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**“Guilty by Resemblance”? The Supreme Court  
Struggles to Apply the Copyright Act in the Digital  
Age in *American Broadcasting Companies v. Aereo***

*By Catherine Contino\**

**I. Introduction**

We came within one vote of declaring the VCR contraband 30 years ago in *Sony*. The dissent in that case was driven in part by the plaintiffs’ prediction that VCR technology would wreak all manner of havoc in the television and movie industries.

The Networks make similarly dire predictions about *Aereo*. . . . We are in no position to judge the validity of those self-interested claims or to foresee the path of future technological development.<sup>1</sup>

United States Supreme Court Justice Antonin Scalia’s poignant statement from his dissent in *American Broadcasting Cos., Inc. v. Aereo, Inc.*,<sup>2</sup> references *Sony Corp. of America v. Universal City Studios, Inc.*,<sup>3</sup> better known as the “Betamax case.”<sup>4</sup> In that case, motion picture and television studios argued that the Betamax<sup>®</sup> video tape recorder would decrease the “commercial value of their copyrights” if individuals were allowed to record their copyright-protected programs in order to watch them at a later date.<sup>5</sup> The United States Supreme Court rejected these arguments by finding that the Betamax video tape recorder was capable of “substantial non-infringing use.”<sup>6</sup>

Although *Sony* was decided on different legal grounds than *Aereo*, the case is similar in that it involves a new, innovative technology that challenges conventional interpretations of the Copyright Act, just like *Sony* did thirty years ago. *Sony*’s Betamax video tape recorder was extremely revolutionary in the late 1970s and 1980s by allowing its purchasers to record television programs to watch at a later time.<sup>7</sup> *Aereo* is just as revolutionary, as its technology pushes the boundaries of cable television viewing by providing subscribers with access to over-the-air programming without installing an antenna, as well as allowing individuals to eliminate the need for an expensive cable subscription.<sup>8</sup>

In *Aereo*, the Supreme Court took a different path than it did in *Sony*. The Court’s holding, that *Aereo*’s technology violated the copyright holders’ public performance right, used syllogistic reasoning that because *Aereo* acts like a cable company, it thus performs like a cable company.<sup>9</sup> This article analyzes the Supreme Court’s decision in *Aereo*, discusses its shortcomings, and contemplates its impact.

**II. Facts**

*Aereo* provides “over the air” broadcast television on the Internet.<sup>10</sup>

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The NYIPLA is a vibrant organization, passionate about the contours of intellectual property law. By use of different committees, the NYIPLA explores and influences where the law is heading through discussions, leadership, and preparing amicus briefs, as well as teaching young attorneys what the law is today. We reach out to the outer edges of our geography as well as to the youngest potential membership. These past months have been busy, and I am pleased to share some of the highlights with you.

We recently held a Presidents' Forum that brought together a group of thought leaders, including district court judges, U.S. Patent and Trademark Office officials, academics, and practitioners to discuss the thorny issue of 35 U.S.C. § 101. This topic has evolved from an easy formal issue into a virtually insurmountable barrier to patentability for certain types of inventions. The U.S. Supreme Court in *Myriad*, *Prometheus*, and *Alice* has starkly altered the definition of patent-eligible subject matter in U.S. patent law. Many biotech inventions, computer methods, and certainly business methods are no longer patent eligible, despite the fact that companies have relied on these patents to build their businesses and provide valuable services and medicines to the public using them. The group discussed how modern technology can be protected in such an atmosphere. It seems that, in a time when technology has become more focused on biologics and computer systems, the courts are questioning the role of our patent system in protecting such inventions. This change in the philosophical understanding of the U.S. patent system creates walls for businesses relying on patent protection to build value in their companies. This new situation obviously affects start-up businesses disproportionately hard. As a result of the Forum, the NYIPLA is setting up a task force to explore possible legislative action to address the issue. Our members are encouraged to get involved!

On October 2nd, the NYIPLA joined in an important celebration: We shuffled off to Buffalo to celebrate the career of the former Chief Judge of the U.S. District Court for the Western District of New York, the Honorable William Skretny. After 25 years of service in the Western District and five years as Chief Judge, Judge Skretny stepped down as its Chief Judge in March of this year. The Western District is a vibrant community of practitioners and jurists. The event began with a demonstration of patent damages expert witness testimony presided over by Judge Skretny, and was followed by a panel discussion regarding whether a patented feature motivates consumers to purchase allegedly infringing products. We honored Judge Skretny with a plaque commemorating his years of service to the Western District.

On September 30th, in recognition and celebration of the Southern District of New York Court's 225th anniversary,



Dorothy R. Auth

the Association and Fordham IP Institute hosted a *Markman* Claim Construction hearing presided over by the Honorable Jed S. Rakoff. The hearing is part of the case, *Wundaformer, LLC v. Flex Studios, Inc.* (1:15-cv-04508 JSR). The case involves United States Patent No. 8,602,953, which relates to Pilates-type reformer equipment. The event provided a great opportunity for students interested in patent law to experience a live *Markman* hearing. Judge Rakoff hosted the event in Southern-District style, explaining the *Markman* process to the audience before the hearing and allowing the parties' attorneys to field questions after the hearing. It was an excellent experience for everyone.

Other events in October included a quarterly roundtable entitled, "All the Licenses You Will Encounter as an IP Attorney," hosted by the Young Lawyers Committee, and a webinar entitled, "A Day in the Life of a Privacy Practitioner," co-hosted by the Internet Law & Privacy Committee and the Young Lawyers Committee. Also, the Programs Committee sponsored a panel discussion on "Diverse Careers in IP Law and Strategies for Achieving Success" at Brooklyn Law School. The Corporate Committee held its annual In-House Mixer on October 28th and extended the invitation to members of the Young Lawyers Committee.

November was an action-packed month with the NYIPLA's signature Fall One-Day Patent CLE Seminar on November 18th, where the keynote speaker was the Honorable Mary L. Cooper, United States District Judge for the District of New Jersey. Also in November, the Trademark Law & Practice Committee sponsored a CLE program entitled, "#Trademarkinghashtags & Emojis: How and When to Trademark Hashtags and Emojis," and the Law Firm Management Committee hosted "The Nuts and Bolts of Marketing Your IP Practice."

Still in the planning stages are several other events. The Programs Committee is currently organizing a Conversation with a Federal Judge CLE Luncheon, the "Day of the Dinner" Luncheon CLE Program, and many other events. The NYIPLA and the NJIPLA are co-sponsoring a joint program entitled, "The New World Order—Current Developments in Challenging and Defending Patents in the PTAB," on December 2nd at the Woodbridge Hotel at Metropark, Iselin, N.J. Please add these events to your calendar. They will be cutting-edge and certainly thought provoking.

Finally, the Legislative Action Committee created ad hoc committees to address pending legislation—IPRs, Trade Secrets, and TPP (Trans-Pacific Partnership), and to consider how to address the current Section 101 landscape. I invite you to join and take an active role on an ad hoc committee, make personal connections, and build your network. The NYIPLA is very active and will continue to focus on the future for the IP community.

Customers are able to watch broadcast television programming practically live for a monthly fee.<sup>11</sup> Aereo captures the programming it distributes to customers by using small antennas, servers, and transcoders stored in a warehouse.<sup>12</sup> The most important aspect of Aereo's service is that when a subscriber streams a program, the program content comes from the subscriber's own personal copy of the program that had been broadcast over the air and downloaded via an antenna assigned directly to that individual subscriber.<sup>13</sup> The petitioners challenging Aereo are the owners of the copyrighted works Aereo streams to subscribers, who alleged that Aereo violates the Transmit Clause of the Copyright Act.<sup>14</sup> A panel of the United States Court of Appeals for the Second Circuit sided with Aereo, holding that because Aereo does not transmit the program "to the public," Aereo's service does not violate the Transmit Clause because each subscriber receives a private transmission from a unique copy created for only that subscriber.<sup>15</sup>

### III. Background: Laying the Foundation for a Lack of Foundation

Although the Supreme Court's decision in *Aereo* will have a great impact on lower federal court decisions, the Court failed to consider many of the important prior lower court cases in reaching its decision. This section analyzes the cases the Supreme Court failed to examine.

#### A. *Fortnightly*, *Teleprompter*, and the Copyright Act of 1976—The Bases for the Supreme Court's Decision

Before the enactment of the Copyright Act of 1976, the Supreme Court ruled favorably and in support of community antenna television ("CATV") services in *Fortnightly Corp. v. United Artists Television, Inc.*<sup>16</sup> and *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*<sup>17</sup> In *Fortnightly*, the Supreme Court considered whether CATV systems violated the public performance rights of United Artists Television.<sup>18</sup> *Fortnightly* created a system "consist[ing] of antennas located on hills above each city, with connecting coaxial cables, strung on utility poles, to carry the signals received by the antennas to the home television sets of individual subscribers."<sup>19</sup> In deciding that *Fortnightly*'s system did not violate the public performance right, the Court considered the functional role of the CATV system with respect to its broadcasting and reception.<sup>20</sup> The Court stated that television involves the activities of two important and interrelated parties: broadcasters and viewers.<sup>21</sup> The Court determined that CATV falls on the "viewer's side of the line" in that it merely "enhances the viewer's

capacity to receive the broadcaster's signals. . . ."<sup>22</sup> The Court revisited its decision in *Fortnightly* eight years later in *Teleprompter*, again reiterating that CATV systems are not broadcasters.<sup>23</sup>

In 1976, Congress amended the Copyright Act to add language to the definition of "performance," added the Transmit Clause, and established a compulsory scheme with respect to public performances of works for cable companies, among other important changes.<sup>24</sup> The Copyright Act of 1976 states that copyright holders have the exclusive right to "perform the copyrighted work publicly."<sup>25</sup> Congress also added the Transmit Clause to the Section 101 definitions, which clause states: "[t]o transmit a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent."<sup>26</sup> The House Report makes clear that both a broadcaster and a cable provider perform "when it transmits the network broadcast . . . [or] when it retransmits the broadcast to its subscribers."<sup>27</sup>

What is most significant about the House Report discussion of the new definitions under the Act is with respect to public transmissions. The Report states:

Although any act by which the initial performance or display is transmitted, repeated, or made to recur would itself be a 'performance' or 'display' under the bill, it would not be actionable as an infringement unless it were done '**publicly**['] . . . Certain other performances and displays, in addition to those that are '**private**,' are exempted. . . .<sup>28</sup>

This is critical because it directly contemplates that there may be instances in which a transmission of a performance, which is itself a performance, may not be "public."<sup>29</sup> Although Congress did not provide an example of when a performance may indeed be "private," it is still significant that it had the foresight to include such a disclaimer.

What did Congress mean when it used the word "public" in the Copyright Act? First, the House Report states that the definition of the word "publicly" in clause one of Section 101 is "if it takes place 'at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.'"<sup>30</sup> Second, the House Report turns to clause two, which expands public performance to include transmissions of performances:

The definition of 'transmit' . . . is broad enough to include all conceivable forms and combinations of wires and wireless communications media. . . . Each and every method by which the images or sounds comprising a performance or display are picked up and conveyed is a 'transmission,' and if the transmission reaches the



public in [any] form, the case comes within the scope of clauses (4) or (5) of section 106.<sup>31</sup>

The House Report goes on to reiterate that the same principles governing public performances in clause one apply to clause two, meaning that a performance received by transmission may be public even if members of the public are not in the same place or not viewing the performance at the same time.<sup>32</sup>

What can be understood by the Act and the accompanying House Report is the following: (1) a transmission is in itself a performance of a work; (2) transmissions can be “public” just the same as other performances can be public; and (3) the 1976 Copyright Act contemplates private performances that would not constitute infringement.<sup>33</sup> These concepts provide the bases for disagreement of lower courts as to what it means to transmit copies of a performance and the bases on which the Supreme Court makes its decision in *Aereo*.

### B. Past Precedent: *Cablevision*, *BarryDriller*, and *FilmOn X*

*Aereo* relied heavily on *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*<sup>34</sup> (“*Cablevision*”) to argue that its service did not violate the Copyright Act.<sup>35</sup> *Cablevision* involved a Remote Storage Digital Video Recorder system (RS-DVR), which allowed customers to record and watch programs at a later date, much like a “set-top” DVR system, but the programs were stored on central hard drives in locations maintained by *Cablevision*.<sup>36</sup> Plaintiffs, copyright holders of motion pictures and television programs, argued that their right of reproduction was infringed by the brief storage of data on the *Cablevision* servers.<sup>37</sup> Plaintiffs also argued that *Cablevision* violated their public performance right by transmitting programming “through the playback of the RS-DVR copies,” much like the plaintiffs in *Aereo*.<sup>38</sup>

The Second Circuit held that *Cablevision* did not violate the plaintiffs’ public performance right because the transmission was not made to the public.<sup>39</sup> By examining the plain language of the Copyright Act and the legislative history, the court determined that the relevant inquiry should be who is “capable of receiving” a performance, rather than where potential recipients are receiving the transmission or if they are viewing it at different times.<sup>40</sup> The court then found that the particular transmission is material to whether a performance is indeed “to the public.”<sup>41</sup> Because the transmissions to *Cablevision* customers were “single unique cop[ies]” rather than one copy transmitted to multiple customers, the Second Circuit found that *Cablevision* was not in violation of the Copyright Act.<sup>42</sup> The court found support for this assertion in the language of the Act, which states that the “clause speaks of people capable of receiving a particular ‘transmission’ or ‘performance,’ and not of the potential audience of a particular ‘work.’”<sup>43</sup>

The plaintiffs’ “last ditch” argument was because the underlying performance transmitted was the same, and *Cablevision* transmitted the same performance to all of its customers, the “performance” in the Transmit Clause means the “original performance” to the public.<sup>44</sup> The court disagreed, stating that it would require consideration of “not only the *potential audience* of that transmission but also the potential audience of *any transmission of the same underlying ‘original’ performance.*”<sup>45</sup> Not only did the court state that this reading would lead to absurd results, but it also would be inconsistent with past precedent that has found separate transmissions to mean separate performances.<sup>46</sup> Specifically, the court discussed *National Football League v. PrimeTime 24 Joint Venture* (“*NFL*”),<sup>47</sup> which drew a distinction between two separate transmissions of the same performance—copies of the same broadcast.<sup>48</sup> *NFL* involved two separate transmissions, one transmitted to customers in the United States and the other to customers in Canada.<sup>49</sup> The court held that by examining the “downstream” process, that is, examining the end audience of a transmission, *PrimeTime* did indeed perform *NFL*’s work “to the public” in the United States, but found that the transmission to Canada could not be a public performance under U.S. copyright law because the transmission occurred outside the jurisdiction of U.S. law, thereby drawing a distinction between two separate transmissions that were exactly the same.<sup>50</sup>



## NYIPLA Job Board

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refer members to postings, and search for new opportunities  
at [www.nyipla.org](http://www.nyipla.org).

*Cablevision* highlights the importance of analyzing a transmission of a performance by focusing on the end of the transmission chain from a downstream perspective by asking: who is the end audience?<sup>51</sup> Moreover, it highlights the importance of the use of unique copies rather than a single transmission sent out to multiple viewers.<sup>52</sup> In distinguishing two cases addressing the use of a single copy and unique copies for purposes of public performance, the court in *Cablevision* held that “the unique copy may limit the potential audience of a transmission and is therefore relevant to whether the transmission is made ‘to the public.’”<sup>53</sup>

*Cablevision* is vitally important to the discussion of what the Transmit Clause means with respect to the public performance of a work. The opinion discusses case law read in light of the Copyright Act and its legislative history, examining discussions from different circuits and providing thoughtful commentary on how to harmonize decisions that may seem adverse to its holding. Moreover, it is the case relied on by the lower court, a Second Circuit panel, which found Aereo’s system to be in compliance with the Copyright Act.<sup>54</sup> However, the Supreme Court failed to take this decision into account when making its ruling in *Aereo*, leaving the question of whether *Cablevision* is still good law open for debate.

Some courts flatly rejected *Cablevision*’s interpretation of the Copyright Act. For example, in *Fox Television Stations, Inc. v. BarryDriller Content Systems, PLC*,<sup>55</sup> a district court in California held that a system almost identical to Aereo’s service violated the Act.<sup>56</sup> In that case, the court differed from the Second Circuit’s view that a transmission is a “performance of a performance.”<sup>57</sup> That court found that “[t]he definition section sets forth what constitutes a public performance of a copyrighted work, and says that transmitting a performance to the public is a public performance. It does not require a ‘performance’ of a performance.”<sup>58</sup>

The U.S. District Court for the District of Columbia addressed the legality of yet another Aereo-like service in *Fox Television Stations, Inc. v. FilmOn X LLC*.<sup>59</sup> The court found that the system is in no way like a system that an individual sets up with an antenna on a roof, since the signal goes through FilmOn X’s “single electronic transmission process of aggregating services and electronic equipment” after it is captured by FilmOn X.<sup>60</sup> The court found that the program broadcast to each subscriber “could be described as ‘generated from the same copy’ — the original source.”<sup>61</sup> However, the court did not explain why this point is significant.<sup>62</sup>

*Cablevision*, *BarryDriller*, and *FilmOn X* addressed the intricacies of the Copyright Act differently.<sup>63</sup> However, the varied outcomes of these cases

paved the way for *Aereo* to reach the Supreme Court to decide, once and for at least the foreseeable future, what the Transmit Clause should mean in the world of online streaming services.

### C. The Cable Systems’ Argument – *WPIX, Inc. v. ivi, Inc.*

The Supreme Court discussed at length that Aereo’s similarity to a cable provider is sufficient justification for it to be treated as a performer, yet failed to cite to any case law on point that would validate such an emphatic assertion.<sup>64</sup> In *WPIX, Inc. v. ivi, Inc.*,<sup>65</sup> the Second Circuit took up the question of whether a company that streamed live copyrighted programming over the Internet was a cable system within the meaning of Section 111 of the Copyright Act.<sup>66</sup> At issue in that case was *ivi, Inc.*’s service that captured transmission signals and retransmitted those signals live, over the Internet, from broadcast television stations.<sup>67</sup>

First, in evaluating whether *ivi* fell into the category of a cable system, thus entitling it to a compulsory license under Section 111, the court looked to see if the language of the Copyright Act was unambiguous.<sup>68</sup> Finding that the law is ambiguous, the court next looked to whether Congress had spoken on the issue.<sup>69</sup> The court examined the legislative history of Section 111, which was enacted to respond to the Supreme Court’s decisions in *Teleprompter* and *Fortnightly*.<sup>70</sup> Specifically, Section 111 was enacted “to enable cable systems to continue providing greater geographical access to television programming while offering some protection to broadcasters to incentivize the continued creation of broadcast television programming.”<sup>71</sup> The court noted that there had been no separate license codified by Congress for the Internet as “an acceptable communication channel under [Section] 111.”<sup>72</sup>

And second, the court examined Congressional intent.<sup>73</sup> The court determined that it was Congress’ intent to support local rather than nationwide systems that have physical cables between the transmitters and individual subscribers.<sup>74</sup> This intent did not include bringing Internet transmissions within the meaning of Section 111.<sup>75</sup> The court stated that if Congress wanted to include Internet transmissions, it would have done so either expressly, as it did for microwave retransmission, or it would have created a separate statute specifically for Internet transmissions, just as it did for satellite carriers.<sup>76</sup> Furthermore, the court found that it would be inappropriate to allow Internet transmissions within Section 111, as it does not fulfill the statute’s purpose of providing local rather than nationwide systems.<sup>77</sup>

While the court was correct in asserting that Internet retransmissions are national (or even international) in nature, it ignored the reason why services like those

addressed in *ivi*, *Aereo*, *BarryDriller*, and others have become popular: remote access. Many consumers have turned to these services in order to get “antenna” TV in areas in which it is difficult to set up an antenna and where the cost of cable programming has become prohibitively expensive—mainly, in large cities.<sup>78</sup> Therefore, it appears that the court misunderstood why consumers have moved to these types of systems as opposed to cable.

The importance of these cases with respect to *Aereo* is twofold. First, each case demonstrates a different possible interpretation of copyright law and shows the reason why a definitive and modern interpretation of the Copyright Act is sorely needed. Second, none of these cases (except for *Cablevision*, cited briefly) was used in either justification of or in contrast to *Aereo*’s technology. This is problematic not only with respect to the outcome of the *Aereo* case, but because it turns federal jurisprudence on its head.

