communication-means claims for the Patent Office to determine “whether the addition of general purpose computers or modern communication devices to *Comiskey*’s otherwise unpatentable mental process would have been non-obvious to a person of ordinary skill in the art.”<sup>21</sup> The court failed to do so in the revised opinion. Instead, the court remanded for the Patent Office to determine if these claims “recite patentable subject matter under § 101.”<sup>22</sup>

The Federal Circuit clarified that the machine-or-transformation test announced by the Supreme Court in *In re Bilski* is the “‘sole,’ ‘definitive,’ ‘applicable,’ ‘governing,’ and ‘proper’ test for [the patentability of] a process claim under § 101.”<sup>23</sup> Further, the court noted that there is not a separate “business method” class of statutory subject matter and that to be patentable, a business method, like any process claim, must pass muster under the machine-or-transformation test.<sup>24</sup> Ultimately, the court determined that the claims to a “method of marketing a product” were not patentable under § 101, as they neither were tied to a machine (“any concrete parts, devices, or combination of devices”), nor transformed any

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15. *Comiskey II*, 554 F.3d at 969 (Fed. Cir. 2009) (en banc) (revising *Comiskey I*). The revised opinion was issued pursuant to an en banc grant limited to the purpose of replacing the original opinion. *In re Comiskey*, No. 2006-1286, 2009 WL 68845, at \*1641 (Fed. Cir. Jan. 13, 2009).

16. *Comiskey II*, 554 F.3d at 980-81; *Comiskey I*, 499 F.3d 1365, 1368-69, 1378 (Fed. Cir. 2007).

17. *Comiskey I*, 499 F.3d at 1379-80 (citing *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998)).

18. *Id.* at 1380.

19. *Id.* at 1379-80.

20. *Id.* at 1379.

21. *Id.* at 1380-81.

22. *Comiskey II*, 554 F.3d 967, 981 (Fed. Cir. 2009).

23. *In re Ferguson*, 558 F.3d 1359, 1364-65 (Fed. Cir. 2009).

24. *Id.* at 1365.

article (“physical objects or substances” or abstractions “representative of physical objects or substances”).<sup>25</sup>

The *Ferguson* court also determined that the claims to a particular business structure for a software marketing company, the “paradigm for marketing software,” did not fall into any of the four § 101 subject-matter categories. Relying on *In re Nuijten*, the court held that the claimed business structure was not a process, a manufacture, or a composition of matter.<sup>26</sup> Indeed, *Ferguson* did not argue that the business structure is any of these, but rather that it is a physical thing analogous to the fourth § 101 category—a machine. The court made it clear that a company is not a machine; it is not “‘a concrete thing, consisting of parts, or of certain devices and combination of devices’”<sup>27</sup>—even *Ferguson* conceded that “you cannot touch [a] company.”<sup>28</sup>

In contrast with the unpatentable (business) methods in *Comiskey* and *Ferguson*, the court in *Prometheus Laboratories* determined that a medical method for calibrating drug dosage was patentable subject matter.<sup>29</sup> The patents at issue claimed methods comprising the administering of a drug with a particular component, using any test to determine the level of the drug’s metabolite in the subject, and interpreting the efficacy of the dosage based on the determined metabolite level.<sup>30</sup> The court held that the claims satisfied the machine-or-transformation test because the administering step transforms the human body, and the determining step necessarily transforms the metabolites.<sup>31</sup> Upon introduction of a drug, “the human body necessarily undergoes a transformation”; therefore the administering step transforms the human body.<sup>32</sup> Although the determining step does not recite the process by which the metabolite level is measured, such a level “cannot be determined by mere inspection,” and the process must involve some form of manipulation that necessarily transforms the measured substance.<sup>33</sup> Both of these transformations are central to the purpose of the claims.

Ultimately, the future of the Federal Circuit’s patentable-subject-matter jurisdiction will be determined by the Supreme Court in *Bilski v. Kap-*

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25. *Id.* at 1364 (citations omitted).

26. *Id.* at 1366.

27. *Id.* at 1366 (quoting *In re Nuijten*, 500 F.3d 1346, 1355 (Fed. Cir. 2007)).

28. *Id.* (citations omitted).

29. *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, 581 F.3d 1336 (Fed. Cir. 2009).

30. *Id.* at 1339. Compare this with the claimed process in *Lab. Corp.* involving a process for helping to diagnose deficiencies of two vitamins, folate and cobalamin. The process consists of using any test (whether patented or unpatented) to measure the level in a body fluid of an amino acid called homocysteine and then noticing whether its level is elevated above the norm; if so, a vitamin deficiency is likely.

*Lab. Corp. of Am. Holdings v. Metabolite Labs.*, 548 U.S. 124, 125 (2006).

31. *Prometheus Labs.*, 581 F.3d at 1345-46.

32. *Id.* at 1346.

33. *Id.* at 1347.

*pos.*<sup>34</sup> Comments made by the Justices during oral argument may foreshadow a bleak future for business method patents. For example, Justice Sotomayor noted the potential negative impact of the Federal Circuit's machine-or-transformation test on the computer and biomedical industries and queried whether it would be better to simply state that business methods are not patentable.<sup>35</sup> Justices Kennedy, Stevens, and Breyer were skeptical of considering a common machine implementing a new process, like a computer running a program, as patentable subject matter when the process itself would not be.<sup>36</sup> According to Justice Breyer, doing so would mean that "all the business patents are all right back in."<sup>37</sup> Perhaps the most revelatory comment belonged to Justice Ginsburg: "[b]ut this case could be decided without making any bold steps."<sup>38</sup>

B. A BUG IN THE OINTMENT—*IN RE GENENTECH, IN RE HOFFMANN-LA ROCHE INC., IN RE NINTENDO, AND IN RE VOLKSWAGEN OF AMERICA*

The Eastern District of Texas continues to feel the effect of the Fifth Circuit's venue-transfer case, *In re Volkswagen of America, Inc.*,<sup>39</sup> and the Federal Circuit's application of that case in a patent-infringement suit, *In re TS Tech USA Corp.*<sup>40</sup> The Federal Circuit seems inclined to mandate transfer of venue under 28 U.S.C. § 1404(a), absent a concrete connection between the Eastern District and a party, a witness, or the evidence, regardless of whether the district is centrally located geographically. One exception to the court's take on venue transfers is that it may not require a transfer if more than one case involving the same patent is pending in the district.