#### IV. Narrative Analysis

##### A. Does Aereo Perform?

Turning back to *Aereo*, the Court first examined the question of whether *Aereo*’s service constitutes a performance.<sup>79</sup> In considering the language of Section 106(4) of the Copyright Act, the Court recognized the applicability of the Transmit Clause, as *Aereo*’s argument centered on the fact that it is the subscriber that performs—*Aereo* just provides the equipment.<sup>80</sup> The Court began by examining *Fortnightly* and *Teleprompter* as a means of comparing *Aereo* to services the 1976 Copyright Act meant to prohibit.<sup>81</sup> The Court then considered the language of the Transmit Clause and the purposes behind the enactment of the 1976 Act.<sup>82</sup> Congress’ amendment and addition of new language to the Copyright Act “erased . . . the line between broadcaster and viewer, in respect to ‘perform[ing]’ a work” and stated explicitly (in the House Report) that the viewer is indeed performing the work simply by turning on the television.<sup>83</sup> Moreover, the enactment of the Transmit Clause made clear that when a cable provider transmits programming, that transmission in itself is a performance.<sup>84</sup> Relying on the legislative history, the Court found that the activities of the CATV systems in *Fortnightly* and *Teleprompter* “lie at the heart of the activities that Congress intended this language to cover.”<sup>85</sup>

From here, the Court began to formulate its decision for finding that *Aereo* is like a cable company and therefore in violation of the Copyright Act. The Court stated that the Transmit Clause “makes clear that an entity that *acts like a CATV system itself performs*, even if when doing so, it simply enhances viewers’ ability to receive

broadcast television signals.”<sup>86</sup> The Court, predictably, compared *Aereo* to the CATV systems in *Fortnightly* and *Teleprompter*.<sup>87</sup> The Court found that the fact that *Aereo* simply provides the equipment for subscribers to access content that they could otherwise set up at home on their own is a sufficient basis for finding that *Aereo* performs within the meaning of the Act.<sup>88</sup> Moreover, the Court did not see the difference in *Aereo*’s technology as being significant, “[g]iven *Aereo*’s overwhelming likeness to the cable companies targeted by the 1976 amendments.”<sup>89</sup> The Court concluded, absent any analysis of *Aereo*’s technology compared to the technology of CATV systems, that its system is no different from that of a cable provider and should be treated as such.<sup>90</sup>

##### B. Does Aereo Perform “Publicly”?

The Court next turned to whether *Aereo* performs the work “publicly” within the meaning of the Transmit Clause.<sup>91</sup> *Aereo* argued that its transmission of the performance is in itself a performance and that because each performance is capable of reaching only one subscriber, then the transmission is private, not public.<sup>92</sup> The broadcast companies, of course, disagreed, arguing that “*Aereo* transmits a *prior* performance of their works. Thus, when *Aereo* retransmits a network’s prior broadcast, the underlying broadcast (itself a performance) is the performance that *Aereo* transmits.”<sup>93</sup> The Court, assuming that *Aereo* was correct in asserting that a performance it transmits is a performance of the work, created a definition of what “transmit” means (but only for this case in particular): “performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work.”<sup>94</sup>

The Court then addressed *Aereo*’s argument that because only one subscriber receives one copy of a performance, the performance is not public.<sup>95</sup> The Court categorically rejected this argument, stating that the technological differences between *Aereo*, cable companies, and CATV providers are of no significance, without examining the differences among these different programming models.<sup>96</sup> The Court specifically pointed out *Aereo*’s “behind-the-scenes” way it delivers content to its subscribers, through use of a unique copy for each subscriber, and that it does not “significantly alter the viewing experience of *Aereo*’s subscribers.”<sup>97</sup> Rather than examining *Aereo*’s model and contrasting it with that of a modern cable provider, the Court examined the issue from the standpoint of an end user who is unaware of how she is viewing her favorite programs, since it looks the same as if she had cable television.<sup>98</sup> To bolster its position, the Court stated that Congress must “as much have intended to protect a copyright



holder from the unlicensed activities of Aereo as from those of cable companies,” and therefore found Aereo’s transmissions sufficiently “to the public” by reason of its similarity to cable companies.<sup>99</sup>

The Court found that the Transmit Clause suggests that multiple transmissions can be made by one entity to the public.<sup>100</sup> The fact that the Clause discusses “a performance” in the singular following the words “to transmit” did not change the analysis for the Court— sending out several transmissions of the same work, even if they are separate and distinct copies, comports with the Clause’s language that a performance is transmitted “whether the members of the public capable of receiving the performance . . . receive it . . . at the same time or at different times.”<sup>101</sup> The Court then stated that the personal copies made for specific users are not relevant to the analysis, because the copies are the same, and retransmitting copies to the user is a “‘process’ of transmitting a performance.”<sup>102</sup>

## V. Critical Analysis

The Supreme Court’s decision in *Aereo* should raise alarm bells for technology innovators, copyright law scholars, and consumers. The Court’s decision did not address any of the lower court decisions leading up to *Aereo*, failed to provide an explicit rejection or acceptance of *Cablevision*’s interpretation of the Transmit Clause, and failed to evaluate the impact of its decision on future technology and innovation.

First, the Court’s discussion of the Aereo technology took an “output” approach rather than an “input approach.”<sup>103</sup> The Court stated explicitly that because of “Aereo’s overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference.”<sup>104</sup> What the Supreme Court failed to do here was to provide any meaningful comparison regarding how Aereo delivers programming to subscribers versus what was done in *Fortnightly* and *Teleprompter*.<sup>105</sup>

The Court’s position that Aereo is a cable system is undermined by *ivi*, which answered the question in the negative as to whether Internet retransmission services could be considered a cable system.<sup>106</sup> The *ivi* court applied the test from *Chevron* to examine whether there was Congressional intent to include Internet retransmissions within Section 111’s compulsory license scheme and concluded from both the legislative history and the application of the section to new technology that the necessary intent was lacking.<sup>107</sup> Justice Scalia’s dissent accurately identified the flaws of the Court’s decision as: “[t]he Court’s conclusion that

Aereo performs boils down to the following syllogism: (1) Congress amended the Act to overrule our decisions holding that cable systems do not perform when they retransmit over-the-air broadcasts; (2) Aereo looks a lot like a cable system; therefore (3) Aereo performs.”<sup>108</sup> For an opinion that relies heavily on Congressional intent when discussing the public performance right and the Transmit Clause, it is surprising that the Court failed to do the same when stating affirmatively that Aereo is a cable company.<sup>109</sup>

Second, the Court used the fact that Aereo is similar to a cable provider to conclude that Aereo is a performer under the Act and therefore violates the copyrights held by the broadcasters.<sup>110</sup> This conclusion allowed the court to bypass an in-depth discussion of Aereo’s technology. Had the Court examined the fact that each individual subscriber rents an antenna devoted specifically for that subscriber, it would have realized that the performance that the subscriber watches is a unique copy.<sup>111</sup> Moreover, after examining the technology, the Court should have taken the opportunity to examine lower federal court discussions that evaluated the effect of unique copies on the public performance right.

The Court could have examined at least two cases on point to gain perspective on whether a unique copy transmitted to one subscriber violated the Transmit Clause: *Cablevision* and *NFL*. The *Cablevision* court was unequivocally clear in its interpretation of the Transmit Clause: the use of unique copies for each subscriber does not make the transmission a “public” performance.<sup>112</sup> Although *Cablevision* addressed a DVR-type service and *Aereo* addressed a practically live transmission, both used unique, individual, and distinct copies rather than one copy transmitted out to many subscribers.<sup>113</sup> Instead of dismissing an opportunity to address the merits of *Cablevision* and whether it is still good law after its decision, the Supreme Court chose to distinguish its holding to apply only to services like Aereo, and not address remote storage DVRs within the context of its decision.<sup>114</sup> However, it is plainly evident that despite the differences in services, *Cablevision* provided instructive guidance on approaching issues surrounding the Transmit Clause and the public performance right. Moreover, the *NFL* court explicitly addressed whether the fact that all unique copies were the same was material to the discussion of whether a transmission constitutes a public performance, and held that it was not.<sup>115</sup> The Court’s failure to evaluate these cases may create uncertainty as to their precedential value in the future.

## VI. Impact: The Death of *Cablevision*, Cloud-Based Technology, and *Aereo*'s Uncertain Future

The United States Court of Appeals for the Third Circuit in *Cablevision* stated over seven years ago that, without the interpretation of the Transmit Clause allowing for private performances within the Copyright Act, “a hapless customer who records a program in his den and later transmits the recording to a television in his bedroom would be liable for publicly performing the work simply because some other party had once transmitted the same underlying performance to the public.”<sup>116</sup> The Supreme Court’s decision in *Aereo* may very well create liability for citizens doing this exact thing. The Supreme Court explicitly disagreed that *Aereo* will have a negative impact on technological innovations, stating that “fair use” may be an appropriate avenue for potential copyright violators to use, but failed to provide how that doctrine would apply to services like *Aereo*’s.<sup>117</sup> However, with the announcement of *Aereo*’s filing for bankruptcy, it is difficult to see how this decision will not hamper innovation in the arena of cable television.<sup>118</sup> The uncertainty of the impact of the *Aereo* decision may create a lasting impact if Congress fails to act. Therefore, Congressional action is most appropriate for addressing the problems of the *Aereo* decision.

One promising solution available after *Aereo* would be for Congress to create a new section of the Copyright Act addressing compulsory licenses for Internet streaming services.<sup>119</sup> Congress could either amend Section 111 to include Internet streaming as a “cable system” or it could create a completely new section for this type of technology.<sup>120</sup> As *ivi* and scholars have pointed out, creating a new section for satellite providers was extremely successful.<sup>121</sup> If an additional section were added for Internet streaming, Congress could squarely address the issues that this type of technology creates and provide a streamlined way to address the possible future problems that the Internet may create.<sup>122</sup> Moreover, it would provide innovators in the field of Internet streaming services with clear statutory guidance so that they can avoid costly lawsuits filed by copyright holders.

It may also be helpful to rewrite or clarify the application of the Transmit Clause to public performance. Specifically, Congress should address the question of whether the Transmit Clause does indeed contemplate private performances, and whether the use of unique copies allows for private performances not to be violations of the Copyright Act. As this was a key issue for courts answering the question of public performances, it would be extremely useful for Congress to clarify this aspect of the current Copyright Act.

Another solution that might be effective would be to allow the Copyright Office (or to create another entity) to promulgate regulations with respect to the Copyright Act.<sup>123</sup> This may be more effective than allowing Congress to act because, presumably, the Copyright Office has more experience and knowledge of how the Copyright Act works and how it should be interpreted.<sup>124</sup> Moreover, allowing the Copyright Office or another entity to promulgate regulations would relieve political and administrative strain on Congress.<sup>125</sup> This type of solution “could provide for preapproval and ongoing monitoring of the streaming services to ensure their practices are up to the standards in the new legislation.”<sup>126</sup> Congress could also grant authority to the Copyright Office to promulgate regulations directly and without Congressional oversight, much like the SEC and FCC do currently.

Both of these solutions would allow Congress to “backtrack” the potentially harmful effects of *Aereo* on Internet streaming services and other cloud-based technologies that may fall within the purview of the decision. Moreover, if the American public wants to ensure that the goals of “encourag[ing] creativity and promot[ing] progress” of intellectual property law are upheld, Congress needs to act.<sup>127</sup> By allowing Internet streaming services to operate legally, within the scope of the Copyright Act, consumers will have more options and choices for how they receive television programming.

## VII. Conclusion: *Aereo*'s Uncertain Future

On November 21, 2014, *Aereo* filed for bankruptcy.<sup>128</sup> Many critics have argued that *Aereo* purposely tried to circumvent copyright law by structuring its systems with individual antennas for each subscriber—a feature that was technologically unnecessary.<sup>129</sup> This may have had an impact on how the Supreme Court evaluated *Aereo*’s technology. However, it is equally possible that *Aereo* was relying on the only federal case law on point, *Cablevision*, to create a new and innovative way to provide television programming to consumers. Many questions still remain regarding *Aereo*’s future. One thing is for certain: the Supreme Court will still be the ultimate decision maker as to whether new technologies fall within the Copyright Act, even if the Justices do not know if you can get HBO for free, or whether phonograph stores are still in existence.<sup>130</sup>



## (Endnotes)

\* Catherine M. Contino is currently a judicial law clerk for the Honorable Thomas J. Shusted, Jr. of the Superior Court of New Jersey in Camden. Ms. Contino received her J.D. from Villanova University School of Law in May 2015 and has recently passed the bar examination in Pennsylvania. She also sat for the bar examination in New Jersey. She received a B.A. in Political Science and a B.A. in History, cum laude, from The Ohio State University in 2012.



<sup>1</sup> *Am. Broad. Cos. v. Aereo, Inc.*, 573 U.S. \_\_\_, 134 S. Ct. 2498, 2517-18 (2014) (Scalia, J., dissenting) (discussing *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984)) (citations omitted).

<sup>2</sup> 134 S. Ct. 2498 (2014).

<sup>3</sup> 464 U.S. 417 (1984).

<sup>4</sup> *Id.* (addressing whether the Betamax® video tape recorder violates the Copyright Act).

<sup>5</sup> *Id.* at 424-45 (discussing studios' allegations of harm). This is known as "time shifting." *Id.* at 421.

<sup>6</sup> *Id.* at 425.

<sup>7</sup> See Robert S. Schwartz, *It's the 30<sup>th</sup> Anniversary of the Supreme Court's Monumental Decision about Betamax*, SLATE, Oct. 17, 2014 9:03 AM, [http://www.slate.com/blogs/future\\_tense/2014/01/17/betamax-supreme-court-opinion-anniversary-the-decision-has-had-long-reaching.html](http://www.slate.com/blogs/future_tense/2014/01/17/betamax-supreme-court-opinion-anniversary-the-decision-has-had-long-reaching.html). Schwartz goes on to say that the impact of *Sony* has long-range effects, specifically with respect to the Internet, stating, "The Internet itself would have remained a closed circuit primarily for government, educational, and industrial use. There would be no social networks." *Id.*

<sup>8</sup> *Aereo*, 134 S. Ct. at 2503 (discussing Aereo's programming).

<sup>9</sup> See *id.* at 2510 (holding that Aereo's technology violates the public performance right).

<sup>10</sup> *Id.* at 2503 (describing Aereo's service). The company also has a recording function, but that area of Aereo's service was not at issue in this case. *Id.*

<sup>11</sup> *Id.* (discussing the nature of Aereo's business). The Court notes that almost all of the programming is protected by copyright law and that Aereo "neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly." *Id.*

<sup>12</sup> *Id.* (describing how Aereo's service works).

<sup>13</sup> *Id.* (examining Aereo's emphasis on streaming from a personal copy and assigned antenna).

<sup>14</sup> *Id.* (discussing composition of petitioners).

<sup>15</sup> *Id.* at 2504 (discussing the Second Circuit decision, decided *sub nom* *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676, rehearing en banc denied, 722 F.3d 500 (2d Cir. 2013)).

<sup>16</sup> 392 U.S. 390 (1968).

<sup>17</sup> 415 U.S. 394 (1974).

<sup>18</sup> *Fortnightly*, 392 U.S. at 393 (discussing United Artists Television's interest in lawsuit).

<sup>19</sup> *Id.* (discussing how Fortnightly's system worked). This system developed as a solution for residents in rural West Virginia unable to receive broadcasting signals through their own rooftop antennas. *Id.*

<sup>20</sup> *Id.* at 397 (stating that resolution of the case depends on how the CATV is characterized).

<sup>21</sup> *Id.* at 397-99 (describing the participants involved in television viewing).

<sup>22</sup> *Id.* at 399 (stating that CATV is not a broadcaster). Moreover, the Court found significant that the CATV is doing the same thing a private individual could do—thereby bolstering its conclusion that CATV is more like a viewer than a broadcaster. *Id.*

<sup>23</sup> See generally *Teleprompter Corp. v. Columbia Broad. Sys., Inc.*, 415 U.S. 394 (1974).

<sup>24</sup> See H.R. Rep. No. 94-1476 (1976). For a discussion of additional changes made to the 1909 Copyright Act by the enactment of the 1976 Act, see Craig W. Dallan, *The Problem with Congress and Copyright Law: Forgetting the Past and Ignoring the Public Interest*, 44 SANTA CLARA L. REV. 365, 415 (2004).

<sup>25</sup> 17 U.S.C. § 106(4) (describing public performance right).

<sup>26</sup> 17 U.S.C. § 101 (stating definition of "transmit" within meaning of statute).

<sup>27</sup> H.R. Rep. No. 94-1476 at 63 (describing how definitions of "perform," "display," "publicly," and "transmit" should be interpreted within the meaning of section 101).

<sup>28</sup> *Id.* (emphasis added) (discussing limitations of public performance).

<sup>29</sup> See *id.* (seeming to draw a distinction between public and private performance).

<sup>30</sup> *Id.* at 64 (discussing clause 1 of the definition of "publicly" in section 101).

<sup>31</sup> *Id.* (describing how the Transmit Clause fits into the public performance right).

<sup>32</sup> *Id.* (making clear that clause one is harmonious with clause two).

<sup>33</sup> See 17 U.S.C. §§ 101, 106(4); H.R. 94-1476 at 63-64.

<sup>34</sup> 536 F.3d 121 (2d Cir. 2008).

<sup>35</sup> See *Aereo*, 134 S. Ct. at 2504 (the Second Circuit used *Cablevision* to hold Aereo's service did not transmit "to the public," and therefore did not violate the Copyright Act); see also *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676 (2d Cir. 2013) (holding that Aereo did not violate the Copyright Act).

<sup>36</sup> *Cablevision*, 536 F.3d at 124 (describing how the RS-DVR system differed from a standard DVR device).

<sup>37</sup> *Id.* at 125 (explaining plaintiffs' arguments).

<sup>38</sup> *Id.* at 134 (explaining plaintiffs' final argument); *Aereo*, 134 S. Ct. at 2503-04 (discussing types of entities who are petitioners).

<sup>39</sup> *Cablevision*, 536 F.3d at 134 (stating that the RS-DVR system, when it transmits a work to a customer, does not perform the work "publicly").

<sup>40</sup> *Id.* (highlighting that the Act emphasizes who is "capable of receiving" the performance transmitted). It should be noted that a transmission is a performance in its own right; therefore, when *Cablevision* transmits a performance to a customer, the transmission is a performance of a performance. See *id.*; accord *Buck v. Jewell-La Salle Realty Co.*, 283 U.S. 191, 197 (1931) (stating that the "transmitting of a musical composition by a commercial broadcasting station is a public performance").

<sup>41</sup> *Cablevision*, 536 F.3d at 135 (stating that the court must examine the "particular transmission of a performance").

<sup>42</sup> *Id.* (agreeing with *Cablevision*'s argument that a consumer capable of receiving only her unique copy of a program is not transmission "to the public").

<sup>43</sup> *Id.* (stating that this is in harmony with the language of the Transmit Clause).

<sup>44</sup> *Id.* at 136 (stating how plaintiffs interpret Copyright Act).

<sup>45</sup> *Id.* (emphasis added) (stating what plaintiffs' argument would require courts to consider).

<sup>46</sup> *Cablevision*, 536 F.3d at 136-37 (stating that Congress could not have intended such "odd results" from this type of interpretation). The court uses the example of a consumer who records a program in his living room and later transmits the performance to his bedroom would be violating the copyright owner's public performance right "simply because some other party had once transmitted the same underlying performance to the public." *Id.*

<sup>47</sup> 211 F.3d 10 (2d Cir. 2000).

<sup>48</sup> See *Cablevision*, 536 F.3d at 136-37 (citing *National Football League v. PrimeTime 24 Joint Venture*, 211 F.3d 10 (2d Cir. 2000) (“NFL”) and discussing NFL’s application to transmission clause).

<sup>49</sup> NFL, 211 F.3d at 12 (explaining two transmissions).