Even if a district is the most centrally located of the competing venues with respect to the potential witnesses, absent a specific witness tie to the district, the fact that some witnesses reside in the other venue weighs in favor of transferring the case. For example, the court in *In re Genentech*, determined that the district court erred in evaluating which of the two venues was more convenient to witnesses scattered throughout the United States and Europe.<sup>41</sup> Specifically, the Eastern District erred in considering its central location and the convenience of all potential witnesses when no witness resided in the Eastern District of Texas.<sup>42</sup> Because some witnesses resided in the Northern District of California and

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34. *Bilski v. Doll*, 129 S. Ct. 2735 (2009) (granting certiorari on the issue of the proper test for a patentable method).

35. Transcript of Oral Argument at 29, *Bilski v. Kappos*, 129 S. Ct. 2735 (2009) (No. 08-964).

36. *Id.* at 41-46.

37. *Id.* at 46.

38. *Id.* at 47.

39. 545 F.3d 304 (5th Cir. 2008) (en banc).

40. 551 F.3d 1315 (Fed. Cir. 2008).

41. *In re Genentech, Inc.*, 566 F.3d 1338, 1343-45 (Fed. Cir. 2009).

42. *Id.* at 1344.

none resided in the Eastern District of Texas, the location of the witnesses favored transfer to the California venue.<sup>43</sup> In *In re Hoffmann-La Roche Inc.*, the court instructed that transfer is favored to a venue that has absolute subpoena power—subpoena power with respect to both depositions and trial—over some witnesses when the original district court does not have absolute subpoena power over any witnesses.<sup>44</sup> Although the potential witnesses were located throughout the United States (including one in Texas) and Europe, the fact that the Eastern District of North Carolina had absolute subpoena power over at least four witnesses and the Eastern District of Texas did not have absolute subpoena power over any witness weighed in favor of transfer to North Carolina.<sup>45</sup>

Similarly, transfer to a venue in which some of the evidence is located is favored, regardless of the central geographic location of either venue. The court rejected the notion that the physical location of evidence should not be a substantial factor in the venue-transfer analysis in this “era of electronic storage and transmission” in *In re Genentech*,<sup>46</sup> and disregarded the central-location theory with respect to evidence in *In re Nintendo Co.*<sup>47</sup> The *In re Genentech* panel held that because the California-based defendants would be significantly and unnecessarily burdened in transporting documents to Texas from California and the German plaintiff would be only “slightly more” burdened in transporting documents to California instead of Texas, the location of the evidence weighed in favor of transfer to the Northern District of California.<sup>48</sup> As most of the evidence in *In re Nintendo* was either in Washington or Japan and none was in Texas, the location of the evidence heavily favored transfer from the Eastern District of Texas to the Western District of Washington.<sup>49</sup> In fact, given the nature of patent infringement litigation in which “the bulk of the relevant evidence usually comes from the accused infringer,” the court favors venue at the location of the defendant’s documents.<sup>50</sup>

A plaintiff cannot establish favorable venue simply by moving evidence into that venue when it would not have done so absent the litigation. Novartis, the California-based plaintiff in *In re Hoffman-La Roche*, sent 75,000 pages of electronic documents related to its patented invention to the office of local counsel in the Eastern District of Texas, prior to filing suit.<sup>51</sup> The court rejected the notion that this evidence was located in the

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43. *Id.* at 1345. The court of appeals also noted that the European-based witnesses will have to “travel a significant distance no matter where they testify.” *Id.* at 1344.

44. *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333, 1338 (Fed. Cir. 2009).

45. *Id.* at 1335, 1338.

46. 566 F.3d at 1345-46 (quoting *Sanofi-Aventis Deutschland GmbH v. Genentech, Inc.*, 607 F. Supp. 2d 769, 777 (E.D. Tex. 2009)).

47. 589 F.3d 1194, 1199-1200 (Fed. Cir. 2009).

48. *In re Genentech*, 566 F.3d at 1346.

49. *In re Nintendo*, 589 F.3d at 1199-1200.

50. *In re Genentech*, 566 F.3d at 1345 (quoting *Neil Bros. Ltd. v. World Wide Lines, Inc.*, 425 F. Supp. 2d 325, 330 (E.D.N.Y. 2006)).

51. *In re Hoffmann-La Roche, Inc.*, 587 F.3d 1333, 1337 (Fed. Cir. 2009).



Eastern District of Texas, treating the “Texas-nature” of the documents as a “fiction which appears to be [sic] have been created to manipulate the propriety of venue.”<sup>52</sup> Such an attempt to manipulate venue is clearly prohibited by Supreme Court precedent.<sup>53</sup>

A plaintiff cannot avoid transfer of venue simply because the transferee court lacks jurisdiction over it or because the defendant moving for transfer has been a plaintiff in the original venue in the past.<sup>54</sup> In directing transfer to the Northern District of California, the *Genentech* panel disregarded the issue of the Northern District’s questionable jurisdiction over Sanofi. In a venue-transfer analysis, the only personal jurisdiction consideration is whether the court has jurisdiction over the defendants.<sup>55</sup> Likewise, the *Genentech* panel rejected the argument that the fact that Genentech had previously found the Eastern District of Texas proper for filing a suit weighed against transfer. Where the previous case involved different “parties, witnesses, evidence, and facts,” it is irrelevant to the transfer analysis.<sup>56</sup>

Consideration of judicial economy seems to be the one limit on the court’s propensity to mandate transfer of venue in an Eastern District of Texas patent infringement action. In an infringement action brought by MHL, a Texas-based company operating out of Michigan, against twenty-two automotive companies, including Volkswagen, variously based in Europe, Japan, South Korea, and a number of states, including Michigan but not Texas, the Federal Circuit denied a petition for writ of mandamus seeking transfer to the Eastern District of Michigan.<sup>57</sup> MHL brought a second infringement suit against an additional eight automotive companies, all based outside of Texas.<sup>58</sup> As in *In re Genentech*, *In re Hoffmann-La Roche Inc.*, and *In re Nintendo Co.*, the Eastern District of Texas denied the defendant’s motion to transfer venue. But in this instance the district denied the motion, at least in part, in the interest of conserving judicial resources by having one court deal with the patent issues common to both cases.<sup>59</sup> In denying Volkswagen’s petition for mandamus, the Federal Circuit noted that “[i]n this case, the existence of multiple lawsuits involving the same issues is a paramount consideration when determining whether a transfer is in the interest of justice.”<sup>60</sup> The Eastern District of Texas’s denial of the motion to transfer venue was rational and not a clear abuse of discretion.<sup>61</sup>

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52. *Id.*

53. *Id.* (citing *Van Dusen v. Barrack*, 376 U.S. 612, 625 (1964)).