<sup>50</sup> *Id.* at 13 (explaining how court analyzed the transmissions). The NFL case was further distinguished in *United States v. American Society of Composers, Authors, and Publishers*, which held that downloads of copyrighted music did not constitute a public performance of those works. 627 F.3d 64, 85 (2d Cir. 2010). In that case, the court stated, “we distinguished NFL on the basis that in that case the *final act in the sequence of transmissions* was a public performance . . . because performance is made by a unique reproduction of the song that was sold to the user, the ultimate performance of the song is not “to the public.” *Id.* (citations omitted) (emphasis added).

<sup>51</sup> See generally *Cablevision*, 536 F.3d 136-38 (discussing NFL case).

<sup>52</sup> See *id.* at 138 (discussing use of unique copies).

<sup>53</sup> *Cablevision*, 536 F.3d at 138 (distinguishing *Redd Horne* decision and discussing its inapplicability to this case). In *Columbia Pictures v. Redd Horne, Inc.*, a video rental store had private viewing booths for patrons to watch a VHS tape of their choice. 749 F.2d 154, 156-57 (3d Cir. 1984). Because an employee of the store loaded the tape into a VCR bank in the front of the store and pushed play, the court held that this was a public performance because it transmitted the tape content to the television viewing booth—there was no unique copy made for each patron that watched the movie in the private viewing room. *Id.* at 159. Similarly, in *On Command Video Corp. v. Columbia Pictures Industries*, the court held that a system that allowed hotel guests to select a movie from a video bank, housed in a central location, was a public performance. 777 F. Supp. 787, 790 (N.D. Cal. 1991). The *Cablevision* court distinguished *On Command* on its facts by stating that because the hotel had only one copy of each movie, and transmitted that copy to a hotel guest, the “successive transmissions to different views” resulted in a public performance. *Cablevision*, 536 F.3d at 139 (distinguishing *On Command* and stating the district court was incorrect in relying on it).

<sup>54</sup> *WNET, Thirteen v. Aereo, Inc.*, 712 F.3d 676, 686-89 (2d Cir. 2013) (discussing *Cablevision*).

<sup>55</sup> 915 F. Supp. 2d 1138 (C.D. Cal. 2012).

<sup>56</sup> *Id.* at 1146 (holding that the system violates the public performance right).

<sup>57</sup> *Id.* at 1143-44 (rejecting that just because this could be done by an individual does not mean that it is lawful when another party offers that service).

<sup>58</sup> *Id.* at 1144 (stating another reading of Transmit Clause).

<sup>59</sup> 966 F. Supp. 2d 30 (D.D.C. 2013).

<sup>60</sup> *Id.* at 47-48 (stating why the system is not like an “at home” antenna system).

<sup>61</sup> *Id.* at 48 (finding significant that all copies for each subscriber are of same performance).

<sup>62</sup> *Id.* (failing to articulate reason why all copies from the same “source” is significant for finding against FilmOn X).

<sup>63</sup> See *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 139-40 (holding that use of unique copies does not violate public performance right of copyright holders); *Fox Television Stations, Inc. v. BarryDriller Content Sys., PLC*, 915 F. Supp. 1138, 1146 (C.D. Cal. 2012) (holding that system violated public performance right); *FilmOn X*, 966 F. Supp. at 48 (holding that systems publicly performed copyright works).

<sup>64</sup> *Aereo*, 134 S. Ct. at 2507-08 (discussing similarity to cable provider).

<sup>65</sup> 691 F.3d 275 (2d Cir. 2012).

<sup>66</sup> *Id.* at 279 (stating the issue to be decided in case).

<sup>67</sup> *Id.* at 277 (discussing *ivi*’s service).

<sup>68</sup> *Id.* at 280 (stating Congressional intent is unclear as to whether Internet retransmission service falls under the language of Section 111).

<sup>69</sup> *Id.* at 279 (stating first step of process of deciding whether *ivi* should fall under the Section 111 compulsory license scheme). The court relies on *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, which outlines a two-step process for evaluating whether Congress intended for Section 111 to be applied to Internet retransmissions. *Id.* If the statute is unambiguous, there is no need to address Congressional intent. See *Cohen v. JP Morgan Chase & Co.*, 498 F.3d 111, 116 (2d Cir. 2007). The Supreme Court stated the following test in addressing Congressional intent on federal statutes after addressing the issue of ambiguity: first, look to whether Congress has spoken directly on the issue, and second, if Congress has not spoken, then the court must “defer to an agency’s interpretation of the statute, so long as it is ‘reasonable.’” *Chevron U.S.A., Inc. v. Natural Res. Def. Counsel*, 467 U.S. 837, 843-44 (1984).

<sup>70</sup> *ivi*, 691 F.3d at 281 (discussing history of Section 111).

<sup>71</sup> *Id.* (discussing purpose of section).

<sup>72</sup> *Id.* at 282 (stating Congress’ inaction on Internet retransmissions within Section 111). Congress amended Section 111 to include microwave retransmissions and added section 119 for a separate licensing scheme for satellite carriers. *Id.*

<sup>73</sup> *Id.* (discussing legislative history).

<sup>74</sup> *Id.* (stating intent of Congress).

<sup>75</sup> *Id.* (stating that Congress did not intend to include Internet transmissions within Section 111).

<sup>76</sup> *Id.* (explaining what Congressional intent would have looked like).

<sup>77</sup> *Id.* (justifying exclusion of Internet transmissions).

<sup>78</sup> Doug Dawson, *What Is Behind the Aereo Controversy?*, POTs AND PANs: PRETTY ADVANCED NEW STUFF FROM CCG CONSULTING, May 7, 2013, <http://potsandpansbyccg.com/2013/05/07/what-is-behind-the-aereo-controversy>.

<sup>79</sup> *Aereo*, 134 S. Ct. at 2504 (beginning analysis with performance right inquiry).

<sup>80</sup> *Id.* at 2505 (discussing Transmit Clause).

<sup>81</sup> *Id.* (setting up discussion for history of Transmit Clause).

<sup>82</sup> *Id.* (beginning discussion of 1976 Copyright Act).

<sup>83</sup> *Id.* (describing new language added to the Copyright Act).

<sup>84</sup> *Id.* (examining the effect of Transmit Clause on cable systems activities).

<sup>85</sup> *Id.* at 2506 (discussing what Transmit Clause intended to cover).

<sup>86</sup> *Id.* (emphasis added) (drawing conclusion that because the Act intended to cover the CATV providers in *Fortnightly* and *Teleprompter*, other companies acting like those companies also are “performing”).

<sup>87</sup> *Id.* at 2506-07 (comparing *Aereo* to CATV systems).

<sup>88</sup> *Id.* at 2506 (discussing similarity of *Aereo* to providers in *Fortnightly* and *Teleprompter*).

<sup>89</sup> *Id.* at 2507 (discussing similarity of CATV providers).

<sup>90</sup> *Id.* (concluding that *Aereo*’s technology is not critical). The Court stated that in other cases, the user’s involvement in operating the equipment makes a difference as to whether a provider performs under the Act. *Id.*

<sup>91</sup> *Id.* (turning to public performance question).

<sup>92</sup> *Id.* at 2508 (stating *Aereo*’s argument).

<sup>93</sup> *Id.* (stating the broadcast companies’ argument).

<sup>94</sup> *Id.* (contrasting *United States v. Am. Soc. of Composers, Authors and Publishers*, 627 F.3d 64, 73 (2d Cir. 2010) (assuming *Aereo*’s first argument is valid for argument’s sake)).

<sup>95</sup> *Id.* (stating *Aereo*’s argument that its transmission is not a public performance).

<sup>96</sup> *Id.* at 2508-09.

<sup>97</sup> *Id.* at 2508 (discussing why *Aereo*’s model does not make it any different from cable television).

<sup>98</sup> *Id.* at 2509 (explaining why *Aereo* should be treated like a cable provider rather than something else).

<sup>99</sup> *Id.* (discussing *Aereo*’s similarity to cable companies and

Congress' "intent" to have these types of systems regulated in much the same way).

<sup>100</sup> *Id.* (interpreting the Transmit Clause).

<sup>101</sup> *Id.* at 2510 (second ellipsis added) (finding the Transmit Clause contemplates multiple copies being transmitted at the same time, constituting a violation).

<sup>102</sup> *Id.* at 2509 (finding that Aereo performs the works "publicly" within the meaning of the Transmit Clause). The Court went through the analysis of what constitutes a "public" performance. *Id.* It stated that Aereo performs the work publicly because the works are contemporaneously broadcasted to Aereo subscribers, therefore meeting the definition of "any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." *Id.* at 2510. Moreover, because subscribers do not "own" the works they are receiving, and Aereo provides them with the vehicle to perform those works, the performance is public. *Id.* Lastly, Aereo's argument that users will receive the performance in different places and at different times does not fit with the Clause's language that a work is performed publicly "whether the members of the public capable of receiving the performance . . . receive it in the same place or in separate places at the same time or at different times." *Id.* (citation omitted).

<sup>103</sup> *Id.* at 2506-07 (discussing Aereo's technology).

<sup>104</sup> *Id.* at 2507 (stating because there is no difference between Aereo's technology and what CATV systems were doing in *Teleprompter* and *Fortnightly*, Aereo should be treated as a cable system).

<sup>105</sup> *See generally id.* (failing to draw any meaningful inferences to differentiate Aereo from the CATV systems in *Teleprompter* and *Fortnightly*).

<sup>106</sup> *See WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275, 282 (2d Cir. 2012) (concluding that Internet retransmission services cannot be a cable system).

<sup>107</sup> *Id.* at 285 (holding that Congressional intent to extend a Section 111 compulsory license is not evident).

<sup>108</sup> *See Aereo*, 134 S. Ct. at 2515 (Scalia, J., dissenting) (footnotes and citations omitted) (discussing flaws in logic of majority opinion).

<sup>109</sup> *See id.* (pointing out problematic reliance on selective portions of legislative history).

<sup>110</sup> *See id.* (concluding that Aereo is a performer under the Act).

<sup>111</sup> *Id.* at 2503 (discussing Aereo technology broadly).

<sup>112</sup> *See Cartoon Network*, 536 F.3d at 139 (holding that use of a single copy does not make transmissions "public" performances).

<sup>113</sup> *See generally id.* at 134-40 (discussing RS-DVR transmissions); *Aereo*, 134 S. Ct. at 2509-10 (discussing public performance via the Transmit Clause).

<sup>114</sup> *Aereo*, 134 S. Ct. at 2511 (stating that "[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which 'Congress has not plainly marked [the] course,' should await a case in which they are squarely presented").

<sup>115</sup> *See NFL*, 211 F.3d at 13 (finding that use of unique copies that were exactly the same did not necessarily make performances "public").

<sup>116</sup> *Cablevision*, 536 F.3d at 137 (discussing impact if the Transmit Clause did not provide for private performances within Copyright Act).

<sup>117</sup> *See Aereo*, 134 S. Ct. at 2511 (mentioning doctrine of fair use but failing to state how it would apply).

<sup>118</sup> Emily Steel, *Aereo Concedes Defeat and Files for Bankruptcy*, N.Y. TIMES, Nov. 21, 2014, <http://www.nytimes.com/2014/11/22/business/aereo-files-for-bankruptcy.html>.

<sup>119</sup> Thomas M. Cramer, *The Copyright Act and the Frontier of Television: What to do about Aereo*, 67 VAND. L. REV. EN BANC 97, 120 (2014) (discussing legislative solutions). Cramer discusses the *ivi* decision in detail and ultimately concludes that, given the court's decision in that case, it will be difficult for courts to read Internet streaming services into the existing compulsory license framework. *Id.* at 119-20. He also states that "if the Copyright Office were to change its stance with respect to Internet transmissions, it could pave the way for this solution without any action on Congress' part."

*Id.* at 120.

<sup>120</sup> *Id.* at 121 (discussing inclusion of Internet streaming within Section 111).

<sup>121</sup> *Id.* at 121 (mentioning success of amendment of Copyright Act for satellite providers).

<sup>122</sup> *See id.* (explaining benefits of new section of Copyright Act).

<sup>123</sup> *Id.* at 122 (discussing possibility of Copyright Office as regulator). Cramer notes that the Copyright Office, or another new entity, "could be charged with creating and maintaining standards for Internet streaming services."

<sup>124</sup> *See* Mark Grabowski, *Are Technical Difficulties at the Supreme Court Causing a "Disregard of Duty?"*, 3 CASE W. RESERVE J. L. TECH. & INTERNET 220, 227-231 (2012) (stating that if Supreme Court Justices cannot understand technology behind cases, they may not be able to decide cases properly).

<sup>125</sup> Philip Bump, *The 113<sup>th</sup> Congress is Historically Good at Not Passing Bills*, THE WASHINGTON POST, July 9, 2014, <http://www.washingtonpost.com/blogs/the-fix/wp/2014/07/09/the-113th-congress-is-historically-good-at-not-passing-bills/>; *see also* Matthew Friedman, Comment, *Nine Years and Still Waiting: While Congress Continues to Hold Off On Amending Copyright Law for the Digital Age, Commercial Industry Has Largely Moved On*, 17 VILL. SPORTS & ENT. L.J. 637 (2010) (pointing out numerous areas of Copyright law that Congress has neglected to update).


<sup>126</sup> Cramer, *supra* note 119, at 122.

<sup>127</sup> *Id.* (discussing goals of intellectual property).

<sup>128</sup> Aereo Inc., <http://blog.aereo.com/2014/11/next-chapter/> (last visited Dec. 7, 2014).

<sup>129</sup> *See, e.g.*, Megan Larkin, Note, *The Demise of the Copyright Act in the Digital Realm: Re-Engineering Digital Delivery Models to Circumvent Copyright Liability After Aereo*, 37 COLUM. J. L. & ARTS 405, 436-39 (arguing that *Cablevision* and other cases have provided a loophole for companies to bypass copyright law by "re-engineering their business models").

<sup>130</sup> Brian Fung, *The Aereo Case is Being Decided by People who call iCloud "the iCloud."* Yes, Really, THE WASHINGTON POST, April 23, 2014, <http://www.washingtonpost.com/blogs/the-switch/wp/2014/04/23/the-aereo-case-is-being-decided-by-people-who-call-icloud-the-icloud-yes-really/>.



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# After 108 Years, The *Kessler* Doctrine is Alive and Kicking (Improper Patent Claims Out of Court)

By Kenneth R. Adamo, Brent P. Ray, Eugene Goryunov, and Greg Polins\*

The “*Kessler* Doctrine,” arising out of the U.S. Supreme Court’s decision in *Kessler v. Eldred*, protects against subsequent litigation of previously adjudicated products that were found not to infringe and those products that are “essentially the same.” Recent case law has clarified, and even expanded, the scope of this long-standing doctrine. We first provide an overview of the *Kessler* Doctrine as it stands today, and then discuss the recent cases that have refined and expanded the limits of the doctrine.

## I. What is the *Kessler* Doctrine?

The *Kessler* Doctrine fills the gap between issue and claim preclusion where new claims should be, but are not otherwise, barred.<sup>1</sup> Once a trial court adjudicates a product—a particular thing—not to infringe a patent, the *Kessler* Doctrine protects the manufacturer and its customers by permitting them to manufacture, use, and sell the product without further harassment from the patent owner.<sup>2</sup> This protection also extends to “essentially the same use,” where relevant to non-infringement, by what may be different products.<sup>3</sup> In essence, a limited “trade right” attaches to the adjudicated product or those “essentially the same” so long as the product to which the “trade right” is attached retains a separate identity.<sup>4</sup> As the “trade right” attaches to a particular product, not a manufacturer, customers of that product may assert the *Kessler* Doctrine as a defense without the manufacturer intervening.<sup>5</sup>

The “trade right,” however, is not without limitation. It disappears once the adjudicated product is combined with other things to create a new product.<sup>6</sup> Further, the “trade right” cannot be transferred to products made by others; it remains with the previously-adjudicated product.<sup>7</sup>

To trigger the *Kessler* Doctrine, the earlier non-infringement holding must be based on the accused product itself, not failure of proof.<sup>8</sup> The non-infringement holding must also be issued, in the first instance, by a forum whose decisions are given preclusive effect. If a forum’s decisions carry no preclusive effect, such as those of the U.S. International Trade Commission, there is no gap for the *Kessler* Doctrine to fill.<sup>9</sup>

## II. Development of the *Kessler* Doctrine

### A. U.S. Supreme Court Creates the Doctrine

The *Kessler* Doctrine was created in 1907 by the U.S. Supreme Court in *Kessler v. Eldred*.<sup>10</sup> George Eldred had sued William Kessler in the District of Indiana for allegedly infringing a patent for an electric lighter. The trial court found Kessler’s product did not infringe, and the Circuit Court of Appeals for the Seventh Circuit affirmed. Undeterred, Eldred sued Breitwieser, Kessler’s customer, in the Western District of New York for allegedly infringing the same patent by selling Kessler’s electric lighters, the same lighters as in the Indiana case. Kessler stepped in to indemnify his customer, but also filed a separate lawsuit in Illinois to enjoin Eldred from suing Kessler’s customers using or selling electric lighters that had already been found not to infringe. The Seventh Circuit certified questions of law to the U.S. Supreme Court for guidance.<sup>11</sup>

The Supreme Court held that the final judgment in Kessler’s favor in the Indiana case “settled finally and everywhere . . . that Kessler had the right to manufacture, use, and sell the electric cigar lighter” at issue.<sup>12</sup> Kessler and his customers were entitled to continue selling the lighters “without hindrance” from Eldred because rights in those lighters had already been established in the Indiana case.<sup>13</sup>

Seven years later, in 1914, the Supreme Court clarified the scope of the *Kessler* Doctrine in *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*<sup>14</sup> The Court explained that a successful manufacturer—one that establishes its product does not infringe—obtains a limited “trade right” to manufacture and sell its adjudicated products without restraint or interference.<sup>15</sup> The “trade right” “attaches to [the] product—to a particular thing—as an article of lawful commerce, and it continues only so long as the commodity to which the right applies retains its separate identity.”<sup>16</sup> When the adjudicated product is combined with other things, however, to create a new product, “the trade right in the original part as an article of commerce is necessarily gone.”<sup>17</sup> The “trade right” obtained by a manufacturer’s products has “no transferable immunity in manufacture” and does not extend to similar products made by others.<sup>18</sup>

## A. Federal Circuit Clarifies the Doctrine

After *Rubber Tire*, the *Kessler* Doctrine was applied by various courts between 1920 and 1960 before going dormant for a number of years. Two recent decisions from the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”), however, have brought the *Kessler* Doctrine back into the spotlight. These decisions confirmed that the *Kessler* Doctrine is not only alive, but also subject to expansion.

In *Brain Life, LLC v. Elekta Inc.*,<sup>19</sup> the Federal Circuit applied the *Kessler* Doctrine to fill the gap between claim and issue preclusion to bar the patent owner’s attempts to accuse, for a second time, previously-accused and finally adjudicated products. In a first case, Medical Instrumentation Diagnostics Corp. (“MIDCO”) sued Elekta alleging infringement of a patent directed to generating video images from separate scanners. Elekta was ultimately found not to infringe. MIDCO later licensed the patent to Brain Life, which then sued Elekta for allegedly infringing the same patent in a second case.<sup>20</sup> The trial court in the second case granted Elekta’s motion for summary judgment of non-infringement, finding no material differences between the currently accused products and the previously adjudicated non-infringing products.<sup>21</sup>

On appeal, the Federal Circuit explained that the *Kessler* Doctrine “fills the gap” between claim and issue preclusion by “allowing an adjudged *non-infringer* to avoid repeated harassment” for continuing to sell its products.<sup>22</sup> When the accused products in two cases are “essentially the same,” the Federal Circuit explained that the “new” products acquire non-infringing status vis-à-vis the earlier final judgment of non-infringement.<sup>23</sup> The *Kessler* Doctrine barred Brain Life’s claims against those products that had “no material differences” compared to those previously adjudicated.<sup>24</sup>

Even more recently, the Federal Circuit expanded the *Kessler* Doctrine in *SpeedTrack, Inc. v. Office Depot, Inc.*<sup>25</sup> SpeedTrack sued electronics retailers for allegedly infringing a patent covering a system for accessing files and data according to user-designated criteria. The infringement allegations were based on the retailers’ use of software purchased from Endeca Technologies, Inc., which was acquired by Oracle Corp. while the case was pending. The trial court granted the retailers’ motion for summary judgment of non-infringement, finding SpeedTrack’s claims were barred as a result of an earlier case in which the same software was found not to infringe the patent.<sup>26</sup>

On appeal, the Federal Circuit observed that the accused software was “essentially the same” as that previously adjudicated not to infringe. The Federal

Circuit concluded that Oracle, as the purchaser of Endeca, the original software manufacturer, obtained a “trade right” in the software to have its customers be left alone by SpeedTrack.<sup>27</sup> The question before the Federal Circuit, however, was whether a **customer** of Endeca/Oracle could invoke the *Kessler* Doctrine as a defense. Although *Kessler* outlined only a manufacturer’s rights, and expressed no opinion regarding a customer’s rights, the court recognized that a manufacturer’s and customer’s interests “are intertwined.” Because the *Kessler* Doctrine’s “trade right” attaches to the product, a particular thing, the Federal Circuit concluded that customers purchasing that product have an equal right to raise the *Kessler* Doctrine as a defense.<sup>28</sup>

## B. District Courts Test Limits of the Doctrine

The Federal Circuit is not the only court that has recently addressed the scope of the *Kessler* Doctrine. Three U.S. district courts have recently issued decisions applying the *Kessler* Doctrine and testing its limits.

The first of these decisions, *Adaptix, Inc. v. AT&T Mobility LLC*, addressed claims of infringement based on use of a cellular telecommunications standard by various cellular service providers and handset manufacturers.<sup>29</sup> Adaptix sued AT&T Mobility LLC and Verizon Wireless, together with LG Electronics, Inc. and Pantech Wireless, Inc., in the U.S. District Court for the Eastern District of Texas for allegedly infringing patents related to subcarrier selection in cellular networks. AT&T and Verizon moved for summary judgment of non-infringement arguing, in part, that Adaptix’s claims were barred by the *Kessler* Doctrine. As it turns out, Adaptix had also sued AT&T and Verizon, together with Apple Inc. and HTC Corp., in the U.S. District Court for the Northern District of California for allegedly infringing the same patents. The California trial court was first to conclude that AT&T and Verizon did not directly infringe the patents. AT&T and Verizon argued in the Texas litigation that the identity of the manufacturer of the accused device was irrelevant because Adaptix’s infringement theory was based on use of a cellular telecommunication standard performed by all cellular devices.<sup>30</sup>

The Texas trial court began its analysis by observing that the *Kessler* Doctrine’s “trade right” attaches to previously-adjudicated products and those products that are “essentially the same.” The Texas trial court then pointed out that Adaptix had asserted method claims in both the California and the Texas cases, and that the California trial court had already concluded that AT&T and Verizon did not directly infringe the patents. Since Adaptix’s infringement claims before the Texas

trial court were based on “essentially the same use” as that already adjudicated by the California trial court, the Texas trial court concluded that Adaptix was barred from pursuing its claims.<sup>31</sup>

Not all cases in which a the court was asked to apply the *Kessler* Doctrine resulted in a win for the accused infringer. The next two U.S. district court decisions declined to find that the plaintiff’s claims were barred as a result of a prior non-infringement ruling. In *Mirror Worlds Techs., LLC v. Apple Inc.*, for example, Apple moved for summary judgment that the plaintiff’s claims were barred by the *Kessler* Doctrine.<sup>32</sup> In an earlier case, Mirror Worlds LLC (an entity unrelated to Mirror Worlds Technologies) sued Apple for infringing a patent directed to a method for organizing data into “document streams.” A jury found in Mirror Worlds LLC’s favor. The trial court, however, granted Apple’s motion for judgment as a matter of law, finding that Mirror Worlds LLC did not present substantial evidence that Apple or any of its customers ever used the accused feature. The Federal Circuit affirmed the trial court’s ruling. Mirror Worlds LLC sold the patent to Network-1 Security Solutions, Inc., which assigned the patent to Mirror Worlds Technologies. Mirror Worlds Technologies then sued Apple on the same patent in the U.S. District Court for the Eastern District of Texas.<sup>33</sup> Apple argued to the trial court that because Mirror Worlds LLC failed to prove anyone used the accused feature in the earlier case, computers including the same feature were also non-infringing and, thus, Mirror Worlds Technologies’ claims against these computers were barred by the *Kessler* Doctrine.

The trial court disagreed with Apple. The court first noted that Apple was not liable in the earlier case because Mirror Worlds LLC failed to prove Apple ever used the accused feature, not because the feature itself did not infringe the asserted patent.<sup>34</sup> The *Kessler* Doctrine grants a “trade right” to a particular product based on a finding that the product itself does not infringe and the trial court in the earlier case did not determine that using the accused feature was non-infringing.<sup>35</sup> Thus, the trial court in the second case concluded that the *Kessler* Doctrine requires more than a finding of non-infringement; the non-infringement finding must be related to the accused feature, rather than a failure to prove infringement.<sup>36</sup>

In *Tech. Prop. Ltd. LLC v. Canon, Inc.*, Technology Properties Ltd. LLC filed a complaint in the U.S. International Trade Commission alleging violation of Section 337 of the Tariff Act of 1930 by various memory card reader manufacturers based on alleged infringement of three patents.<sup>37</sup> The ITC’s Administrative Law Judge issued an Initial Determination ruling

that the accused products did not infringe the patents, and the Commission affirmed the ALJ’s determination. Technology Properties also filed a number of complaints in the U.S. District Court for the Eastern District of Texas the day after filing its ITC complaint. The district court cases were stayed pending resolution of the ITC investigation. After the Commission affirmed the ALJ’s Initial Determination, the district court cases were transferred to the U.S. District Court for the Northern District of California, where the defendants moved for judgment on the pleadings, arguing that Technology Properties’ claims were barred by the *Kessler* Doctrine as a result of the ITC’s non-infringement decision.<sup>38</sup> All parties agreed that the accused products in the district court were “essentially the same” as those accused at the ITC.<sup>39</sup>

The trial court first noted that the Supreme Court in *Kessler* could not have had the ITC in mind when it rendered its decision because the ITC’s predecessor agency, the U.S. Tariff Commission, was not created until 1916, nine years after *Kessler* was decided.<sup>40</sup> The court next noted that “Congress has expressly indicated that ITC decisions are not entitled to have preclusive effect.”<sup>41</sup> Because claim preclusion and issue preclusion have no place in the context of ITC decisions and subsequent U.S. district court litigation, “there is no gap for the *Kessler* doctrine to fill.”<sup>42</sup> As a result, the ITC’s non-infringement decision did not, in the trial court’s view, trigger the *Kessler* Doctrine to bar Technology Properties’ case.<sup>43</sup>

### III. Conclusion

Now that the *Kessler* Doctrine is back in the headlines, it will be up to U.S. district courts to continue to test the limits of the doctrine, and for the Federal Circuit to corral disparate trial court treatment to bring consistency to the *Kessler* Doctrine. One thing is certain: the *Kessler* Doctrine is here to stay and practitioners on both sides of the “v.” need to be aware of the risks and potential arguments that can be made under the *Kessler* Doctrine, as well as possible ways to respond to such arguments.

#### (Endnotes)

\* Kenneth R. Adamo is a partner in the Intellectual Property Group in Kirkland & Ellis LLP’s Chicago and New York offices. His practice focuses on all areas of intellectual property law, particularly including patent, copyright, unfair competition, trade secrets, and related antitrust matters. Eugene Goryunov is an Intellectual Property litigation partner based in the Chicago office of Kirkland & Ellis LLP. He is an experienced attorney who represents clients in complex multi-patent, multi-party, patent litigation matters involving many diverse technologies. Brent P. Ray is a partner in Kirkland & Ellis LLP’s Chicago office. His practice concentrates on patent litigation in federal courts and the U.S. International





Trade Commission and covers a broad range of technologies. Greg Polins is an intellectual property litigation associate in Kirkland & Ellis LLP's Chicago office. This article reflects only the present considerations and views of the authors, which should not be attributed to Kirkland & Ellis LLP, or to any of its or their former or present clients.

<sup>1</sup> *Brain Life, LLC v. Eleka Inc.*, 746 F.3d 1045, 1055-56 (Fed. Cir. 2014).

<sup>2</sup> *Kessler v. Eldred*, 206 U.S. 285, 288-90 (1907); *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*, 232 U.S. 413, 416-19 (1914).

<sup>3</sup> *Adaptix, Inc. v. AT&T Mobility LLC*, Nos. 6:12-cv-17, 6:12-cv-20, 6:12-cv-120, Dkt. 363 (Dkt. 354, Dkt. 340), at 2, 36-42 (E.D. Tex. May 12, 2015) (Report and Recommendation of the United States Magistrate Judge).

<sup>4</sup> *Brain Life*, 746 F.3d at 1057-58.

<sup>5</sup> *SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317, 1326-27 (Fed. Cir. 2015).

<sup>6</sup> *Rubber Tire Wheel*, 232 U.S. at 418-19.

<sup>7</sup> *Id.*

<sup>8</sup> *Mirror Worlds Techs., LLC v. Apple Inc.*, No. 6:13-cv-419, Dkt. 346, at 6-12 (E.D. Tex. July 7, 2015) (Order denying Apple Inc.'s motion for summary judgment of preclusion under the *Kessler* Doctrine and granting Mirror Worlds Technologies LLC's cross-motion of no preclusion).

<sup>9</sup> *Tech. Prop. Ltd. LLC v. Canon, Inc.*, No. 4:14-cv-3640, Dkt. 320, at 7-12 (E.D. Tex. June 24, 2015) (Order Denying Motion for Judgment on the Pleadings).

<sup>10</sup> 206 U.S. 285 (1907).

<sup>11</sup> *Id.* at 285-87. The questions of law the Seventh Circuit certified

to the Supreme Court were: (1) "Did the decree in *Kessler's* favor, rendered by the circuit court for the district of Indiana in the suit of *Eldred* against *Kessler*, have the effect of entitling *Kessler* to continue the business of manufacturing and selling throughout the United States the same lighter he had theretofore been manufacturing and selling, without molestation by *Eldred*, through the *Chambers* patent?"; (2) "Did the decree mentioned in the first question have the effect of making a suit by *Eldred* against any customer of *Kessler's* for alleged infringement of the *Chambers* patent by use or sale of *Kessler's* lighters a wrongful interference by *Eldred* with *Kessler's* business?"; (3) "Did *Kessler's* assumption of the defense of *Eldred's* suit against *Breitwieser* deprive *Kessler* of the right, if that right would otherwise exist, of proceeding against *Eldred* in the state and district of his citizenship and residence for wrongfully interfering with *Kessler's* business?"; and (4) "If *Eldred's* acts were wrongful, had *Kessler* an adequate remedy at law?" *Id.*

<sup>12</sup> *Id.* at 288.

<sup>13</sup> *Id.* at 288-89.

<sup>14</sup> 232 U.S. 413 (1914).

<sup>15</sup> *Id.* at 418.

<sup>16</sup> *Id.* at 418-19.

<sup>17</sup> *Id.* at 419.

<sup>18</sup> *Id.*

<sup>19</sup> 746 F.3d 1045 (Fed. Cir. 2014).

<sup>20</sup> *Id.* at 1049-51.

<sup>21</sup> *Id.* at 1051.

<sup>22</sup> *Id.* at 1056.

<sup>23</sup> *Id.* at 1057.

<sup>24</sup> *Id.* at 1058-59.

<sup>25</sup> 791 F.3d 1317 (Fed. Cir. 2015).

<sup>26</sup> *Id.* at 1318.

<sup>27</sup> *Id.* at 1325.

<sup>28</sup> *Id.* at 1326-27.

<sup>29</sup> *Adaptix, Inc. v. AT&T Mobility LLC*, Nos. 6:12-cv-17, 6:12-cv-20, 6:12-cv-120, Dkt. 363, at 2-3.

<sup>30</sup> *Id.* at 2-4, 8.

<sup>31</sup> *Id.* at 36-42.

<sup>32</sup> *Mirror Worlds Techs., LLC v. Apple Inc.*, No. 6:13-cv-419, Dkt. 346, at 1.

<sup>33</sup> *Id.* at 3-4.

<sup>34</sup> *Id.* at 8.

<sup>35</sup> *Id.* at 9-10.

<sup>36</sup> *Id.* at 11-12.

<sup>37</sup> *Tech. Prop., Ltd. LLC v. Canon, Inc.*, No. 4:14-cv-3640, Dkt. 320, at 2.

<sup>38</sup> *Id.* at 2-3.

<sup>39</sup> *Id.* at 7.

<sup>40</sup> *Id.* at 8.

<sup>41</sup> *Id.* at 9.

<sup>42</sup> *Id.* at 10.

<sup>43</sup> *Id.* at 12.

## Three Shades of Gray (Goods)

By William Thomashower\*

Trademark lawyers are often called upon to advise clients about the right to use a trademark or to demand that others not use it. Such issues often result in litigation. One of the more nuanced subjects in trademark disputes is that of so-called “gray” goods.

Even the definition of gray goods shows wide variation among the courts. The term initially referred to genuine trademarked goods bought at lower prices from foreign sources and imported into the United States for sale without the U.S. trademark or brand owner’s consent,<sup>1</sup> sometimes also called “parallel imports.”<sup>2</sup> In more recent cases, the gray goods analysis has been applied to trademarked merchandise sold without the brand owner’s authorization, regardless of source,<sup>3</sup> and courts have recognized that the same tests apply.<sup>4</sup>

Adopting a metaphor, if gray is a color made up of a mixture of the absolutes white and black, legal rights are clearest at the extremes of the gray goods shades. For example, goods sold by the brand owner and its authorized dealers are not subject to challenge, and these goods could be considered as the “legal” end of the spectrum with no gray. Goods that are counterfeit or knock-offs of the trademarked goods violate the Lanham Act and state laws, and sales of these goods can be enjoined with an award of damages to the trademark owner for infringement. These goods cannot lawfully be sold and can be categorized metaphorically at the opposite end of the spectrum also with no gray. In the middle between these two ends are “shades of gray” goods. Such goods can range from genuine merchandise imported from foreign countries but materially different from what the same brand owner sells in the United States and sold (without disclosure) in a manner likely to cause confusion to genuine merchandise obtained from U.S. authorized dealers or from foreign sources having no material difference from the product sold in the United States and sold in a manner not likely to cause confusion. The difference is legally significant, since a “material difference” which is “likely to cause confusion” is the standard in Lanham Act cases for finding infringement.<sup>5</sup>

### I. The First Sale Doctrine

An important starting point is the settled law, often anathema to many trademark owners, that the sale of *genuine* branded products without the trademark owner’s “authorization” is not a trademark violation. No “authority” from the trademark owner is required for

the mere purchase and resale of genuine branded goods having no material difference from the original product sold or authorized by the brand owner.<sup>6</sup> This is because there is no confusion when the genuine article bearing a true mark is sold, long known as “the first sale doctrine.”<sup>7</sup> The concept is that a brand owner having placed a genuine article in the stream of commerce and having been compensated has no further control and cannot impose post-sale restraints. As noted by the Supreme Court in the copyright case *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>8</sup> the “first sale” doctrine originated as early as 17<sup>th</sup> century England, and bars restraints on alienation, because one who “sells” an item has parted dominion with it forever.<sup>9</sup>

Many brand owners find “unauthorized” sales even of genuine goods to be disruptive of their distribution schemes, whether as to maintaining a desired high-end product image or controlling resale pricing or intrabrand competition. Not surprisingly, “authorized” dealers have similar objections. Brand owners are not without remedies, but taking the correct legal approach is important if the brand owner’s litigation is to be successful. Lawsuits alleging merely that the reseller is “unauthorized” or that the goods “must be” counterfeit, without the factual pleading required by *Iqbal* and *Twombly*,<sup>10</sup> can be dismissed at the outset on the defendant’s motion for failure to state a claim as a matter of law.<sup>11</sup>

Brand owners can be counseled to arrange their products and distribution to protect against the sale of truly “different” goods. The simplest solution is for the brand owner to sell in the foreign markets a physical product materially different from what it sells in the U.S. market.<sup>12</sup> However, for certain products, the cost of making different products for different geographical distribution is prohibitive due to differences in large batches, formulation, expensive tooling or carrying different inventory of similar products. Typical products in this category are watches, perfumes, drugs, and some automobiles. Another solution is to create differences not in the physical product but by adopting seller’s policies for associated services, such as warranties.<sup>13</sup> However, resellers can in most cases avoid these “created” non-physical “material differences” either by disclosure prior to sale or with disclosed substitutes, such as the reseller’s own warranty as an alternative. The issue of a manufacturer’s warranty is subject to a special exception rarely noted in New York State law, discussed below.

## II. Adequacy of Disclosures as Avoiding Likely Confusion

The legal concept of “likely to cause confusion” is important because it means that the seller’s disclosures or lack thereof can be an important factor in assessing infringement. For example, an “unauthorized” seller who obtains and resells genuine goods with no material differences and does not claim to be “authorized” or actually discloses in words or context that it is “not an authorized dealer,” would be in a safe harbor. Conversely, a reseller of genuine goods who by words or conduct gives consumers the false impression that it is an authorized dealer, when it is not, will likely cause confusion. Hence, for truly genuine goods, the presentation and disclosure in advertising, point of sale, and delivery with the product can be important.

A more complex question arises if the goods have a “material difference” that is disclosed prior to sale. Does this avoid consumer confusion? It depends. This is another shade of gray. Many cases do not reach this question, because the resellers do not make disclosures that could be made to avoid liability. Alternatively, the disclosures may be inadequate and/or the product has been altered, such as by removal of batch or serial numbers, for which “disclosure” usually will not be adequate to avoid liability.<sup>14</sup>

At one end of the “disclosure” spectrum, if the material difference affects the actual use or safety of the product or compliance with U.S. labelling laws, a disclosure of that difference is probably insufficient. Thus, for example, products sold in the U.S. with certain consumer warnings in the English language intended for U.S. consumers, or more to the point, language required by regulators, such as by the FDA, would present a safety issue if those same branded products are imported from foreign countries without proper U.S. labels, or with different disclosures, or in a foreign language or with different metrics.<sup>15</sup> Likewise, goods altered, such as by removal of serial numbers or batch codes, could prevent the manufacturer from recalling or contacting downstream consumers. In such a case, the reseller’s “disclosure” in the U.S. that the goods do not have the necessary warnings in English or have had serial numbers removed cannot avoid the risks to the consumer for the safety or proper use of the product, and thus interfere with product quality control. Such a “material difference” can be argued as inherent, likely to cause confusion, and not subject to disclosure or disclaimer.

At the other end of this “disclosure” spectrum, if the material difference does not affect the actual use or safety of the product, but involves a “material difference” that the U.S. consumer can choose to accept or not, the disclosure should be sufficient. In

this category, are brand owners’ attempts to “create” a material difference not with the physical goods themselves, but by adopting corporate “policies” that relate to the availability of services or accessories not physical to the goods themselves, such as warranties, packaging, or paperwork.<sup>16</sup> While it is certainly true that lack of such related services can create a material difference, the cases usually involve a failure to disclose the difference.<sup>17</sup> However, a trademark owner’s strategy of adopting a corporate policy not to honor warranties except for goods sold by authorized dealers is not an effective strategy against resellers in New York. Such a strategy is trumped by New York General Business Law § 369-b,<sup>18</sup> which protects consumers by requiring manufacturers to honor their warranties, no matter who the reseller of the goods is.<sup>19</sup>

## III. Conclusion

The simple concept of “first sale” as a defense to “gray goods” claims has many intricacies which will depend on the specific facts of the case, that is, the product, the brand owner policies and labelling, and the subsequent downstream handling and disclosures by the reseller. Counsel for brand owners and non-authorized resellers need to be fully conversant with the applicable precedents when providing proper advice or drafting court pleadings to best address these issues for their clients.

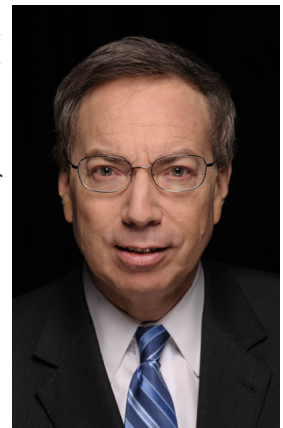
### (Endnotes)

\* William Thomashower is a founding partner of Schwartz & Thomashower LLP in New York City and a member of the NYIPLA Programs Committee and the NYIPLA Trademark Law & Practice Committee. He has advised and lectured on a wide range of intellectual property issues and has litigated cases in federal district and appellate courts across the country.