54. *In re Genentech*, 566 F.3d at 1346.

55. *Id.*

56. *See id.*

57. *In re Volkswagen of Am.*, 566 F.3d 1349, 1350 (Fed. Cir. 2009).

58. *Id.*

59. *Id.* at 1351.

60. *Id.*

61. *Id.*

C. PLAUSIBLY INEQUITABLE—*EXERGEN CORP. v. WAL-MART STORES, INC.*

In *Exergen Corp. v. Wal-Mart Stores, Inc.*, the Federal Circuit limited the availability of the affirmative defense of inequitable conduct by requiring the party asserting the defense to plead facts plausibly suggesting the inequitable conduct.<sup>62</sup> To render a patent unenforceable with the affirmative defense, the party raising the defense must prove that, in acquiring the patent, the applicant “(1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information, and (2) intended to deceive the [PTO].”<sup>63</sup> The *Exergen* court held that Rule 9(b) of the Federal Rules of Civil Procedure, which governs the pleading requirements for claims of fraud, requires that inequitable conduct be pleaded with particularity.<sup>64</sup> Specifically, “the pleading must identify the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO.”<sup>65</sup> Further, the pleading must set forth sufficient facts to allow the court to reasonably infer the requisite state of mind: that the applicant knowingly withheld or misrepresented material information with the “specific intent to deceive the PTO.”<sup>66</sup>

A pleading of inequitable conduct will fail if it does not identify who withheld or misrepresented the information, what information was material to which claims, where that information was located in the withheld references, why the information was material, and how it was relevant to the claims.<sup>67</sup> In *Exergen*, the pleading failed for a variety of reasons. First, as pleaded, “Exergen, its agents and/or attorneys” failed to identify the particular person who withheld or misrepresented the material information.<sup>68</sup> Second, the pleading did not specify the material portions of the withheld references or the claims and claim limitations to which the information was material.<sup>69</sup> Finally, the pleading failed to define how the information was material and not simply cumulative of other references considered by the PTO.<sup>70</sup>

With respect to the requisite state of mind, conclusory statements or the mere existence of contradictory facts will not pass muster. The conclusory statement that “Exergen was aware” of the withheld references was not sufficient to suggest that the applicant knew of the specific material information in the withheld references.<sup>71</sup> “The mere fact that the

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62. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1316 (Fed. Cir. 2009).

63. *Larson Mfg. Co. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1326 (Fed. Cir. 2009) (quoting *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008)).

64. *Exergen*, 575 F.3d at 1326-27.

65. *Id.* at 1328.

66. *Id.* at 1328-29.

67. *See id.* at 1327.

68. *Id.* at 1329.

69. *Id.*

70. *Id.* at 1329-30.

71. *Id.* at 1330.

applicant disclosed a reference” in another application, but withheld it in the present application, is not sufficient to allow an inference of intent to deceive.<sup>72</sup> Similarly, simply pleading that Exergen’s website contained a statement that contradicted an Exergen representation made to the PTO was insufficient to suggest that the person who made the representation was aware of the contradictory statement.<sup>73</sup> The facts pleaded did not plausibly suggest that Exergen acted deliberately to withhold a material reference or misrepresent material information.<sup>74</sup>

D. THE LIMITATIONS OF INVIOULATE RULES—*ABBOTT LABORATORIES v. SANDOZ, INC. AND INTERNATIONAL SEAWAY TRADING CORP. v. WALGREENS CORP.*

In *Abbott Laboratories v. Sandoz, Inc.*, the Federal Circuit settled any uncertainty as to the test for infringement of a product-by-process claim and stated unequivocally that a product does not infringe such a claim unless the product is made by the process described in the claim.<sup>75</sup> A product-by-process patent claim is a claim to a “product defined by the process of making it.”<sup>76</sup> This claim type exists to allow patenting of inventions, the structure and characteristics of which cannot be adequately described in English.<sup>77</sup> The decision settles a conflict in Federal Circuit precedent. Under one line of cases, the process described in a product-by-process claim does not limit the scope of the claim.<sup>78</sup> A second line of cases holds that the scope of the product-by-process claim is limited by the process.<sup>79</sup> The en banc court adopted the second rule, overruled the first, and affirmed that the generic version of the antibiotic cefdinir did not infringe the product-by-process claim because it was manufactured by a different process.<sup>80</sup> Now, successfully asserting a product-by-process claim requires that the patentee establish both an infringing product and an infringing process.

In a twenty-page dissent, Judges Newman, Mayer, and Lourie noted that this infringement standard stands in contrast to the patentability standard, violating the “inviolable rule that patent claims are construed the same way for validity and for infringement.”<sup>81</sup> The validity of a product-by-process claim is a function of the product, not of the process.<sup>82</sup> In

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72. *Id.* at 1331.

73. *Id.*

74. *Id.*

75. *Abbott Labs. v. Sandoz, Inc.*, 566 F.3d 1282, 1293 (Fed. Cir. 2009) (en banc in relevant part).

76. *In re Bridgeford*, 357 F.2d 679, 682 (C.C.P.A. 1966).

77. *Id.*

78. *Abbot Labs.*, 566 F.3d at 1291 (citing *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1583 (Fed. Cir. 1991)).

79. *Id.* (citing *Atl. Thermoplastics Co. v. Faytex Corp.*, 970 F.2d 834, 846-47 (Fed. Cir. 1992)).

80. *Id.* at 1293, 1296.

81. *Id.* at 1317-18 (Newman, J., dissenting) (citations omitted).

82. *Amgen, Inc. v. F. Hoffman-La Roche Ltd.*, 580 F.3d 1340, 1369-70 (Fed. Cir. 2009) (citing *Atl. Thermoplastics*, 970 F.2d at 841).

essence, “an old product is not patentable even if it is made by a new process.”<sup>83</sup> A product-by-process claim is not valid if the product is “the same as or obvious from a product of the prior art . . . even though the prior product was made by a different process.”<sup>84</sup> Now, in light of *Abbot Laboratories*, a product that would anticipate a product-by-process claim if earlier does not necessarily infringe the claim if later.<sup>85</sup>

In contrast to *Abbot Laboratories*, the court in *International Seaway Trading Corp. v. Walgreens Corp.* followed the adage that the tests for infringement and anticipation are the same and lowered the bar for anticipation of a design patent, holding that whether a design patent is anticipated is determined solely by the ordinary observer test announced in *Egyptian Goddess*.<sup>86</sup> The *International Seaway* court determined that the Supreme Court’s century-old rule on utility patents, “[t]hat which infringes, if later, would anticipate, if earlier,” applies to design patents.<sup>87</sup> In establishing the ordinary observer test as the sole test for anticipation, the Federal Circuit adhered to its “well-established practice of maintaining identical tests for infringement and anticipation.”<sup>88</sup>