<sup>1</sup> *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281, 285 (1988) (“A gray-market good is a foreign-manufactured good, bearing a valid United States trademark, that is imported without the consent of the U.S. trademark holder.”).

<sup>2</sup> *Id.* at 286.

<sup>3</sup> *Dan-Foam A/S v. Brand Named Beds, LLC*, 500 F. Supp. 2d 296, 308 & n.103 (S.D.N.Y. 2007) (“Much of the body of trademark law that has developed around [foreign source] ‘gray goods’ cases can be applied by analogy to sales by unauthorized United States retailers of goods bearing genuine trademarks that have been created by a trademark owner for the United States market” (citing *Davidoff & Cie, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001); *Iberia Foods Corp. v. Romeo*, 150 F.3d 298 (3d Cir. 1998)).





<sup>4</sup> “Because of the legal similarity of these two categories of goods [unauthorized foreign source or domestic source]” both can be assessed under the “gray goods” test: (1) are the goods being sold by the unauthorized dealer “materially different” from the goods sold in the domestic market by the brand owner and authorized dealers; and (2) are those differences or the manner of sale “likely to cause consumer confusion” as to source or to dilute the trademark. *Id.* at 308 n.103, 309. See, e.g., *Abercrombie & Fitch v. Fashion Shops of Kentucky, Inc.*, 363 F. Supp. 2d 952, 963-66 (S.D. Ohio 2005) (only denim goods); *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 78, 80-81 (2d Cir. 1994); *Beltronics USA, Inc. v. Midwest Inventory Distribution, LLC*, 562 F.3d 1067 (10th Cir. 2009).

<sup>5</sup> E.g., *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.*, 816 F.2d 68 (2d Cir. 1987). The cases generally conclude that “a material difference” will likely cause confusion, but these are cases in which the “material difference” has not been adequately disclosed by the seller prior to sale. As discussed *infra*, there are fact patterns in which disclosure can dispel confusion or in which disclosure is insufficient as a matter of law, such as labelling violating federal law. Also, to narrow its scope, this article focuses on cases involving infringement rather than those involving dilution under the differing and more complex standards for dilution under either federal or state law.

<sup>6</sup> This also assumes that the seller is not liable for a separate infringement of misrepresenting itself as being an “authorized” dealer.

<sup>7</sup> The first sale doctrine is old and well settled. See, e.g., *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924); *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 103 (2d Cir. 2010); *Sebastian Int’l, Inc. v. Longs Drug Stores Corp.*, 53 F.3d 1073, 1075 (9th Cir. 1995); *Polymer Tech.*, 37 F.3d at 78, 80-81 (“unauthorized” distribution of genuine goods, even with confusing labels is not trademark infringement or sale of counterfeit goods); *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 61-62 (2d Cir. 1992); *H.L. Hayden Co. v. Siemens Med. Sys., Inc.*, 879 F.2d 1005, 1023 (2d Cir. 1989); *Bel Canto Design, Ltd. v. MSS HiFi, Inc.*, 837 F. Supp. 2d 208, 222 (S.D.N.Y. 2011).

<sup>8</sup> 568 U.S. \_\_\_, 133 S. Ct. 1351 (2013).

<sup>9</sup> *Id.* at 1363. Quoting Lord Coke, the Supreme Court explained in the copyright context:

The “first sale” doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law’s refusal to permit restraints on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, *Two Contributions to Coke Studies*, 72 U. Chi. L. Rev. 1127, 1135 (2005), Lord Coke wrote:

“[I]f a man be possessed of . . . a horse, or of any other chattell . . . and give or sell his whole interest . . . therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest . . . is out of him, so as he hath no possibilit[y] of a Reverter . . .” 1 E. Coke, *Institutes of the Laws of England* § 360, p. 223 (1628).

<sup>10</sup> *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662, 129 S. Ct. 1937, 1949 (2009).

<sup>11</sup> See cases in note 7, *supra*, and more recently, e.g., *TechnoMarine, SA v. Giftports, Inc.*, No. 11 Civ. 9643, 2012 WL 3964734, at \*6 (S.D.N.Y. Sept. 10, 2012), *aff’d*, 758 F.3d 493 (2d Cir. 2014); *TechnoMarine SA v. Jacob Time, Inc.*, 905 F. Supp. 2d 482, 487-89 (S.D.N.Y. 2012). (The author was counsel for the successful defendant in the above-cited *Giftports* case.)

<sup>12</sup> *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 635, 644 (1st Cir. 1992) (holding that differences in “presentation, variety, composition, and price” between chocolates bearing the same trademark but manufactured in different countries were material); *Abercrombie & Fitch*, 363 F. Supp. 2d at 963-65 (resale of “sell off goods” which were different and without disclosure). This “solution” for the brand owner of making different products for distribution in different geographical markets assumes that the reseller does not disclose the differences to the U.S. consumer, prior to purchase, provided, however, that the differences are not the kind where disclosure will not be adequate, such as disclosures related to U.S. labelling and safety laws.

<sup>13</sup> E.g., *Beltronics*, 562 F.3d 1067.

<sup>14</sup> Both these circumstances were found by the court in *Beltronics*, 562 F.3d at 1069, 1074-75. See also *Zino Davidoff S.A. v. CVS Corp.*, 571 F.3d 238, 243-46 (2d Cir. 2009) (removal of unique UPC codes from genuine imported gray goods interfered with plaintiff’s legitimate quality control procedures).

<sup>15</sup> See, e.g., *Helene Curtis v. National Wholesale Liquidators, Inc.*, 890 F. Supp. 152, 157-60 (E.D.N.Y. 1995) (granting preliminary injunction against products imported from plaintiff’s licensee in Canada, which were materially different from plaintiff’s U.S. product in both composition and labelling, including failure to disclose ingredients and weight in the manner required by U.S. law).

<sup>16</sup> See, e.g., *SKF USA, Inc. v. Int’l Trade Comm’n*, 423 F.3d 1307, 1314 (Fed. Cir. 2005) (“We hence conclude that . . . material differences that preclude infringement by gray goods may be physical or nonphysical.”), cited in *Beltronics*, 562 F.3d at 1073 and *Dan-Foam*, 500 F. Supp. 2d at 311 n.115 (explaining that “[t]he term ‘nonphysical’ here refers to intangible product qualities, such as accompanying paperwork, service plans or warranties.”).

<sup>17</sup> See, e.g., *Helene Curtis*, 890 F. Supp. at 157-60 (no disclosure by seller of the differences between U.S. source and Canadian source hair care products); *Societe Des Produits Nestle*, 982 F.2d at 642-44 (failure to disclose differences in quality control, product composition, configuration, and inadequate “fine print” disclosure that same brand of chocolate was “made in Venezuela” instead of Italy). *Compare Beltronics*, 562 F.3d at 1074-76 (adequate disclosure of differences may avoid confusion, although inadequate in that case) with *TechnoMarine*, 905 F. Supp. at 491-93 (unauthorized seller offered its own warranty, asserted to be not as “comprehensive,” but the Lanham Act claim was dismissed because plaintiff failed to allege that its manufacturer warranty was not also still available).

<sup>18</sup> Section 369-b of the New York General Business Law states:

Manufacturer’s warranty and guarantee. A warranty or guarantee of merchandise may not be limited by a manufacturer doing business in this state solely for the reason that such merchandise is sold by a particular dealer or dealers, or that the dealer who sold the merchandise at retail has, since the date of sale, either gone out of business or no longer sells such merchandise. Any attempt to limit the manufacturer’s warranty or guarantee for the aforesaid reason is void.

<sup>19</sup> *Bel Canto Design*, 837 F. Supp. 2d at 226-27 (“[S]tated policy of refusing to honor warranties of products for the sole reason that they were sold by unauthorized dealers is contrary to GBL 369-b,” thus New York General Business Law § 369-b “trumps” a corporate policy not to honor a warranty for goods sold by an unauthorized New York dealer.)

## Section 101 Requires Something More . . . But How Much More?

By Ted Mathias, Seth I. Heller, and William Rose\*

Since the inception of the modern patent code in 1952, the question of whether an invention meets subject matter eligibility requirements under 35 U.S.C. § 101 (“Section 101”) has rarely been difficult or contentious. Section 101 requires that patents only be awarded for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” Courts created several well-accepted exceptions to patentable subject matter: laws of nature, physical phenomena, and abstract ideas. Until recently, these exceptions were narrowly interpreted as a “low hurdle” that a patent applicant must overcome. This is no longer the case, and Section 101 has reached an unprecedented prominence in patent prosecution, reexamination, and litigation.

This article explores recent changes in Section 101 jurisprudence. In examining these changes, we trace the legal standard applied to inventions utilizing a law of nature, abstract idea, or natural phenomenon to survive Section 101. We conclude that the “low hurdle” has become substantially higher.

### I. From “Something More” to an “Inventive Concept”: The Supreme Court’s Analysis of Inventions Under Section 101

#### A. The “Patent Eligibility Trilogy”

A trio of seminal Supreme Court decisions, known as the “Supreme Court Trilogy” or “Patent Eligibility Trilogy,” first defined the requirement that “something more” was needed to transform patent claims directed towards the use of an algorithm, law of nature or abstract idea from non-patentable subject matter into patentable subject matter. In *Gottschalk v. Benson*<sup>1</sup> and *Parker v. Flook*,<sup>2</sup> the first two cases in the trilogy, the Court held that claims covering algorithms by themselves were not patent eligible under Section 101. In *Gottschalk*, the Court found unpatentable claims for an algorithm used to convert binary code decimal numbers to equivalent pre-binary numbers.<sup>3</sup> The Court’s finding ultimately rested on its view that Gottschalk’s claims captured the only practical application of the algorithm in a generic digital computing environment that, without more specific context, would effectively permit patent protection over every use of the algorithm. In *Flook*, the Court similarly found a method for computing and updating an “alarm limit” for use in monitoring catalytic conversion processes to be unpatentable under Section 101.<sup>4</sup> The application claimed only the algorithm, failed to explain how to determine the underlying variables of the algorithm, and was silent on the catalytic conversion process.<sup>5</sup> Accordingly, the Court found the invention to

be nothing more than a mathematical formula and thus ineligible subject matter under Section 101.

In the third case of the trilogy, *Diamond v. Diehr*,<sup>6</sup> the claims at issue applied the Arrhenius equation, which is a mathematical formula describing the effect of temperature on reaction rates, to a process for curing rubber.<sup>7</sup> Prior art methods of molding cured rubber involved placing the uncured rubber inside a heated press for a particular time. Skilled artisans used the Arrhenius equation to calculate when to open the press and remove the cured, molded rubber.<sup>8</sup> At the time of invention, however, there was no way to obtain an accurate measure of the rubber’s temperature without opening the press.<sup>9</sup> The invention solved this problem by using embedded thermocouples to constantly check the temperature and feed the measured values into a computer.<sup>10</sup> A computer then applied the Arrhenius equation to calculate when the press should be opened.<sup>11</sup> The Court found that Diehr’s use of a mathematical equation in a computerized rubber press was meaningfully different from cases like *Parker v. Flook* that sought to preempt the use of mathematical equations in a generic computer environment.<sup>12</sup> Instead, Diehr’s claims were eligible for patent protection because they were limited to specifically improving methods of curing rubber.<sup>13</sup>

The Court’s reasoning in *Diehr* was a significant turning point in Section 101 jurisprudence. The Court created precedent that a physical machine or process using ineligible subject matter, an algorithm in *Diehr*, can transform the ineligible into eligible subject matter.<sup>14</sup> The patent community was given direction that judicial exceptions to patentability can become patentable when “performing a function which the patent laws were designed to protect (*e.g.*, transforming or reducing an article to a different state or thing).”<sup>15</sup>

#### B. *Bilski v. Kappos*

The *Diehr* opinion served as the seminal case leading to the so-called “machine-or-transformation test” for determining the patent eligibility of processes containing one of the statutory exceptions to patentable subject matter.<sup>16</sup> For years, until the Supreme Court decided *Bilski v. Kappos*,<sup>17</sup> the machine-or-transformation test was a predictable way to analyze whether claims passed muster under Section 101. Starting with *Bilski*, Section 101 jurisprudence moved away from the use of a “rigid” test towards balancing tests requiring a more substantive analysis of the inventive qualities of the proposed innovation.

In *Bilski*, the Supreme Court addressed an invention related to the long-known abstract method of risk hedging. The Court found that the invention

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at issue failed to transform an abstract idea to patent-eligible subject matter. Specifically, the Court noted that an abstract idea claimed generally and described using broad, general examples is not worthy of patent protection.<sup>18</sup> Just as in *Flook*, where limiting an algorithm to one claimed field of use did not render the invention patent eligible, the Court in *Bilski* held that the claims limiting the abstract idea of hedging to the narrow field of energy markets did not render *Bilski*'s invention patent eligible.<sup>19</sup> The Court needed "something more" to transform a process of hedging into a patent-eligible invention.<sup>20</sup>

*Bilski* was important for at least two reasons. First, *Bilski* relegated the long-used machine-or-transformation test from the determinative test for patentability under Section 101 to a "useful and important clue."<sup>21</sup> Second, instead of a strict application of the machine-or-transformation test, the Court, in light of the Patent Eligibility Trilogy, elaborated that the ultimate question was not whether the ineligible matter was part of a machine or a transformation, but whether granting the claims would effectively grant a monopoly over the abstract idea.<sup>22</sup>

### C. *Mayo v. Prometheus*

The Supreme Court's next Section 101 decision was in the life sciences, a technology field that often utilizes or relates to the body's natural processes. In *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, the Court found a diagnostic test measuring metabolite levels in a patient's blood following drug administration to claim patent-ineligible subject matter because it used the natural laws of human drug metabolism without "something more."<sup>23</sup> The claimed invention was characterized as having three steps: (1) administering the drug to a subject, (2) determining metabolite levels, and (3) being warned that an adjustment in dosage may be required.<sup>24</sup> The parties agreed that the first two steps were routinely practiced prior to the date of patenting. Additionally, there was little question that the third step, which involved correlating the metabolite levels with the patient's overall health, is directed to the natural law of drug metabolism. Thus, the issue was whether the first two steps (which were in the prior art) added enough to the third step (which comprised a natural law) such that the invention as a whole was not ineligible under Section 101.

## Moving UP ▲ & Moving ON ►►►

- ▶ Michael B. Cottler, of Goodwin Procter LLP, was promoted to partner in its Litigation Department.
- ▶ William A. Tanenbaum, formerly of Kaye Scholer LLP, has joined Arent Fox LLP as a partner in its Corporate & Securities practice.
- ▶ Michelle Mancino Marsh and Linda Shudy Lecomte, formerly of Kenyon & Kenyon LLP, have joined Arent Fox LLP as partners in its intellectual property practice.
- ▶ Katrin Lewertoff, formerly of Arent Fox LLP, and Marc Foodman, formerly of Watson Rounds, PC, have joined Ferdinand IP LLC as partners in its Westport, CT office.
- ▶ Sherry Jetter and Philip Karnofsky, formerly of Katten Muchin Rosenman LLP, have joined Mayer Brown LLP as counsel and associate, respectively, in its intellectual property group.
- ▶ Nancy J. Mertz, formerly of Schoeman Updike Kaufman & Stern LLP, has joined Herrick Feinstein LLP as a partner and chair of its intellectual property group.
- ▶ Arlene Hahn, formerly of Weil Gotshal & Manges LLP, has joined White & Case LLP as a partner in its Intellectual Property Practice.
- ▶ John F. Ward, Michael J. Zinna, Frank Morris, and David Lindenbaum, formerly of Ward & Zinna LLC, have joined Kelley Drye & Warren LLP in its Intellectual Property practice in its New York and New Jersey offices. Messrs. Ward and Zinna have joined as partners, Mr. Morris has joined as special counsel, and Mr. Lindenbaum has joined as a senior associate.

The Report's Moving Up and Moving On feature is for the Association's members. If you have changed your firm or company, made partner, received professional recognition, or have some other significant event to share with the Association, please send it to The Report editors: William Dippert ([wdippert@patentusa.com](mailto:wdippert@patentusa.com)) or Mary Richardson ([mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)).



The Court's ruling established a two-step framework for distinguishing claims directed to the patent-ineligible subject matter of laws of nature, natural phenomena, and abstract ideas from those that satisfied Section 101. The first step is to determine whether a claim is directed to a patent-ineligible concept such as an abstract idea, a mathematical formula, or a law of nature.<sup>25</sup> If the first step is answered in the affirmative, the second step is to consider whether the additional elements recited in the claim "transform the nature of the claim" into a patent-eligible application by reciting an "inventive concept" that is "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself."<sup>26</sup>

The Court applied this two-step analysis to the claimed inventions in *Mayo* and found that the correlation step between metabolite concentrations in the blood and the likelihood of drug effectiveness was directed to an ineligible law of nature. Thus, in contrast to the machine-or-transformation analysis, which might have found machines measuring metabolite concentrations to satisfy Section 101, the Court examined the inventive quality of the features applying the ineligible subject matter. The Court first opined that "the relationships between concentrations of certain metabolites in the blood and the likelihood that a thiopurine drug dosage will prove ineffective or cause harm" are laws of nature and thus unpatentable unless "the patent claims *add enough to their statements of the correlations to allow the processes they describe to qualify as patent-eligible processes that apply natural laws.*"<sup>27</sup> The Court further concluded that the first two steps, which had long been practiced in the prior art, were "not genuine applications" of the natural law for the purpose of passing Section 101. The Court explained that "the steps in the claimed processes (aside from the natural laws themselves) involve *well-understood, routine, conventional activity* previously engaged in by researchers in the field,"<sup>28</sup> and therefore were "not sufficient to transform unpatentable natural correlations into patentable applications of those regularities."<sup>29</sup> Although the Court did not articulate exactly what could transform a natural law into a patent-eligible application of that law, the Court emphasized that the addition of well-understood, routine, conventional activity at a "high level of generality" was not enough.<sup>30</sup>

*Mayo* signified a distinct change in what "more" is needed to satisfy Section 101. The earlier machine-or-transformation analysis, looking for applications of ineligible subject matter to man-made technology, now required an evaluation of whether said machine or transformation reached beyond well-understood, routine and conventional activity recited at a high level of generality to an "inventive concept." With added contours to Section 101's bar to patentability, practitioners and innovators alike were eager for further clarification from the Court.

#### D. Association for Molecular Pathology v. Myriad Genetics

*Association for Molecular Pathology v. Myriad Genetics, Inc.*<sup>31</sup> gave the Court an opportunity to further clarify Section 101's boundaries. In *Myriad*, the Supreme Court addressed whether isolated segments of naturally occurring genomic DNA and man-made cDNA were patent eligible under Section 101.

*Myriad* presented a relatively simple factual background. Myriad Genetics, Inc. ("Myriad") obtained a number of patents concerning the BRCA1 and BRCA2 genes, which are associated with an increased risk of breast cancer. Myriad's patents contained claims directed to isolated genes, diagnostic methods utilizing the BRCA genes to screen for risk of cancer, and methods to identify drug candidates. The gene patents at issue were composition claims directed to isolated segments of human DNA as well as man-made cDNA, which is synthetic DNA wherein the portions that do not encode for protein synthesis (exons) are removed in the lab.

The Supreme Court found that only claims directed towards isolated cDNA, and not those directed towards isolated genomic DNA, passed muster under Section 101. The Court explained that the claims directed to isolated DNA were ineligible because: "Myriad did not create or alter any of the genetic information encoded in the BRCA1 and BRCA2 genes ... [n]or did Myriad create or alter the genetic structure of DNA."<sup>32</sup> By contrast, the Court found that cDNA, wherein the non-protein coding exons have been removed from the strand, is patent-eligible subject matter because it is not naturally occurring, i.e., not a product of nature.