A design patent is anticipated by a particular prior art design if the designs are so similar that an ordinary observer would, in light of all prior art, view the patented design as substantially the same as the prior art design, regardless of whether the patented design incorporates the “points of novelty” of the prior art design.<sup>89</sup> The invalidity inquiry, like the infringement inquiry, looks to the entirety of the prior art design as would be visible in the “normal use lifetime” of the prior art, not just that which would be visible in normal use following the point of sale.<sup>90</sup> In the dispute over whether the patentee’s clog design was anticipated by the “Crocs” design, the proper comparison is between the entire visible shoe, both inside and out—not just that part which is visible when the shoe is worn.<sup>91</sup>

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83. *Id.* at 1366 (citing *Gen. Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 373 (1938)).

84. *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1317 (Fed. Cir. 2006) (citing *In re Thorpe*, 777 F.2d 695, 697 (Fed. Cir. 1985)); see also U.S. PATENT & TRADE-MARK OFFICE, U.S. DEPT. OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2113 (8th ed. Rev. 7 2008).

85. *Amgen*, 580 F.3d at 1370.

86. *Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1239-40 (Fed. Cir. 2009) (citing *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 678 (Fed. Cir. 2008) (en banc)).

87. *Id.* at 1239 (quoting *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889)). The Federal Circuit noted that product-by-process claims are “one possible exception” to the Supreme Court’s rule, possibly foreshadowing a change in the validity test for a product-by-process claim. See *id.* at 1329 n.4 (citing *Amgen*, 580 F.3d at 1370); see also *SmithKline Beecham*, 439 F.3d at 1321-24 (Newman, J., dissenting) (arguing that process “limitations” in a product-by-process claim should not be ignored in distinguishing the claimed invention from the prior art); see also *supra* notes 76-80 and accompanying text.

88. *Id.* at 1240.

89. *Id.* at 1238, 1240; *Egyptian Goddess*, 543 F.3d at 670.

90. *Int’l Seaway*, 589 F.3d at 1241.

91. *Id.*

E. EXTRATERRITORIAL DEFIBRILLATION—*CARDIAC PACEMAKERS, INC. v. ST. JUDE MEDICAL, INC.*

Following the Supreme Court's lead, as established in *Microsoft Corp. v. AT&T Corp.*,<sup>92</sup> the Federal Circuit further limited the extraterritorial application of the patent laws, overruling its precedent that would find infringement liability for shipping a product abroad to be used to perform a patented method.<sup>93</sup> The product at issue in *Cardiac Pacemakers* is an implantable defibrillator, used to detect and correct abnormal heart rhythms. Cardiac's patent is directed to a method to correct heart arrhythmia by using an implantable defibrillator to stimulate the heart.<sup>94</sup> St. Jude Medical shipped defibrillators abroad, where they could be used to perform the patented arrhythmia treatment.<sup>95</sup> The court held that St. Jude was not liable for infringement under 35 U.S.C. § 271(f), which provides that whoever ships components abroad, to be combined in such a way that would infringe if so combined in the United States, shall be liable as an infringer. The courts found that § 271(f) does not apply to method claims.<sup>96</sup>

Section 271(f) is now limited to cases in which physical components of a patented product are supplied and, as such, cannot cover method claims which are necessarily comprised of only nonphysical components. The Federal Circuit noted the fundamental difference between a patent directed to a machine, manufacture, or composition of matter, all of which are comprised of tangible parts, and a patent directed to a method, which is comprised of a series of steps.<sup>97</sup> This distinction warrants a different application of § 271(f) to method patents than to patents in the other three classes of patentable subject matter.<sup>98</sup> While a method claim has "components"—the steps of the method claim—these components are not tangible parts that can be supplied to destinations abroad as required by § 271(f).<sup>99</sup> Nor is § 271(f) implicated by supplying a tangible part that is the product of a subset of the method steps—such would confuse the result of the steps with the steps themselves.<sup>100</sup> Section 271(f), as written and intended by Congress, does not extend to method patents.<sup>101</sup>

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92. 550 U.S. 437 (2007) (holding that intangible software cannot be a component under 35 U.S.C. § 271(f)).

93. *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1364-65 (Fed. Cir. 2009) (en banc in relevant part).

94. *Id.* at 1352.

95. *Id.* at 1365.

96. *Id.* (expressly overruling *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005)).

97. *Id.* at 1362.

98. *Id.* at 1362-63 (distinguishing *Quanta Computer, Inc. v. LG Elecs., Inc.*, 55 U.S. 617 (2008), on the grounds that *Quanta* deals with the equivalence of method and apparatus patents strictly with respect to the application of the patent exhaustion doctrine).

99. *Id.* at 1363-64.

100. *Id.* at 1364.

101. *Id.* at 1364-65.

F. DAMAGES—*DEPUY SPINE, INC. v. MEDTRONIC SOFAMOR DANEK, INC. AND LUCENT TECHNOLOGIES, INC. v. GATEWAY, INC.*

As the push for patent reform reached a proposed statutory amendment to govern the calculation of patent infringement damage awards,<sup>102</sup> the Federal Circuit indicated its willingness to rein in excessive damage awards. For example, in *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, the court clarified that recovery of lost profits on pull-through or conveyed sales of unpatented products is inappropriate if the products “are neither competitive with nor function with the patented invention.”<sup>103</sup> Then, in *Lucent Technologies, Inc. v. Gateway, Inc.*, the court held that a damage award is inappropriate unless it is supported by substantial evidence rather than mere speculation.<sup>104</sup> In *DePuy Spine*, the court reversed a \$77.2 million award based on the lost profits of pull-through sales.<sup>105</sup> In *Lucent Technologies*, the court vacated a \$358 million award as improperly based on “speculation or guesswork.”<sup>106</sup>

The sale of unpatented products that stem merely from relationships developed through the sales of patented products cannot form the basis for a lost profits infringement award. Although DePuy may have lost sales of unpatented products because of Medtronic’s infringement, the unpatented products were not sufficiently related to the patented products to be included in the lost profits calculus.<sup>107</sup> The unpatented products do not compete with the patented products or have a functional relationship with the patented products, and they can be used independent of the patented products. The only relationship between the unpatented product and the patented product is that the patented product serves as a door-opener with a client, allowing DePuy to market the unpatented product.<sup>108</sup> Regardless of the fact that infringement reduces these door-opening opportunities and, as a result, diminishes sales of the unpatented product, there is not a sufficient relationship between the products to justify awarding lost profits based on the lost sales of the unpatented product.<sup>109</sup>

While royalty rates paid to license-comparable patents are relevant in determining a hypothetically reasonable royalty rate to compensate the patentee for the infringement, a court should not rely on licenses that are

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102. See Patent Reform Act of 2009, S. 515, 111th Cong. § 4 (as introduced by Senate, Mar. 3, 2009).

103. *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1333 (Fed. Cir. 2009) (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1551 (Fed. Cir. 1995) (en banc)).

104. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1310 (Fed. Cir. 2009). The *Lucent Techs.* appeal stemmed from a denial of a motion for judgment as a matter of law on the issue of damages. *Id.* at 1309. The Federal Circuit’s ability to review a damage award is significantly curtailed absent a motion for judgment as a matter of law on damages. See *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 857-58 (Fed. Cir. 2010).

105. *DePuy Spine*, 567 F.3d at 1340.

106. *Lucent Techs.*, 580 F.3d at 1335.

107. *DePuy Spine*, 567 F.3d at 1333.

108. *Id.*

109. *Id.* at 1334.

not related to the specific technology at issue. In *Lucent Technologies*, Lucent's damage argument relied upon a number of software license agreements.<sup>110</sup> Some of these agreements were different in kind from the royalty determined by the jury; some of the agreements were for a running royalty that is determined on an actual usage basis instead of a lump-sum royalty that is negotiated up front, independent of actual use of the patented technology.<sup>111</sup> Absent evidence of expectations of actual usage or how a running royalty is related to a lump-sum royalty, running-royalty agreements are of limited probative value to a lump-sum royalty award.<sup>112</sup> Other agreements were either different in kind with respect to the licensed technology, or the licensed technology could not be determined from the evidence.<sup>113</sup> Lucent did not carry its burden in establishing these licenses as sufficiently comparable to the hypothetical license and, as such, the licenses could not support the damage award.<sup>114</sup> The licenses as presented, as well as the other *Georgia-Pacific* factors considered by the court, indicated that the damage award was improperly "based mainly on speculation or guesswork."<sup>115</sup>

G. LICENSED TO SELL (AND MAKE)—*TRANSORE, LP v. ELECTRONIC TRANSACTION CONSULTANTS CORP. AND COREBRACE LLC v. STAR SEISMIC LLC*

In a pair of cases involving the terms of a patent license, the Federal Circuit provided some guidance for those drafting patent licenses and settlement agreements.<sup>116</sup> First, the court, in *TransCore, LP v. Electronic Transaction Consultants Corp.* reiterated that an unrestricted covenant not to sue on a particular patent includes the right to sell infringing products, implicating the doctrine of patent exhaustion.<sup>117</sup> The *TransCore* court further held that an express license necessarily includes an implied license to practice any of the licensor's other patents necessary to practice the expressly licensed patent.<sup>118</sup> Second, in *Corebrace LLC v. Star Seismic LLC*, the court held that, absent a clear agreement to the contrary, a license to practice a patent inherently includes a right to have the patented product manufactured by a third party.<sup>119</sup> If a patentee wishes to limit the patent license, it should expressly state the limits in the license agreement.

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110. *Lucent Techs.*, 580 F.3d at 1327-28.

111. *Id.* at 1326.

112. *Id.* at 1327, 1330-31.

113. *Id.* at 1328.

114. *Id.* at 1332.

115. *Id.* at 1335 (citing *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)).

116. State contract law generally governs license agreements. See *Parental Guide of Tex., Inc. v. Thomson, Inc.*, 446 F.3d 1265, 1269 (Fed. Cir. 2009).

117. *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1276 (Fed. Cir. 2009).

118. *Id.* at 1279-80.

119. *Corebrace LLC v. Star Seismic LLC*, 566 F.3d 1069, 1072-73 (Fed. Cir. 2009).

An unrestricted agreement not to sue on a patent is equivalent to a bare license to practice the patent, including selling products embodying the claimed invention. In *TransCore*, the patentee, TransCore, sued Electronic Transaction Consultants (ETC) for infringement, claiming that ETC infringed TransCore's patent by installing and testing infringing products for a third party. The products, however, were purchased from a company, Mark IV, that had previously settled an infringement action on the same patents. Under the settlement agreement, TransCore agreed not to sue Mark IV on the patents.<sup>120</sup> The court held that the covenant not to sue granted Mark IV the right to sell the infringing products.<sup>121</sup> Because Mark IV's sales were authorized by the settlement agreement, the patents were exhausted with respect to the products installed by ETC.<sup>122</sup> TransCore's unrestricted agreement not to sue Mark IV restricted its ability to enforce its patents against those downstream from Mark IV.<sup>123</sup> Had TransCore wanted to limit Mark IV's ability to sell infringing products, it should have expressly done so in the settlement agreement.

A patentee is estopped from asserting an unlicensed patent if doing so would prevent a party from practicing a patent it had licensed from the patentee. One of the patents TransCore asserted against ETC issued after TransCore's settlement with Mark IV and therefore was not subject to the settlement agreement.<sup>124</sup> Because the later-issued patent, the '946 patent, encompassed the subject matter claimed in at least one of the patents subject to the settlement agreement—the '082 patent—practicing the '082 patent would necessarily require infringing the '946 patent.<sup>125</sup> Under the doctrine of legal estoppel, a party granting a definable property right cannot later take back that for which it received consideration.<sup>126</sup> Allowing TransCore to enforce the broader '946 patent against a Mark IV product would derogate the right to practice the '082 patent granted in the settlement agreement, thus violating the doctrine of legal estoppel.<sup>127</sup> TransCore was estopped from asserting its broader patent against Mark IV. Therefore Mark IV had an implied license to sell products embodying that patent, and the patent was exhausted with respect to the products installed by ETC.<sup>128</sup>

Absent a clear agreement to the contrary, a license to manufacture a patented product includes the right to use a third party to manufacture the product. The *Corebrace* case revolved on whether an expressly granted right to make a patented product inherently included the right to

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120. *TransCore*, 563 F.3d at 1273.

121. *Id.* at 1274.

122. *Id.* (citing *Quanta Computer, Inc. v. LG Elecs., Inc.*, 128 S. Ct. 2109, 2115, 2121 (2008)).

123. *Id.* at 1275.

124. *Id.* at 1278.