The Court in *Myriad* emphasized that it was not ruling on the patent eligibility of *methods* for isolating genes, but instead was merely addressing the eligibility of genes themselves.<sup>33</sup> The majority suggested that an innovative method of manipulating genes might merit patent protection, but also noted that, in *Myriad* and much like the technology in *Mayo*, the methods used by the patentees "were well understood, widely used, and fairly uniform insofar as any scientist engaged in the search for a gene would likely have utilized a similar approach."<sup>34</sup> As such, the methods added to the composition claims failed to add an "inventive" dimension sufficient to transform the composition claims covering naturally occurring genomic DNA segments into a patent-eligible invention.

Although the Court again emphasized that transformation of a claim comprising a product of nature—or other ineligible subject matter—into a patent-eligible invention requires the addition of something "inventive," there was little clarification as to what that is. The 2014 decision in *Alice Corp. Pty. Ltd. v. CLS Bank International*,<sup>35</sup> the most recent Supreme Court opinion on Section 101 eligibility, gave the Court an opportunity to examine "inventive" aspects of patents directed to the abstract idea of intermediated settlement.

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### E. *Alice Corp. v. CLS Bank International*

Just one year after deciding *Myriad*, the Supreme Court revisited Section 101 in *Alice*. The patents in *Alice* were directed to methods for facilitating the exchange of financial obligations between two parties by using a computer system as a third-party intermediary. The concept of using a third party to mitigate settlement risk is known as an intermediated settlement or escrow, and has been practiced in finance for centuries.

The Court held that the claims were directed to nothing more than abstract ideas and were thus invalid. Applying the two-step *Mayo* test, the Court first found that the claimed method of using an intermediated settlement to facilitate transactions was an abstract idea, and thus was ineligible for protection.<sup>36</sup> The Court then emphasized that, under *Mayo* and other subject-matter precedent, simply adding conventional steps to a method that is already well known in the art does not provide the “inventive concept” required for patent protection.<sup>37</sup> Similarly, the Court held that claims directed towards an abstract concept implemented by known technologies are not inventive, and thus, do not deserve patent protection: “wholly generic computer implementation is not generally the sort of ‘additional featur[e]’ that provides any ‘practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.’”<sup>38</sup> As the inventions claimed in *Alice* did not add more than a generic computer to an abstract idea, the Court found that they failed to meet the second step of the *Mayo* test.

The Court explained that, because the “[inventors] do not, for example, purport to improve the functioning of the computer itself” or “effect an improvement in any other technology or technical field,” the application of an abstract idea to a generic computer was not enough to overcome Section 101’s requirements.<sup>39</sup> Quoting *Mayo*, the Court stated that “[s]imply appending conventional steps, specified at a high level of generality, [is] not ‘enough’ to supply an ‘inventive concept,’”<sup>40</sup> found the claims to cover unpatentable subject matter, and again reinforced its requirement that “something more” is needed to transform an invention using an abstract idea, law of nature or natural phenomenon into patent-eligible subject matter, but added very limited guidance as to what “something more” means and what level of specificity is required to satisfy Section 101.

Some commentators have criticized the *Alice* decision as the beginning of the end of high technology commercial innovation, arguing that the vague but seemingly stringent eligibility standard announced by the Court will deter investment and innovation in these areas. There are similar concerns, for example, in the biotech and medical diagnostic fields. It remains to be seen what the ultimate effect of *Alice* and its predecessors will be, but the Federal Circuit case of *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*,<sup>41</sup> suggests that the Supreme Court’s amorphous

requirement of an “inventive concept” has left the lower courts with inadequate guidance for evaluating patents that relate to an abstract idea, natural law, or natural phenomenon.

### II. *Ariosa Diagnostics v. Sequenom: The Supreme Court’s Next Section 101 Case?*

*Ariosa* illustrates the challenges faced by the Federal Circuit and the lower courts in applying the Supreme Court’s recent Section 101 precedent.

The inventors in *Ariosa* obtained U.S. Patent No. 6,258,540 (“the ‘540 patent’”) covering a method of analyzing cell-free fetal DNA (“cffDNA”) isolated and amplified from maternal serum to perform a non-invasive, prenatal diagnosis of sex determination, blood type, genetic disorders, and pre-eclampsia. This was the first time cffDNA had been isolated from maternal serum; previously it had to be derived from a fetus in utero.<sup>42</sup> The medical community lauded the invention as a breakthrough in prenatal diagnostics, as previous techniques required invasive methods, which presented risks to the patient and were often time-consuming and expensive.<sup>43</sup> The ‘540 patent contained independent claims related to general methods of synthesizing cffDNA found in maternal serum, as well as narrower claims related to the use of a technique known as a polymerase chain reaction (“PCR”) to amplify isolated cffDNA found in maternal serum.<sup>44</sup>

The ‘540 patent was eventually licensed to Sequenom, Inc. (“Sequenom”), which ended up in litigation over the ‘540 patent with its competitor Ariosa.<sup>45</sup> The district court found the ‘540 patent to claim ineligible subject matter under Section 101,<sup>46</sup> and the Federal Circuit affirmed. The Federal Circuit applied the Supreme Court’s two-part test for assessing subject-matter eligibility, namely, that inventions premised on abstract ideas, natural laws, or natural phenomenon require an additional “inventive concept” to be eligible for patenting. Applying this understanding of the Supreme Court’s teachings regarding diagnostic claims predicated on abstract ideas or natural phenomena, the Federal Circuit stated:

It is undisputed that the existence of cffDNA in maternal blood is a natural phenomenon. Sequenom does not contend that [the inventors] created or altered any of the genetic information encoded in the cffDNA, and it is undisputed that the location of the nucleic acids existed in nature before [the inventors] found them. The method ends with paternally inherited cffDNA, which is also a natural phenomenon. The method therefore begins and ends with a natural phenomenon. Thus, the claims are directed to matter that is naturally occurring.<sup>47</sup>

The Federal Circuit then opined that the methods the applicants used to detect and amplify cffDNA were

well-understood, routine, and conventional at the time of patenting.<sup>48</sup> Because the Federal Circuit held that the method steps were well understood, conventional, and routine—including the claims directed towards PCR—it concluded that the method of detecting paternally inherited cffDNA was not eligible for patenting.

Judge Linn’s concurring opinion points to the continuing debate over the Supreme Court’s new test. He explained that:

In my view, the breadth of the second part of the test was unnecessary to the decision reached in *Mayo*. This case represents the consequence—perhaps unintended—of that broad language in excluding a meritorious invention from the patent protection it deserves and should have been entitled to retain.<sup>49</sup>

In Judge Linn’s view, there is tension between the *Mayo* test and the Court’s pronouncement in *Diehr* that “a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made.”<sup>50</sup> Judge Linn’s concerns might be addressed sooner rather than later, as Sequenom has filed a petition for rehearing en banc before the Federal Circuit and will likely file a petition for certiorari with the Supreme Court if the en banc petition is denied.

### III. Conclusion

The Supreme Court’s “inventive concept” test has made Section 101 a more robust limitation on patentability. Challenges to patentability under Section 101 present powerful defenses to accused infringers and pose new obstacles to patentees seeking to enforce their patents. The precise contours of Section 101 are an issue that the courts and the Patent and Trademark Office will continue to define for years to come.

#### (Endnotes)



\*Ted Mathias is a partner in Axinn, Veltrop & Harkrider, LLP’s Connecticut office. His practice focuses on patent litigation and he also has experience litigating antitrust and other commercial matters. Seth I. Heller is an associate in Axinn’s Washington, D.C. office, where he is a member of the firm’s Intellectual Property group. His practice focuses on U.S. district court patent litigation and appeals, with a particular emphasis in the fields of biotechnology, pharmaceuticals, medical devices, diagnostics, and the life sciences. William Rose is also an associate in Axinn’s Washington, D.C. office, where he practices primarily in the firm’s FDA, Intellectual Property, and Patent Litigation groups. His particular focus is on

FDA and patent issues facing the life sciences industry, including pharmaceuticals, biologics and medical devices.

<sup>1</sup> 409 U.S. 63 (1972).  
<sup>2</sup> 437 U.S. 584 (1978).  
<sup>3</sup> *Gottschalk*, 409 U.S. at 71-72.  
<sup>4</sup> *Flook*, 437 U.S. at 594-95.  
<sup>5</sup> *Id.* at 586.  
<sup>6</sup> 450 U.S. 175 (1981).  
<sup>7</sup> *Id.* at 177-78.  
<sup>8</sup> *Id.*  
<sup>9</sup> *Id.*  
<sup>10</sup> *Id.* at 178.  
<sup>11</sup> *Id.* at 179.  
<sup>12</sup> *Id.* at 187.  
<sup>13</sup> *Id.* at 192-93.  
<sup>14</sup> *Id.* at 187.  
<sup>15</sup> *Id.* at 192-93.  
<sup>16</sup> The machine-or-transformation test holds that a claim to a process passes Section 101 if: (1) it is implemented by a particular machine in a non-conventional and non-trivial manner or (2) transforms an article from one state to another. *In re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008).  
<sup>17</sup> 561 U.S. 593, 130 S. Ct. 3218 (2010).  
<sup>18</sup> *Id.* at 3231.  
<sup>19</sup> *Id.*  
<sup>20</sup> *Id.*  
<sup>21</sup> *Id.* at 3227.  
<sup>22</sup> *Id.* at 3230-31.  
<sup>23</sup> 566 U.S. 10, 132 S. Ct. 1289, 1294, 1305 (2012).  
<sup>24</sup> *Prometheus Labs., Inc. v. Mayo Collaborative Servs.*, No. 04cv1200, 2008 WL 878910, at \*6 (S.D. Cal. Mar. 28, 2008).  
<sup>25</sup> *See Mayo*, 132 S. Ct. at 1297.  
<sup>26</sup> *Id.* at 1294.  
<sup>27</sup> *Id.* at 1296-97 (emphasis added (except words “enough” and “apply” italicized in original)).  
<sup>28</sup> *Id.* at 1294 (emphasis added).  
<sup>29</sup> *Id.* at 1298.  
<sup>30</sup> *Id.* at 1300-01 (emphasis added) (“Other cases offer further support for the view that simply appending conventional steps specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable.” (emphasis added)). *Id.* at 1300.  
<sup>31</sup> 569 U.S. \_\_\_, 133 S. Ct. 2107 (2013).  
<sup>32</sup> *Id.* at 2116.  
<sup>33</sup> *Id.* at 2119-20.  
<sup>34</sup> *Id.* at 2119-20 (quoting *Association for Molecular Pathology v. United States Patent and Trademark Office*, 702 F. Supp. 2d 181, 202-03 (S.D.N.Y. 2010)).  
<sup>35</sup> 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014).  
<sup>36</sup> *Id.* at 2357.  
<sup>37</sup> *Id.* at 2359-60.  
<sup>38</sup> *Id.* 2358 (quoting *Mayo*, 132 S. Ct. at 1297).  
<sup>39</sup> *Id.* at 2359.  
<sup>40</sup> *Id.* at 2357 (quoting *Mayo*, 132 S. Ct. at 1300, 1297, 1294 (emphasis in original)).  
<sup>41</sup> 788 F. 3d 1371 (Fed. Cir. 2015).  
<sup>42</sup> *Id.* at 1373.  
<sup>43</sup> *Id.* at 1381 (Linn, J., concurring).  
<sup>44</sup> *Id.* at 1373-74.  
<sup>45</sup> In response to letters from Sequenom threatening claims of infringement, Ariosa filed a declaratory judgment action alleging non-infringement of the ‘540 patent. Sequenom counterclaimed, alleging infringement. *Id.* at 1374.  
<sup>46</sup> *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 19 F. Supp. 3d 938, 954 (N.D. Cal. 2013).  
<sup>47</sup> *Ariosa*, 788 F.3d at 1376.  
<sup>48</sup> *Id.* at 1377-78.  
<sup>49</sup> *Id.* at 1380.  
<sup>50</sup> *Diehr*, 450 U.S. at 188.



## As Time Goes By — IP & Morality

Like a slap upside the head, a big corporate scandal tends to focus our attention. The latest one, the one involving so-called “clean diesel,” reminds us that at least some corporations, despite their public posturing, do not consider themselves beholden to society-at-large, nor to their boards of directors, nor to their employees (save perhaps the CEO), but rather to their shareholders, their share price, and their next quarterly report. Indeed, the clean diesel scandal suggests that disregard for the public interest has sunk to a new low.

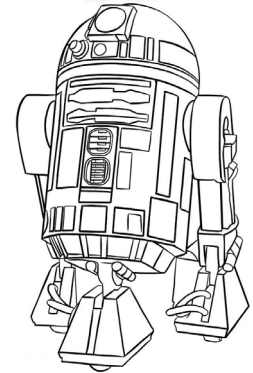
If human lives have been put at risk or shortened by virtue of the noxious gas emissions attributable to millions of dirty diesel engines misrepresented as being clean, we may wonder how the courts will put a price tag on that loss. And who will pay, the corporation or future car purchasers?

Moreover, if software can be installed to turn off a car’s catalytic converter while driving and to turn it on solely during emissions testing, does responsibility for the scam associated with rigging the system lie solely within the software designers’ domain? More to the point in the context of our profession, what is the moral, ethical, and legal responsibility of intellectual property counsel when asked by corporate management how to best protect the slogan “clean diesel” or the software associated with technology for evading emissions detection?

Society is about to enter a brave new world referred to as the “Internet of things.” In this brave new world, even household refrigerators will become “smart” by virtue of associated software. Will this software be called upon to make moral and ethical decisions formerly within the realm of humans? If so, will this allow a corporation’s

employees to evade responsibility by passing decision making off instead to inanimate software?

Consider the following scenario: You’ve just purchased one of those fancy new self-driving electric cars with an autopilot. Although the purchase has set you back \$150K, you figure that the payback period will be short due to the resulting exchange of time behind the wheel for billable hours.



On your maiden voyage, the morning commute is converted into a “mourning” one when the car’s software is called upon to make a split-second decision. The software must decide whether the car should hit a child on a bike who has veered into the car’s path, or instead steer itself (and you) into a tree. Either way, the software loses, and you do too. In that brief moment, does the software get to assess the relative value of the two human lives before making its decision?

What about the designers of the autopilot, and their bosses up the chain of command? Are they all insulated from responsibility because the software is self-effectuating, like Hal in the movie “2001: A Space Odyssey”?

Going forward, IP counsel will likely be called upon to play a greater role in the legal, moral, and ethical decision-making process surrounding software-implemented decision making. To date, there are lots of questions, but few answers. Clearly we need to be considering answers.

With kind regards,

Dale Carlson



*Dale Carlson, a retired partner at Wiggin and Dana, LLP is “distinguished practitioner-in-residence” at Quinnipiac University School of Law, NYIPLA historian, and a Past President. His email is dcarlson007@gmail.com. The views expressed herein are those of the author and do not reflect the views of Quinnipiac University School of Law or the NYIPLA.*

## October/November 2015 IP Media Links

By Jayson L. Cohen\*

### Trademarks in the News

October was an active month for mainstream news about trademarks, whether one is running for President or flipping burgers.

Donald Trump has been branding himself using a slogan often attributed to Ronald Reagan, “Make America Great Again.” CNN ran a story on October 8, 2015, about Mr. Trump’s efforts to sell products, apparently in support of his campaign, that tout this slogan while he simultaneously seeks U.S. trademark protection. According to the article, Mr. Trump has been successful in building consumer association in the marketplace for himself with the slogan “Make America Great Again,” and Mr. Trump will selectively enforce issued trademarks against unauthorized use. It is not known what Mr. Trump intends to do if he becomes President: will he continue to sell products bearing the slogan “Make America Great Again,” and will he seek to enforce any related trademarks? And, if Mr. Trump falls short in his bid for the presidency, will he use “Make America Great Again” as a marketing tool outside the political arena? (<http://money.cnn.com/2015/10/08/investing/donald-trump-make-america-great-again-trademark/>.)

As previously reported in IP Media Links in connection with the Washington Redskins, there are some who contend that the U.S. Trademark Office’s policy not to grant marks that disparage (e.g., an ethnic group) violates the First Amendment. More recently, in an October 2, 2015 article entitled, “Denied trademark, U.S. rock band The Slants turns to First Amendment,” Andrew Chung reported for Reuters that this band, whose members are Asian-Americans, has flipped the disparagement issue on its head. Reuters reported that, “In the Slants’ case, supported by the American Civil Liberties Union, front man Simon Tam said the band adopted the name as a way to reclaim the racial slur.” The Federal Circuit, vacating a prior pro-government panel ruling, heard oral argument on the First Amendment issue en banc.

As Mr. Chang’s article reported, the government supports the policy of denying disparaging trademarks, and, at oral argument, DOJ attorney Daniel Tenny told the Federal Circuit that this policy’s purpose is not “to

help people to make a political statement or prevent people from making political statements.” But whether or not The Slants’ position is deemed, in part, a political statement, and whether or not the policy’s purpose is aimed at political speech, political speech is not the only speech protected by the First Amendment. And, in any case, the Federal Circuit may find that the U.S. Patent and Trademark Office’s policy chills speech by purposefully and necessarily taking a government viewpoint as to what is and is not disparaging when used for branding purposes in the marketplace, and in this case has denied trademark protection to The Slants’ message on that basis. (<http://www.reuters.com/article/idUSL1N1250YJ20151005>.)

For *The New York Times*, Elizabeth Olson wrote an article dated October 28, 2015, entitled “Z-Burger Case Shows Value of Trademark Protection.” Burgers may not seem as lofty a dream as the U.S. presidency, but the article reports that it was Payam Tabibian’s American Dream, one built by hard work from the ground up and supported by trademark registrations. A focus of the article is that a small business in its infancy often does not have the time or resources to establish trademarks, but that the added benefits and long-term cost savings of securing trademarks for the business can be important, and it is often worth focusing on trademarks in the early stages of a small business. Ms. Olson’s article reported on Mr. Tabibian’s recent victory against his former business partners concerning ownership of the trademarks for the Z-Burger restaurant chain and his ongoing legal disputes to establish part ownership of the Z-Burger entity, which was apparently largely Mr. Tabibian’s idea. (<http://www.nytimes.com/2015/10/29/business/smallbusiness/z-burger-case-shows-value-of-trademark-protection.html>?)



\*Jayson L. Cohen is an associate at Morrison & Foerster LLP, where his practice focuses on patent litigation and counseling. He is a member of the Publications Committee of the NYIPLA. ■

# U.S. Bar/EPO Liaison Council 2014 Meeting Report

*By Samson Helfgott and Thomas E. Spath\**

The 30<sup>th</sup> Annual Meeting of the U.S. Bar/EPO Liaison Council was held in Washington, D.C., on October 22, 2014. As in past years, EPO President Battistelli attended and reported to the representatives of fourteen U.S. IP organizations. Seven other EPO officials also made presentations during the course of the day. Sam Helfgott and Tom Spath represented the NYIPLA.

A number of announcements were made regarding very recent or upcoming rule changes of particular interest to U.S. applicants and practitioners. Most would be considered to benefit applicants, and some were directly responsive to issues that had been raised by U.S. Council representatives and discussed during prior years' Council meetings.

## Business Methods

As of January 1, 2015, the EPO, when acting as the PCT International Search Authority (ISA) in searching applications with one or more claims relating to business methods, will only search claims which have technical content. (Perhaps the EPO will have more success in identifying disclosures that possess this characteristic than U.S. practitioners and jurists have had under the guidance of the U.S. Supreme Court.) However, it was emphasized that there is no change in the EPO practice and that mere business methods will not be searched. When the application includes a mix of both types of claims, a partial search report will issue for those having technical content.

## Form of Amendments and Article 123(2) of the European Patent Convention (EPC)

As you may recall, we previously reported an important practice development that was announced at the prior year's Council meeting in October, 2013. This development related to a significant change in the guidelines to EPO examiners that was intended to moderate the overly strict interpretation of Article 123(2) under which EPO examiners were requiring essentially verbatim support in the specification for amendments to European patent claims. This would represent a major change in the culture that has been ingrained in EPO examiners for many years, perhaps based upon the fact that EPO examiners are called upon to communicate with applicants in all three of the official languages. Issues developing from subtle differences in

one language may be avoided if the examiner requires the applicant to show literal support in the specification for any proposed claim amendments.

In response to user criticisms of the continuing overly strict interpretation and application of Article 123(2) and in the interest of showing its good faith in advancing the new examiner guidelines, the EPO convened a Symposium on practice under Article 123(2) in February, 2014, and invited representatives from the AIPLA and sister organizations in Japan and Europe. The Symposium included a plenary session, with presentations by the EPO on EPO practice, and representatives of the AIPLA, JPAA, and EPI providing a basis for comparisons with the U.S., Japanese, and European practices. Breakout sessions followed for discussion of current practice on the basis of examples in four fields of technology. Mr. Spigarelli, a Director in DG-1 (Examination), said that the EPO guidelines were clarified following the Symposium, and that the yearly revision of the guidelines will allow the EPO to keep its finger on the pulse of this issue, to a large extent based on user impact, and instruct the examiners accordingly.

During our October 22nd Council meeting, we were advised that as of November 1, 2014, the examination guidelines would make it clear that the focus should be on what is disclosed to a skilled person by the application as filed, rather than on the structure of the claims as filed, to the detriment of the subject matter that the skilled person would directly and unambiguously derive from the application as a whole. The guidelines have also been amended in favor of the applicants by defining the term "implicit disclosure" to include taking into account the common general knowledge, i.e., of a skilled person in the art.

A. The international search fee for PCT applications will be subject to a freeze until April, 2016 to reduce the difference between the PCT search fee and the direct EPO search fee.

B. In response to a request on behalf of U.S. applicants to have search information as early as possible, the EPO has been issuing search reports within six months for EPO direct or first filings since July 1, 2014. (At the time of the Council meeting, the average time for the issuance of the ISR and Written Opinion was 5.1 months, and for PCT filers the average was 15.1 months from the priority date.) This is referred to as the "Early Certainty from Search" program. It is an obvious



attempt to promote first filings in the EPO where the search results are available and can be considered by applicants before the end of the priority year for the purpose of making decisions on PCT and Convention filings, including possible claim amendments. U.S. applicants must be certain to comply with Export Control Licensing requirements if they decide to pursue the option of a first filing in the EPO.

C. Other aspects of the EPO's early certainty program include (i) having examiners finish already-started examination files before starting work on new cases, (ii) issuing notices of grant promptly after a positive search opinion, and (iii) fast-track examination for third parties.

D. To expedite processing, applicants claiming priority to PCT applications in which unity of invention objections were raised can pay the additional search fee(s) if and when they elect to enter the EPO regional phase, thereby minimizing the PCT prosecution expenses.

E. Since July 1, 2014, the EPO has been providing top-up searches to find intermediate prior art

documents, which did not become available until after the PCT international search was completed. If relevant documents are found, a second Written Opinion is issued or the examiner has the option of conducting a telephone interview with the applicant's representative.

## Developments in the Unitary Patent System and Unified Patent Court

The Council was provided with an update on the then-current developments and some cautious predictions of where the ongoing negotiations might be headed. The EPO serves as a non-voting observer in the ongoing negotiations over the Unitary Patent System (UPS) and the Unified Patent Court (UPC). Last October, it was estimated that regulations would take effect by about mid-2016. A major issue being discussed by the member countries is the amount of the single annual maintenance fee for the unitary patent that will be enforceable in all member states and what percentage of these fees will go to the EPO, since that has been an important source of revenue that keeps the EPO self-sustaining. Participation in the UPS will not be mandatory, but the current scheme would require the applicant to opt out following the notice of grant, and perhaps to pay a special fee for the privilege of not participating.

## EPO Operations

President Battistelli reported that the condition of the EPO was "good" and that EPO filings continued to rise annually at a rate of about 3%. The U.S. continues to be the largest EPO filer at approximately 25% of the filings, representing an increase of almost 6%. Chinese filings increased last year by almost 17% and the Chinese are now the fourth largest filer. Among the top twenty-five applicants at the EPO, only three U.S. companies were represented—General Electric, Qualcomm, and Johnson & Johnson. The largest filer was Samsung, and filers from Asia constituted eleven of the top twenty-five.

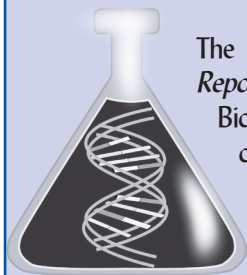
Of the applications entering the EPO, 77% came from PCT filings with only 23% being direct EPO filings. A total of 265,903 applications were filed.

The opposition rate has been stable at about 4.5% annually. The trend in appeals has decreased slightly, and a greater number of appeals are being settled. The gap between incoming and settled appeals was reduced by more than 50% in 2013 compared to 2011 cases.

One of the major objectives of the EPO has been to increase the Asian patent documentation available for searching. Currently 21% of the patents cited in EPO search reports had an Asian priority, up 20% from 2012.

*cont. on page 28*

## The Report to Publish Biologics/Biosimilars Issue



The February/March 2016 issue of *The Report* will be devoted to Biologics and Biosimilars. Articles may encompass any of the intellectual property aspects of Biologics and Biosimilars, including patent (utility and design), trademark, and copyright, and also including topics such as damages, licensing, and issues arising under the Biologics

Price Competition and Innovation Act of 2009 (BPCIA).

Articles can be any length, but a length of 1700 to 2500 words is expected to be about average. Please submit the articles in Microsoft Word, 1997-2003 format (i.e., ".doc," not ".docx") and with endnotes rather than footnotes. Also, please submit electronic versions of all sources cited in either the text of the article or the endnotes.

- Abstracts (1-2 paragraphs) due by **January 9, 2016** (for planning purposes)
- Final articles due by **February 6, 2016**

For more information, contact *The Report* editors  
Mary Richardson ([mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)) or  
William Dippert ([wdippert@patentusa.com](mailto:wdippert@patentusa.com)).

cont. from page 27

The EPO has added many technical standards to its prior art collection through the cooperation of the major standard organizations.

A major accomplishment of the EPO was the implementation with the USPTO of the Cooperation Patent Classification (CPC) system, which harmonizes the two systems and is now being accepted in many other patent offices around the world.

The EPO's agreement with Google for a public patent translation service continues through Patent Translate on the Espacenet site. Currently all 28 official languages of the EPO member states, as well as Japanese, Chinese, Korean, and Russian, are available free of charge via Espacenet. There have been about 15,000 to 20,000 requests for translations each day.

The Patent Prosecution Highway (PPH) program has been available to U.S. applicants via the Trilateral PCT/PPH. The EPO is entering into bilateral PPH programs with Canada, Mexico, and Singapore, and is negotiating bilateral agreements with other countries.

The EPO was the first of the IP5 patent offices to implement the Global Dossier (GD) program. Up to now, it was necessary to enter the GD system using a European application or patent number. The EPO has enhanced this program, which now allows access to the Global Dossier documents using any of the IP5 family member patent or application numbers. The GD system can also be accessed via Espacenet.

### Next Council Meeting

Plans are currently underway for this year's Council meeting in Munich, Germany. NYIPLA members wishing to propose issues for discussion relating to EPO practice should forward them to both Sam Helfgott ([samson.helfgott@kattenlaw.com](mailto:samson.helfgott@kattenlaw.com)) and Tom Spath ([tespath@lawabel.com](mailto:tespath@lawabel.com)).

#### (Endnote)

\* Samson Helfgott is Of Counsel at Katten Muchin Rosenman LLP. His practice focuses on domestic and international patent, trademark, and copyright matters, international patent strategy and patent and trademark administration, before United States and foreign patent tribunals. Thomas E. Spath is Of Counsel at Abelman, Frayne & Schwab, and his practice focuses on United States and international patent, trademark, and licensing law, with a concentration in the chemical engineering patent arts.



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# Notable Trademark Trial and Appeal Board Decisions

(Unless noted, all decisions are precedential)

By Michael C. Cannata and Dyan Finguerra-DuCharme\*

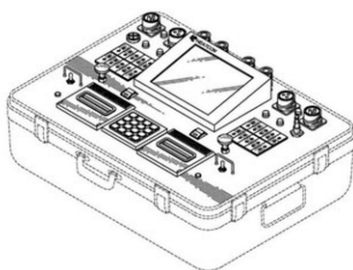
## Hot Bonder Product Design Refused Registration on Functionality Grounds

The Board affirmed the Examiner's refusal to register the product configuration shown below, comprising the arrangement of various components of a portable interface unit for "hot bonders," on the grounds that the proposed mark was functional.

The applicant had originally sought registration on the Principal Register, but was initially refused on the grounds that the proposed mark is functional and a nondistinctive product design that is not registrable on the Principal Register without proof of acquired distinctiveness. The applicant submitted an amendment of its application to seek registration on the Supplemental Register arguing against the functionality refusal. In light of the amendment to the Supplemental Register, the Examiner withdrew the nondistinctive product design refusal and issued the functionality refusal under Trademark Act Section 23(c), which governs the Supplemental Register and specifically prohibits registration of matter that is functional.

The Board noted that case law addressing functionality refusals under Trademark Act Section 2(e)(5) are equally applicable to Section 23(c) refusals because the issue, functionality, is the same. The Board assessed the following factors to conclude that the design was functional: (1) the existence of a utility patent disclosing the utilitarian advantages of the design; (2) advertising materials in which the originator of the design touts the design's utilitarian advantages; (3) the availability to competitors of functionally equivalent designs; and (4) facts indicating that the design results in a comparatively simple or cheap method of manufacturing the product.

The Board further held that the USPTO may satisfy its burden of establishing that a configuration is functional by showing the functionality of various aspects of the configuration. In the case at hand, the Board rejected the applicant's argument that it is entitled to registration on the Supplemental Register because the arrangement itself is non-functional despite



the functional parts within. In particular, because the applicant had failed to depict the individual features in broken lines they are collectively part of the mark and the functional features outweigh any non-functional aspects of the arrangement which are incidental and not discernible as separate elements from the functional parts. The Board further stated "[w]hile we do not foreclose the possibility, it is difficult to imagine a situation where the sum of a configuration's entirely functional parts adds up to a design capable of indicating the source of the product."

*In re Heatcon, Inc.*, 116 U.S.P.Q.2d 1366 (TTAB 2015).

## Board Denies F\*\*K PROJECT Application as Scandalous

The Board affirmed a refusal of the mark depicted below for goods in Classes 18 and 25 on the grounds that the mark is immoral/scandalous under Trademark Act Section 2(a):



In addition to the main opinion written by Judge Shaw, Judge Adlin provided a concurring opinion and Judge Seeherman wrote a dissent.

**Main Opinion:** The Board relied on dictionary definitions of the F word that support a finding that the word fully written out is vulgar and obscene. The Record included Internet evidence showing that F\*\*K is commonly used in place of the F word and, therefore, "the former may be considered equivalent to the latter, particularly in meaning and commercial impression." The Board surmised that the asterisks in F\*\*K "serve as a typographical 'fig leaf' to protect readers from the visual vulgarity of the [F word] but the terms are nonetheless equivalents."

**Concurrence:** Judge Adlin implied that he is constrained by precedent, stating that "if we were writing on a clean slate," he would join the dissent. The concurrence reasoned that refusal should be affirmed because in cases involving euphemisms or alternative spellings of "bad words," the Board generally finds these marks to be scandalous.

*cont. on page 30*



**Dissent:** Judge Seeherman wrote that the mark at issue is not scandalous and rejected the Board’s finding that if a term would be readily understood as offensive, the substitute term is also offensive. The dissent reasoned that if a vulgar word is sanitized by fig leaf asterisks, the sanitized word “should not be treated as being the same as the vulgar word that the fig leaf asterisks are obscuring.”

*In re Giorgio SRL*, Serial No. 79/141,996 (TTAB Sept. 30, 2015) (not precedential).

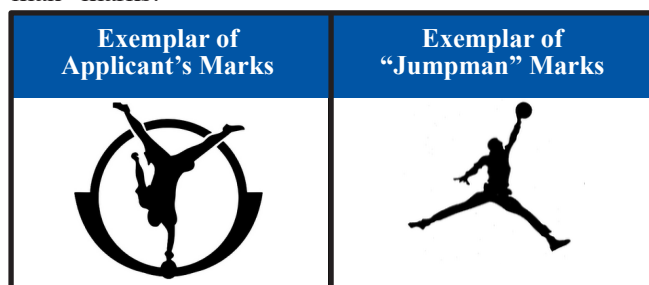
### Board Refuses THCTea as Deceptively Misdescriptive

The Board affirmed a refusal to register THCTea for “tea-based beverages” on the grounds that the mark is deceptively misdescriptive under Trademark Act Section 2(e)(1). The test for deceptive misdescriptiveness is (1) the mark must misdescribe the goods/services; and (2) reasonably prudent consumers are likely to believe the misrepresentation. In the case at hand, the applicant admitted that the proposed goods do not contain THC (the chief intoxicant in marijuana) and the Board rejected the argument that THC stands for other phrases that differ from the dictionary definition. With respect to the second prong, the Record included evidence regarding the legal status of marijuana under various state laws, and nothing in the application indicated that the identified goods would not be offered through medical marijuana dispensaries or in locations where marijuana products are sold legally (under state law) at retail for recreational use. Based on these facts, the Board concluded that a reasonably prudent consumer would be likely to believe that the applicant’s THCTea beverages contain THC although they do not.

*In re Hinton*, 116 U.S.P.Q.2d 1051 (TTAB 2015).

### Board Dismisses, in Part, Nike’s Opposition to Crossfit Design Marks

The Board dismissed, in part, Nike’s opposition to the applicant’s attempt to register certain design marks featuring a silhouetted individual performing a one-handed handstand based upon Nike’s registered “Jumpman” marks.



Nike alleged the following claims for relief: (1) likelihood of consumer confusion pursuant to Trademark Act Section 2(d); (2) dilution pursuant to Trademark Act Section 43(c); (3) false suggestion of a connection with Michael Jordan pursuant to Trademark Act Section 2(a); and (4) Applicant’s marks comprise a portrait of a living individual, namely Michael Jordan, without consent pursuant to Trademark Act Section 2(c).

The applicant sought the dismissal of Nike’s likelihood-of-confusion and dilution claims on the basis that the marks are so dissimilar that, as a matter of law, there can be no confusion or dilution. The Board held that, in this case, such a determination was not amenable to resolution as a matter of law and that Nike had sufficiently pled claims for likelihood of confusion and dilution.

The Board did dismiss, without prejudice, Nike’s claims that the applicant’s marks (i) create the false suggestion of a connection with Michael Jordan and (ii) comprise a portrait of a living individual without consent. With respect to the false suggestion claim, the Board concluded that Nike’s allegations did not sufficiently allege that the public would recognize the applicant’s marks as pointing to Nike or Nike’s persona. Likewise, the Board dismissed Nike’s argument that the applicant’s marks comprise a portrait of Michael Jordan without his consent on the basis that Nike’s licensing relationship with Michael Jordan did not give rise to a cognizable or proprietary right by Nike to assert such a claim under Trademark Act Section 2(c).

*Nike, Inc. v. Palm Beach Crossfit Inc. d/b/a Crossfit CityPlace*, 116 U.S.P.Q.2d 1025 (TTAB 2015).

### Board Affirms Refusal to Register SMART SERIES

The Board affirmed the refusal to register the applicant’s mark, SMART SERIES, on the basis that the mark is descriptive under Trademark Act Section 2(e)(1).

The applicant sought registration of SMART SERIES for “[m]etal safes specifically designed to store firearms.” During the prosecution process, the examining attorney objected to the application on the basis that the mark was “merely descriptive.” On appeal, the applicant argued that even if SMART SERIES conveys some information about the applicant’s goods, that information is too vague and lacks particularity because the mark does not identify what type of technology is used or to what series the goods belong.

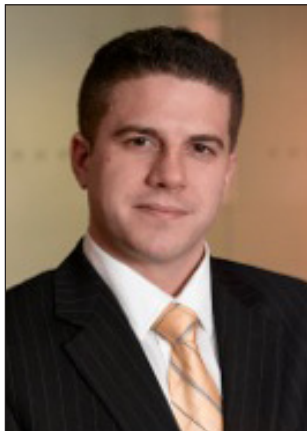
In rejecting this argument, the Board relied upon record evidence and the definition of “smart” reasoning that “... consumers will readily understand

from the word SMART that Applicant's gun safes will contain automated, technological devices such as microprocessors, making them 'smart.'" The Board next considered the definition of the word "series" and concluded that "[c]onsidering the mark as a whole, the combination of the two descriptive components SMART and SERIES does not result in a mark which as a whole has a nondescriptive or incongruous meaning." Rather, with respect to SMART SERIES, the Board concluded that each component of the mark retained its descriptive significance in relation to the goods identified in the application.

*In re Cannon Safe, Inc.*, 116 U.S.P.Q.2d 1348 (TTAB 2015).

**(Endnote)**

\*Michael C. Cannata is an associate in the intellectual property group at Rivkin Radler LLP and has experience litigating complex intellectual property, commercial, and other business disputes in state and federal courts across the country. He is a member of the Trademark Law & Practice Committee. Dyan Finguerra-DuCharme is a partner in Pryor Cashman LLP's Intellectual Property, Litigation and Media & Entertainment Groups. Ms. Finguerra-DuCharme's practice focuses on prosecuting and defending IP litigation involving trademarks, trade dress, false advertising and copyrights, as well as providing trademark and copyright counseling. She is a Co-Chair of the Trademark Law & Practice Committee.



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## Seminar on WIPO Services and Initiatives

By *Victor Vázquez and Christopher Ruggerio\**

Organized by WIPO and the NYIPLA in cooperation with the USPTO and the United States Chamber of Commerce (USCC), a Roving Seminar on WIPO Services and Initiatives took place on September 17, 2015, at the Benjamin N. Cardozo School of Law. The idea for this New York Roving Seminar developed when several NYIPLA representatives, including Andrew Berks of Cititone & Chinta LLP, attended the Princeton WIPO Roving Seminar last year. An ensuing conversation between WIPO and the NYIPLA led to the organization of the New York event, held with the aim of bringing the services of WIPO closer to potential users in a major market such as New York City.

The WIPO team was composed of four colleagues, three of whom were from the U.S., with outstanding experience in the different WIPO services: Matthew Bryan, Director, PCT Legal Division, Innovation and Technology Sector; Victor Vázquez, Head, Section for the Coordination of Developed Countries, Transition and Developed Countries Division, TDC; Glenn Mac Stravic, Head, Brand Database Section, Global Infrastructure Sector, GIS; and Alan Datri, Consultant, Madrid System for the International Protection of Trademarks, The Hague System for the International Protection of Designs.

Following a brief general WIPO overview, notably including the results for the U.S. of the Global Innovation Index (GII) 2015, which had been unveiled to the public earlier that same day in London, four practical presentations were made on WIPO services (PCT, Madrid/Hague, WIPO Arbitration and Mediation Center (AMC), and Global IP Infrastructure). These presentations were coupled with a lively discussion among USPTO representatives and local practitioners from the NYIPLA.

One of the main reasons for the success of the New York Roving Seminar was the high quality of the presentations from the USPTO and the interest and expertise of local practitioners. Susan Anthony, Acting Director, Global Intellectual Property Academy, USPTO, delivered a presentation about alternative dispute resolution. Karen Strzyz,

Staff Attorney, Legal Policy and Petitions Office, USPTO, discussed the Madrid System for the international registration of marks, and Charles Pearson, Director, International Patent Legal Administration, USPTO, elaborated on the use of the PCT system for the international protection of patents.

The audience benefited from insightful presentations by certain NYIPLA members. Christopher Hughes, of Calwalader, Wickersham & Taft LLP, discussed an important dispute case resolved through application of the WIPO ADR rules, and Samson Helfgott, of Katten, Muchin Rosenman LLP, spoke about an array of strategic options for PCT practice. Pina Campagna, of Carter, DeLuca, Farrell & Schmidt, LLP, discussed use of The Hague System for the protection of international designs, and NYIPLA President Dorothy Auth highlighted several issues of special relevance for New York stakeholders.

The seminar attracted a total of 115 participants. The discussions with the participants covered different aspects of the WIPO services and continued at a networking lunch sponsored by WIPO. Numerous questions were put forward as part of the roundtable discussions. Questions were also addressed to specific members of the WIPO team during coffee breaks and lunch. Informal feedback received by tweets and comments suggested that the participants were very satisfied with the New York Roving Seminar.