125. *Id.* at 1279.

126. *Id.* (citing *AMP Inc. v. United States*, 389 F.2d 448, 452 (Ct. Cl. 1968)).

127. *Id.*

128. *Id.* at 1279-80.



have the product made.<sup>129</sup> The license agreement granted the right to “make, use, and sell” the products but expressly restricted the licensees from assigning the license, sublicensing, or otherwise transferring the “make, use, and sell” rights.<sup>130</sup> The agreement further reserved all rights not expressly granted. Under the “general principles of contract law,” a right to make “a product inherently includes the right to have it made.”<sup>131</sup> The restrictions in the agreement were not sufficient to show a “clear intent” to exclude the right to have the product made by another.<sup>132</sup> Thus, to restrict a licensee’s right to have a patented product made by a third party, the patentee should expressly reserve that right in the license agreement.

### III. COPYRIGHT UPDATE

#### A. INTERACTING WITH A COMPULSORY LICENSE—*ARISTA RECORDS, LLC v. LAUNCH MEDIA, INC.*

The first federal appellate court to consider whether an Internet webcasting service providing a playlist of music automatically selected within user-defined constraints was an “interactive service” under 17 U.S.C. § 114(j)(7) determined that it was not.<sup>133</sup> Determining whether the webcasting service is an “interactive service” is important, because if it is, the service provider would have to negotiate individual licenses from the copyright owner to avoid violating the owner’s exclusive right to perform the sound recording via digital audio transmission under § 106(6). If it is not an “interactive service,” however, the provider may qualify for the compulsory licensing scheme under § 114(f).<sup>134</sup> Looking to the purpose of 114(j)(7)—to protect a copyright owner from loss of sales due to alternative music distribution—the U.S. Court of Appeals for the Second Circuit determined that the webcasting service was not an “interactive service” because it did not allow the user to select music with such precision that the user would use the service in lieu of purchasing the music.<sup>135</sup>

Under the court’s reading of § 114, a webcasting service that does not provide the user with sufficient control to create a predictable playlist is not an “interactive service.”<sup>136</sup> Launch Media operated a webcasting service, LAUNCHcast, that allowed a user to create custom “stations” that automatically selected and played songs according to criteria entered by the user. LAUNCHcast used a complicated algorithm to generate custom playlists based on, among other variables, a user’s preferences and ratings for genres, artists, and songs. The algorithm was used to create a list of approximately 10,000 songs and select fifty of those for the playlist.

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129. *Corebrace LLC v. Star Seismic LLC*, 566 F.3d 1069, 1071 (Fed. Cir. 2009).

130. *Id.*

131. *Id.* at 1073 (citing *Carey v. United States*, 326 F.2d 975, 979 (Ct. Cl. 1964)).

132. *Id.* at 1074-75.

133. *Arista Records, LLC v. Launch Media, Inc.*, 578 F.3d 148, 149-50 (2d Cir. 2009).

134. *Id.* at 150-51.

135. *Id.* at 161-62.

136. *Id.* at 162.

While the user's input constrained the songs selected by the algorithm, it did so only in a very broad sense. For example, the playlist must have included at least ten songs that were neither explicitly rated by the user nor performed by the same artist or on the same album as an explicitly rated song. Additionally, if the user had not rated at least 100 songs, including songs not explicitly rated by the user but by the same artist or on the same album as an explicitly rated song, the playlist must include forty-five such unrated songs.<sup>137</sup> Ultimately, LAUNCHcast was not an "interactive service," because the algorithm ensured that the playlist was not "so specially created for the user that the user ceases to purchase music."<sup>138</sup>

B. CAN THEY DO THAT?—*SOUNDExchange, Inc. v. LIBRARIAN OF CONGRESS AND INTERCOLLEGIATE BROADCAST SYSTEM, Inc. v. COPYRIGHT ROYALTY BOARD*

In a pair of cases dealing with the statutory licensing royalty rate for sound recordings, the constitutionality of the rate-setting process was called into question. Under the compulsory licensing scheme of the Digital Millennium Copyright Act, certain providers of digital audio transmissions, such as satellite radio and non-interactive webcasting services, are able to broadcast sound recordings without the express permission of the copyright owner.<sup>139</sup> Absent a voluntary license by the owner, three Copyright Royalty Judges (CRJs) appointed by the Librarian of Congress set the terms of the compulsory license.<sup>140</sup> In *SoundExchange, Inc. v. Librarian of Congress*, the performance rights organization, SoundExchange, appealed the CRJs' royalty rate, which was set at six percent of the satellite radio service's gross revenue in 2007 and rose in steps to eight percent in 2012.<sup>141</sup> *Intercollegiate Broadcast System, Inc. v. Copyright Royalty Board* involved multiple appeals from the CRJs' terms set for webcasters. For commercial services, the CRJs set a per-play royalty of \$0.0008 in 2006, rising in steps to \$0.00019 in 2010, with a \$500 per year minimum; for noncommercial services, the same terms applied except that the first 159,140 aggregate tuning hours (total hours of programming multiplied by the number of users per hour) per month were exempt from the per-

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137. *Id.* at 157-160.

138. *See id.* at 164.

139. *See Intercollegiate Broad. Sys., Inc., v. Copyright Royalty Bd.*, 574 F.3d 748, 753 (D.C. Cir. 2009) (citing 17 U.S.C. § 114); *SoundExchange, Inc. v. Librarian of Cong.*, 571 F.3d 1220, 1222 (D.C. Cir. 2009) (citing 17 U.S.C. § 114).

140. *Intercollegiate Broad. Sys.*, 574 F.3d at 753 (citing 17 U.S.C. §§ 801, 803).

141. *SoundExchange*, 571 F.3d at 1222-23; Determination of Rates and Terms for Pre-existing Subscription Services and Satellite Digital Audio Radio Services, 73 Fed. Reg. 4080, 4084 (Jan. 22, 2008) (codified in relevant part at 37 C.F.R. § 382.12). To put this in perspective, Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. reported 2007 gross revenues of \$922 million and \$1.1 billion respectively. Sirius Satellite Radio Inc., Annual Report (Form 10-K), at F-4 (Feb. 29, 2008); XM Satellite Radio Holdings Inc., Annual Report (Form 10-K), at F-4 (Feb. 28, 2008).

play fee.<sup>142</sup>

While the U.S. Court of Appeals for the D.C. Circuit ultimately affirmed the satellite radio royalty rate in *SoundExchange* and the webcaster per-play royalty rate in *Intercollegiate Broadcast System*, it cast doubt on whether the CRJs were properly appointed under the Appointments Clause of the U.S. Constitution—and thus on the validity of their rate determinations.<sup>143</sup> In his *SoundExchange* concurrence, Judge Kavanaugh noted that the CRJs wield executive power similar to that of “the FCC, the NLRB, and the SEC” and that “billions of dollars and the fates of entire industries can ride on the [their] decisions.”<sup>144</sup> According to Judge Kavanaugh, although a CRJ has all the markings of a principal officer of the United States, she is not appointed by the President as required by the Appointments Clause.<sup>145</sup> The per curiam court in *Intercollegiate Broadcast System* also noted the Appointments Clause issue, specifically noting that even if the CRJ is an inferior officer, who may be properly appointed by the head of an executive department, there is some question as to whether the Librarian of Congress is the head of an executive department.<sup>146</sup> The D.C. Circuit never reached the merits of the Appointments Clause issue in either case because the issue was not timely raised by any party.<sup>147</sup> Since the *SoundExchange* and *Intercollegiate Broadcast System* opinions issued, Live365, a webcaster, has challenged the constitutionality of the CRJs in a declaratory judgment action in the U.S. District Court for the District of Columbia.<sup>148</sup>

#### IV. TRADEMARK UPDATE

##### A. THE PTO SHOULD HAVE KNOWN BETTER—*IN RE BOSE CORP.*

The Federal Circuit overruled the fraud-on-the-PTO negligence standard set forth by the Trademark Trial and Appeal Board 9TTAB) in *Medinol Ltd. v. Neuro Vasx, Inc.*,<sup>149</sup> reestablishing the more stringent intent-to-deceive standard.<sup>150</sup> Under the Lanham Act, a party may petition to cancel registration of a trademark on the grounds that the registration

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142. *Intercollegiate Broad. Sys.*, 574 F.3d at 751, 754, 757; Digital Performance Right in Sound Recordings and Ephemeral Recordings, 72 Fed. Reg. 24084, 24096-97, 24099-100 (May 1, 2007) (codified in relevant part at 37 C.F.R. § 380.3). To put the per-play rate in perspective, Joe Kennedy, President and CEO of the commercial internet-radio service, Pandora Media, Inc., testified before the U.S. Senate Committee on the Judiciary that Pandora expected that the royalty expense for 2008 would be \$18 million, more than seventy percent of Pandora’s expected 2008 revenue. *Music and Radio in the 21st Century: Assuring Fair Rates and Rules Across Platforms: Hearing Before the S. Comm. on the Judiciary*, 110th Cong. 14 (2008).

143. *SoundExchange*, 571 F.3d at 1222; *Intercollegiate Broad.Sys.*, 574 F.3d at 752-53.

144. *SoundExchange*, 571 F.3d at 1226.

145. *Id.*

146. *Intercollegiate Broad. Sys.*, 574 F.3d at 755-56.

147. *SoundExchange*, 571 F.3d at 1227; *Intercollegiate Broad. Sys.*, 574 F.3d at 755-56.

148. Complaint for Declaratory and Injunction Relief, *Live365, Inc. v. Copyright Royalty Bd.*, No. 1:09-cv-01662 (D.D.C. Aug. 31, 2009).

149. 67 U.S.P.Q.2d 1205 (TTAB 2003).

150. *In re Bose Corp.*, 580 F.3d 1240, 1244-45 (Fed. Cir. 2009).

was obtained through fraud.<sup>151</sup> In *Medinol*, the TTAB interpreted the fraud standard to mean that an “applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which it knows or *should know* to be false or misleading.”<sup>152</sup> Under the proper standard, it is not enough that the applicant should know the representation to be false or misleading; as explained by the court, an applicant commits fraud in procuring a registration “only if [he] knowingly makes a false, material representation with the intent to deceive the PTO.”<sup>153</sup>

A false statement to the PTO, made because of an honest, even if unreasonable, misunderstanding, does not rise to the level of fraud. Bose, in its 2001 application to renew its registration of WAVE, represented that it was using the mark on audio tape recorders and players, when in fact it had stopped making and selling these devices several years prior. Bose did, however, continue to repair existing devices and ship them back to customers, which it believed constituted continued use of the mark. The TTAB held that Bose’s repair and shipping activities were not “use in commerce,” that Bose’s belief otherwise was unreasonable, and that the representation that it used WAVE was fraud.<sup>154</sup> The Federal Circuit held that, although Bose made a false representation to the PTO, it lacked the intent to deceive the PTO.<sup>155</sup> The reasonableness of Bose’s belief was irrelevant to the fraud analysis—“There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive.”<sup>156</sup> An applicant should still take care in his statements to the PTO, as the court explicitly refused to opine on whether a false statement made in reckless disregard of its truth is paramount to fraud.<sup>157</sup>

#### B. MISDESCRIBING THE RELEVANT MARKET—*IN RE SPIRITS INTERNATIONAL*

The Federal Circuit clarified that for a trademark to be denied registration for being “primarily geographically deceptively misdescriptive” under 15 U.S.C. § 1052(e)(3), the mark must be likely to deceive a substantial portion of the relevant consuming population as to the origin of the marked goods.<sup>158</sup> For § 1052(e)(3) to bar registration, three criteria must be met: (1) “the primary significance of the mark [is] a generally known geographic location;” (2) a consumer is likely to mistakenly believe that the goods originated from, or are otherwise associated with, the

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151. *Id.* at 1243 (citing 15 U.S.C. § 1064(3)).

152. *Id.* at 1244 (quoting *Medinol*, 67 U.S.P.Q.2d at 1209).

153. *Id.* at 1245.

154. *Id.* 1242-43 (citing *Bose Corp. v. Hexawave, Inc.*, 88 U.S.P.Q.2d 1332, 1333-38 (TTAB 2007)).

155. *Id.* at 1246.

156. *Id.*

157. *Id.* at 1246 n.2.

158. *In re Spirits Int’l, N.V.*, 563 F.3d 1347, 1353 (Fed. Cir. 2009).

location; and (3) the misdescription would be a material factor in the consumer's decision to purchase the goods.<sup>159</sup> Under *In re Spirits International*, the materiality criterion requires that "a substantial portion of the relevant consumers is likely to be deceived."<sup>160</sup>

The ordinary American purchaser that would translate a foreign-language mark under the doctrine of foreign equivalents does not necessarily represent a substantial portion of the relevant population to trigger § 1052(e)(3). At the TTAB, the mark MOSKOVSKAYA was denied registration as primarily geographically deceptively misdescriptive for vodka that did not come from Moscow. Applying the doctrine of foreign equivalents, the TTAB determined that the ordinary American consumer would translate MOSKOVSKAYA into "of or from Moscow" and be deceived into thinking that the vodka came from Moscow, a reputed source of high-quality vodka.<sup>161</sup> Where the TTAB erred, however, was in presuming that the segment of the relevant population that would translate MOSKOVSKAYA, and thus be deceived as to the origin of the vodka, represented a sufficient portion of that population to trigger a registration bar under § 1052(e)(3).<sup>162</sup> On remand, the TTAB is to consider whether the mark would deceive a substantial portion of the vodka-consuming public—including Russian speakers who would be deceived by the translated mark, and non-Russian speakers who would understand MOSKOVSKAYA as denoting vodka that comes from Moscow.<sup>163</sup>

C. ADDING TO "USE IN COMMERCE"—*RESCUECOM CORP. v. GOOGLE, INC.*

The influential U.S. Court of Appeals for the Second Circuit further explained and expanded what type of Internet usage of a trademark may constitute "use in commerce" necessary to trigger the civil-liability provisions of the Lanham Act. In its 2005 opinion in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, the court held that a party is not liable for trademark infringement under the Lanham Act absent a "use in commerce" of the mark as defined in 15 U.S.C. § 1127.<sup>164</sup> Applying this definition, the court determined that selecting and displaying a pop-up advertisement based on the Internet user entering or selecting the website address of the advertiser's competitor is not a "use in commerce."<sup>165</sup> The court reached this conclusion based in part on the fact that the trademark was not displayed to the public.<sup>166</sup> The court stated that a purely internal use of a trademark was analogous to a person's private thoughts about the mark and that such conduct could not trigger liability under the Lanham

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159. *Id.*

160. *Id.*

161. *Id.* at 1350-51.

162. *Id.* at 1356-57.

163. *Id.* at 1357.

164. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 407 (2d Cir. 2005).

165. *Id.* at 409-12.

166. *Id.* at 409.

Act.<sup>167</sup> Lower courts in the Second Circuit have interpreted *1-800 Contacts* to mean that the internal use of trademarks as Internet-search keywords or metatags is necessarily outside the definition of “use in commerce.”<sup>168</sup> In *Rescuecom Corp. v. Google, Inc.*, the Second Circuit explained that such an application of *1-800 Contacts* is misplaced.<sup>169</sup>

Selling a trademark as a keyword linked to an advertisement, as Rescuecom accused Google of doing, qualified as a “use in commerce” necessary to establish infringement.<sup>170</sup> The Second Circuit distinguished *1-800 Contacts* by noting that in that case, the accused infringer linked the advertisement to the website address containing the trademark, rather than to the trademark itself, and did not sell triggering keywords to the advertisers.<sup>171</sup> Google, on the other hand, allegedly displayed, recommended, and sold the Rescuecom trademark to its advertisers.<sup>172</sup> This use of the trademark satisfied the “use in commerce” definition of § 1127.

D. DECLARING A FIXED DESIGN—*VANTAGE TRAILERS, INC. v. BEALL CORP.*

The U.S. Court of Appeals for the Fifth Circuit reiterated that the justiciability of a declaratory judgment action in a trademark case is determined as it would be in a patent or copyright case and requires that the party seeking the judgment must have a substantially fixed and definite design for the potentially infringing trademark.<sup>173</sup> The court noted that following *MedImmune, Inc. v. Genentech, Inc.*, the justiciability test no longer concerns whether the declaratory judgment plaintiff has a reasonable apprehension of an infringement suit, but whether there is a “substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”<sup>174</sup> Regardless of any threat of an infringement suit, absent a substantially fixed design for the potentially infringing trademark, the controversy is not sufficiently immediate and real.<sup>175</sup>

In requiring a substantially fixed design, the Fifth Circuit applied the Federal Circuit’s patent precedent requiring a fixed design with respect to the potentially infringing aspects of the product.<sup>176</sup> Here, the dispute was over the appearance of bottom-dump trailers. Vantage Trailers, a manufacturer of bottom-dump trailers, filed the declaratory judgment action after receiving a letter from a competitor, Beall, threatening legal action

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167. *Id.*

168. *See, e.g., Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 499-500 (S.D.N.Y. 2008) (listing cases discussing the issue).

169. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 129-30 (2d Cir. 2009).

170. *Id.* at 130-31.

171. *Id.* at 128-29.

172. *Id.* at 129.

173. *Vantage Trailers, Inc. v. Beall Corp.*, 567 F.3d 745, 749-50 (5th Cir. 2009).

174. *Id.* at 748 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)).

175. *Id.* at 750-51.

176. *Id.* at 749 (applying *Sierra Applied Scis., Inc. v. Advanced Energy Indus., Inc.*, 363 F.3d 1361 (Fed. Cir. 2004)).

if Vantage placed any trailers in service that violated Beall's trademark rights in the appearance of the trailers. Although Vantage had begun to manufacture the trailers, it continued to modify the appearance of the trailers, even during the course of the litigation.<sup>177</sup> The court reasoned that the fixed design criterion is even more important in trademark, which covers appearance, than in patent, which covers functionality. "Because aesthetic changes can ordinarily be made far later in the design process and with less expense than functional changes, trademark declaratory judgments raise a greater risk than patent declaratory judgments that the design presented may have little relation to the design ultimately produced and marketed."<sup>178</sup> Even though threatened with legal action, Vantage could not seek a declaratory judgment of non-infringement or invalidity of Beall's trademark, because the potentially infringing aesthetic features of Vantage's trailer design were not sufficiently fixed to establish justiciability.<sup>179</sup>

## V. CONCLUSION

The courts' continued evolution of intellectual property law and the perennial push for patent reform indicate the importance of intellectual property to our economy. The billions of dollars at stake in patent infringement actions support a well-reasoned evaluation of the patent laws, including the propriety of damage awards. We should expect courts to play an increased role in overseeing jury damage verdicts. Similarly, the billions of dollars at stake, as well as the impact on the competitive landscape, warrants an increased scrutiny of the compulsory licensing schemes of the Copyright Office, including the body tasked with establishing those licenses. As evidenced by the use of trademarks by Internet search services such as Google, trademarks are taking on value in non-traditional ways, and we will likely see trademark law evolve to account for this new marketplace reality. Intellectual property jurisprudence will continue to evolve and adapt as companies face new economic pressures and opportunities based on their patents, trademarks, and copyrights.

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177. *Id.* at 750.

178. *Id.*

179. *Id.* at 751.