The Benjamin N. Cardozo School of Law was an ideal host for the Roving Seminar on WIPO Services and Initiatives, and WIPO is grateful to the school for its hospitality and outstanding technical support.

More information on the WIPO Roving Seminars on WIPO Services and Initiatives, including the New York program, is available at [http://www.wipo.int/dcea/en/roving\\_seminars](http://www.wipo.int/dcea/en/roving_seminars).

\*Victor Vázquez is WIPO's Head of the Section for the Coordination of Developed Countries, Department for Transition and Developed Countries, and Christopher Ruggerio is WIPO's Senior Legal Officer, Section for the Coordination of Developed Countries, Department for Transition and Developed Countries.



## NYIPLA Presidents' Forum: "Go Ask Alice – Can Patent-Eligible Subject Matter Be Rehabilitated"

By Vivian Cheng and Jeffrey Butler

On September 24, 2015, about forty thought leaders from the judiciary, the U.S. Patent and Trademark Office ("USPTO"), various industries, the patent bar, and academia gathered at the Thurgood Marshall U.S. Courthouse for the NYIPLA's third Presidents' Forum. The participants considered the current and seemingly growing role that Section 101 plays in validity challenges, which some have characterized as an unanticipated and perhaps unwarranted outgrowth of the Supreme Court's recent precedent on patent-eligible subject matter, including the Court's 2014 *Alice Corp. Pty. Ltd. v. CLS Bank Int'l* decision and the 2012 *Mayo Collaborative Servs. v. Prometheus Labs., Inc.* decision.

The distinguished discussion leaders included: the Honorable Brian Cogan, U.S. District Judge, Eastern District of New York; the Honorable Renee Marie Bumb, U.S. District Judge, District of New Jersey; June Cohan, Legal Advisor, USPTO; Chris Israel, Partner, American Continental Group; Professor David Opderbeck, Seton Hall University School of Law; Lee Pham, Director of Global Intellectual Property Strategy, American Express; Hans Sauer, Deputy General Counsel for Intellectual Property, Biotechnology Industry Organization (BIO); and Scott Weidenfeller, Associate Solicitor, USPTO. NYIPLA Immediate Past President, Anthony Lo Cicero, Partner, Amster Rothstein & Ebenstein LLP, and Marian Underweiser, IP Strategy & Policy Counsel, IBM, facilitated the town hall-style discussion.

Mr. Lo Cicero and Ms. Underweiser began the discussion with an overview of how the Court in *Alice* applied Section 101 to computer-implemented inventions and added to the three other recent Supreme Court decisions on subject-matter eligibility: *Bilski v. Kappos*, also in the computer-implemented inventions/business methods area, as well as *Mayo* and *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.* in the life sciences area. They acknowledged the increasing trend of challenging patents on Section 101 grounds—including those directed to inventions in the software, business-method, pharmaceutical, and diagnostic fields, among others—with substantial numbers of patent claims being found unpatentable. They noted that courts have made some of these invalidity decisions before holding a *Markman* hearing and highlighted the tremendous impact *Alice* may have on software patents in particular.

The participants then discussed the procedural aspects and strategies of bringing, defending, or averting a Section 101, or "*Alice/Mayo*," motion in court. The

participants shared the general observation that district courts applying the *Alice/Mayo* two-step test (or "framework," as the Supreme Court has labeled it) seem to place substantial emphasis on step two, determining whether the elements of the claim at issue amount to an "inventive concept," while downplaying or even essentially skipping step one, determining whether the claim is directed to a patent-ineligible abstract idea or law of nature. Several thought leaders noted that courts generally recognize that nearly any invention may be phrased in the abstract, and, for that reason, a litigant's providing expert testimony may be a worthwhile strategy to successfully bring or defend against a Section 101 motion. When asked whether forum shopping has been employed as a strategy in connection with such motions, a large majority of the participants expressed their belief that that is so, and noted that, for example, the Eastern District of Texas' relatively high grant rate for Rule 12(b)(6) motions seems to have attracted suits involving Section 101 motions (or, at a minimum, has attracted such motion practice), although parties may consider many factors in selecting a venue.

The discussion leaders then turned the conversation over to Ms. Cohan and Mr. Weidenfeller to discuss the recent USPTO guidance on subject-matter eligibility published in July 2015. Ms. Cohan explained that the July 2015 update to the USPTO's 2014 Interim Guidance on Patent Subject Matter Eligibility provides examiners with additional examples of eligible and ineligible claims in more than the software space, and focuses on both *Alice/Mayo* steps for subject-matter eligibility. However, similar to district courts' treatment of the two-part test, there is a perception that examiners hone in on step two. This led to a discussion on whether the framework (as currently interpreted) impermissibly conflates the Section 103 obviousness analysis with the Section 101 issue.

The forum concluded with a discussion of the potential for reforms through legislation or clarification from the courts. The participants considered, among other things: a potential rewording of Section 101 to more clearly distinguish its scope and purpose from that of Sections 112, 102, and, especially, 103; potentially petitioning the Supreme Court or, possibly, lower courts—via amicus briefs, etc.—to suggest that the two-part test requires further clarification or modification; and a possible set of uniform patent rules for district courts—addressing, *inter alia*, Section 101 issues—in order to eliminate, or at a minimum, reduce procedural

cont. on page 34

problems. Mr. Israel and other participants agreed that resolution through Congress is unlikely since the dialogue on patent reform is currently focused in a different direction, namely on the patent-troll and non-practicing entity issues.

The program was organized by the NYIPLA Presidents' Forum Project Team: NYIPLA President Dorothy Auth, Hon. Garrett Brown, NYIPLA President-Elect Walter Hanley, Jr., and John Moehringer.

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## SDNY Celebrates 225 Years with a *Markman* Hearing

By Nicholas Bartelt and Greg Mantych

On September 30, 2015, in commemoration of the 225th anniversary of the U.S. District Court for the Southern District of New York (SDNY), the NYIPLA and Fordham IP Institute hosted a *Markman* claim construction hearing at Fordham University School of Law. The Hon. Jed S. Rakoff presided over the hearing.

The case, *Wundaformer, LLC v. Flex Studios, Inc.* (1:15-cv-04508 JSR), involves United States Patent No. 8,602,953, which relates to Pilates-type exercise equipment. At the heart of the claim construction hearing was the meaning of the term “stowed” as relating to one component of the equipment, which Judge Rakoff noted as “the most critical term in the debate.” Plaintiff asserted that, in the context of its patent claims, the term “stowed” means “to reduce the volume occupied by the reformer” while remaining available for use in exercise. In response, defendants’ counsel argued that

“stowed” should be defined as “put away, not available for use.” Martin Bader, William J. Blonigan, and Paul W. Garrity of Sheppard, Mullin, Richter & Hampton LLP appeared on behalf of plaintiff Wundaformer, LLC. James Bollinger, Joshua A. Berman, and Scott D. Barnett of Troutman Sanders LLP appeared as counsel for defendants Flex Studios, Inc. et al.

The event was attended by an audience of students, practitioners, and academics who took the rare opportunity to observe SDNY proceedings outside the courthouse. The hearing was followed by audience discussion, which carried over into a lunch reception. The NYIPLA and the Fordham IP Institute wish to thank Judge Rakoff and counsel for the parties, as well as Chief Judge Loretta A. Preska, NYIPLA President Dorothy Auth, and Prof. Hugh C. Hansen for bringing this event to Fordham University School of Law. In addition, Lisa Lu was instrumental in organizing the event.

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## Effective Patent Damages Expert Testimony

By Jessica Copeland

On October 2, 2015, the NYIPLA hosted a unique event at the United States District Court for the Western District of New York featuring a segment of a mock trial on patent damages, followed by a panel discussion about consumer drive to purchase a product containing a patented feature, and concluding with a reception honoring Judge William Skretny for his five years of service as Chief Judge, as well as his 25 years on the bench.

The event began with a 30-minute demonstration of mock trial testimony from an expert witness in a patent damages case, which was presided over by Judge Skretny. Following the testimony, a panel comprised of two judges—District Judge Elizabeth A. Wolford and Magistrate Judge Jeremiah J. McCarthy, both from the Western District of New York—and two attorneys—Neal L. Slifkin, a member of Harris Beach PLLC, and Jodyann Galvin, a partner at Hodgson Russ LLP—discussed consumer mo-

tivation to purchase a product containing an allegedly infringed patented feature. The panel discussion was moderated by the Honorable Gregory M. Sleet, District Judge for the District of Delaware.

The mock trial testimony demonstration and panel discussion were followed by a reception honoring Judge Skretny. Robert Conklin, Hodgson Russ LLP retired partner and long-time friend of Judge Skretny, gave a light-hearted “Very Brief Recollection of Judge Skretny’s 25 Years on the Bench.” NYIPLA President Dorothy Auth presented Judge Skretny with an award from the Association, accompanied by a champagne toast.

The event was planned, in part, to continue the Association’s effort to increase the NYIPLA’s visibility and membership in western New York. The evening, which drew NYIPLA members and other practitioners from Buffalo and Rochester, was well received. The NYIPLA also wishes to thank the Erie County Bar

Association—IP and Federal Practice Committees for their help in making this event such a success. Since the October event several attendees have joined the NYIPLA, and that trend is expected to continue. Most importantly, Judge Skretny was incredibly impressed

with the tremendous effort the NYIPLA put into the event honoring him. Also, the *Buffalo Law Journal* covered the event, which increases visibility for the NYIPLA as well.

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## Un/Fair Use Exhibit

By Julie Albert

On October 5, 2015, members of the NYIPLA's Committee on Copyright Law & Practice visited the Center for Architecture's exhibit on architecture and copyright, "Un/Fair Use." The exhibit explores the history of copyright protection of architectural works in the United States and the often nebulous boundary between protectable and unprotectable expression.

The exhibit features insights from leaders in the legal and architectural fields, descriptions of key statutes and treatises impacting copyright protection of architectural works, and dozens of 3-D printed renderings of buildings and designs. Certain of these renderings represent buildings and designs at issue in well-known architecture-centered copyright litigation,

including *Shine v. Childs*, 382 F. Supp. 2d 602 (S.D.N.Y. 2005), in which a student of architecture accused a visiting critic of subsequently infringing his design for New York's Freedom Tower in a competing entry. Other models depict architectural structures and elements that have been interpreted in buildings constructed in the real world. The exhibit also includes video interviews with prominent attorneys, such as William F. Patry, who was central to the passage of the Architectural Works Copyright Protection Act of 1990, and Jane C. Ginsburg, copyright expert and author of numerous treatises and articles on copyright law.

Given the arrangement of the models and identification of real-world applications, the Committee was able to engage in a spirited discussion of functionality and particular practical considerations associated with architectural works as opposed to other sculptural works. Additionally, members discussed how copyright in architectural works overlaps and interacts with patent law (including design patents), trademark law, and trade dress.

*Un/Fair Use is scheduled to run through January 2, 2016 at the Center for Architecture. See <http://cfa.aiany.org/index.php?section=exhibitions&expid=302> for more information about the exhibit.*



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## Young Lawyers Roundtable: All the Licenses You Will Encounter as an IP Attorney

By Gary Yen

On October 7, 2015, the Young Lawyers Committee continued its Roundtable series with a discussion entitled, "All the Licenses You Will Encounter as an IP Attorney." Hosted at Fitzpatrick, Cella, Harper & Scinto, the discussion featured Chris Chase (Frankfurt Kurnit Klein & Selz, PC), Kristin Garris (Kilpatrick Townsend & Stockton LLP), and moderator Gary

Yen (Young Lawyers Committee Co-Chair) leading a conversation about the practice of licensing law. Twenty participants at the Roundtable discussed topics including current issues in licensing law, the day-to-day practice of licensing law, and best practices. The Young Lawyers Committee encourages all young lawyers to attend the next Roundtable.



## Diverse Careers in IP Law and Strategies for Achieving Success

*By Cindy S. Shu*

As part of an ongoing series of educational and networking programs aimed at law students and young lawyers interested in learning about career opportunities in today's IP law marketplace, the Programs Committee and Brooklyn Law School co-sponsored a "Diverse Careers in IP Law and Strategies for Achieving Success" panel discussion on October 13, 2015 at Brooklyn Law School.

The panelists were Anthony Lo Cicero of Amster Rothstein & Ebenstein LLP, who is the NYIPLA's immediate past president, as well as Diana Rea of Wall & Tong LLP, Dave Ugelow of Thrillist Media Group, Laurie Stempler of Desmarais LLP, Elana Araj of Cooper & Dunham LLP, and Maja Szumarska of Gibney, Anthony & Flaherty LLP. The panel discussion was moderated by Cindy S. Shu of Norris McLaughlin & Marcus, P.A.

After a brief introduction of the panelists, who as a group represented a diverse range of experience level, industry, and practice concentration, each panelist gave an overview of his/her background and particular IP practice, and shared stories about their personal experiences in IP law. Anthony Lo Cicero discussed his patent, trademark, and transactional practice in a boutique IP firm. Diana Rea spoke about patent and trademark prosecution. Laurie Stempler and Maja Szumarska provided their perspective on IP litigation. Elana Araj, a former examiner with the U.S. Patent and Trademark Office, offered her thoughts on starting out her career

with the U.S. Government. Dave Ugelow discussed his experience as an in-house IP counsel in a start-up company.

The panel discussion was interactive, and the audience actively participated with a range of questions. At the start of the program, the dialogue focused on "Diverse Careers in IP Law" topics such as differences among patents, copyrights, and trademarks, differences among IP prosecution, litigation, and transactional work, and considerations for selecting in-house counsel, a general practice firm, or a boutique firm. In the second half of the program, many "Strategies for Achieving Success" topics were covered. The attendees were particularly interested in learning about ways to improve their job search process, such as how to network and to stand out using their resumes and cover letters. The panelists also provided advice on topics such as important qualities of successful IP lawyers and best practices, as well as what they looked for in a job candidate.

The panel discussion drew approximately fifty attendees. After the program officially concluded the panelists answered specific questions from members of the audience in one-on-one conversations. Pizza and refreshments were served.

Overall, the program was a great success, with special thanks to the panelists, Robin Nackman and Robin Warren of Brooklyn Law School, and Lisa Lu of the NYIPLA.

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## Webinar: "A Day in the Life of a Privacy Practitioner"

*By Karen Bromberg and Kevin Moss*

On October 22, 2015, the Internet & Privacy Law Committee, in conjunction with the Young Lawyers Committee, hosted a webinar entitled, "A Day in the Life of a Privacy Practitioner." The discussion focused on the day-to-day practice of privacy practitioners from law firms and corporations, as well as upon various consumer-facing privacy issues. The panel also addressed new legislation and trends in cybersecurity as a result of the unprecedented number of data breaches over the

past year against banks, retailers, and other industries. The panel included Gary A. Kibel, Digital Media, Technology & Privacy Partner at Davis & Gilbert LLP, Carrie Parikh, Claims Manager for Technology, Media and Business Services claims at Beazley, and Brittany M. Bacon, Intellectual Property Associate at Hunton & Williams LLP, and was moderated by Professor Felix Wu of the Benjamin N. Cardozo School of Law.

## Corporate Committee In-House Counsel Mixer

*By Tulloss Delk*

On October 28, the Corporate Committee held an in-person mixer at Public House in midtown Manhattan. This has become an annual event for the Committee, as it provides a great opportunity for members to reconnect in a casual setting. The mixer is always well received by the membership, and this year was no exception.

Although the driving rain threatened to put a damper on the festivities, the event was well attended. In addition to the Corporate Committee members who made the trek from various parts of the region, we also wel-

comed several members of the NYIPLA Young Lawyers Committee. A good time was had by all, as we spent time discussing everything from patent reform and the challenges of in-house careers to the World Series prospects of the New York Mets. In the end, people appreciated the face-to-face interaction with familiar voices from Committee teleconference calls, as well as the chance to meet members of another committee.

Given the continued success of the event, we plan to schedule another one in Spring 2016.

## NYIPLA Calendar

[www.nyipla.org](http://www.nyipla.org)

### The New World Order -- Current Developments in Challenging and Defending Patents in the PTAB

*Hosted by NYIPLA and NJIPLA*

➤ WEDNESDAY, DECEMBER 2, 2015 ◀

Woodbridge Hotel at Metropark, 120 Wood Avenue South, Iselin, NJ 08830

### Patent Litigation from the Law Clerks' Perspective – Insights on New Patent Rules and Successful Litigation Strategies

➤ WEDNESDAY, JANUARY 13, 2016 ◀

### The 94th Annual Dinner in Honor of the Federal Judiciary

➤ FRIDAY, APRIL 1, 2016 ◀

The Waldorf Astoria New York Hotel, 301 Park Avenue, New York, NY 10022

### Annual Meeting

➤ TUESDAY, MAY 17, 2016 ◀

The Princeton Club, 15 West 43rd Street, New York, NY 10036

MINUTES OF SEPTEMBER 16, 2015

MEETING OF THE BOARD OF DIRECTORS OF

THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was held at the Union League Club. President Dorothy Auth called the meeting to order at 5:10 p.m. In attendance were:

- |                   |                   |
|-------------------|-------------------|
| Garrett Brown     | Denise Loring     |
| Jessica Copeland  | Matthew McFarlane |
| Frank DeLucia     | Colman Ragan      |
| Annemarie Hassett | Robert Rando      |
| Robert Isackson   | Peter Thurlow     |

Anthony Lo Cicero, Walter Hanley, Raymond Farrell, Kathleen McCarthy and Jeanna Wacker were absent and excused from the meeting. Feikje van Rein was in attendance from the Association’s executive office.

The Board approved the Minutes of the July 15, 2015 Board meeting.

Treasurer Rob Rando reported that the Association’s finances continue to be sound. Rob noted that revenue was slightly lower and expenses slightly higher than for the same period last year.

Rob Rando reported that the Association added 24 new members, including 11 new student members and one new corporate member. The Board discussed ways of attracting young members to the Association. The Board approved admission of the new members.

Rob Isackson reported on the activities of the Amicus Brief Committee. The Committee will likely recommend filing a brief in the *In re Cuozzo Speed Technologies, LLC* case, in which the defendants are expected to file a petition for certiorari with the U.S. Supreme Court. The case relates to the standards to be applied in IPR proceedings for appellate court review and claim construction. The Association had filed a brief in the Federal Circuit in support of defendant’s petition for rehearing en banc, which was denied. The brief would be due late October/early November. Peter Thurlow noted that the Patent Law & Practice Committee was working on comments to the proposed PTO rule changes in IPR proceedings.

Rob Isackson also reported that the Amicus Brief Committee had voted to recommend filing a brief in support of an expected petition for certiorari in *Shammas v. Focarino*, relating to allowance of attorney fees for salaried government staff attorneys in connection with TTAB awards under Section 21 of the Lanham Act. The Committee

will submit a proposal in time for the Board to consider it during the October Board meeting.

Anne Hassett and Denise Loring reported on activities of the Legislative Action Committee. On the advice of ACG, the Committee and the ABA agreed to cancel its planned joint briefing to educate senators and their staff on provisions of the PATENT Act, directed to patent litigation reform. Instead, on July 22, President Auth and Anne Hassett met with key legislative staffers to get a better understanding of the areas on which the Association should focus its efforts in connection with the legislation. As a result of those meetings, the LAC has begun working on white papers for use in future briefings.

President Auth reported on plans for a number of upcoming programs, including the Presidents’ Forum, scheduled for September 24, the *Markman* hearing program organized by the Programs Committee and Chief Judge Preska of the SDNY, scheduled for September 30, and the NYIPLA/NJIPLA joint program, scheduled for December 2.

President Auth also reported on behalf of Ray Farrell on a proposal by the Inventor of the Year Committee to provide a monetary award to the winner of the contest. The Board approved a \$5000 award.

Rob Rando reported that the September 17th WIPO program is expected to be well attended. Jessica Copeland reported on plans for the October 2nd program to be held in Buffalo.

Matt McFarlane reported on a proposal by the Strategic Planning Committee to create the NYIPLA Institute, in which the Association would work with local law schools on programs that would train law students in selected IP areas. After a discussion among Board members, a subcommittee was formed to develop further the proposal for Board consideration.

Jessica Copeland reported on a proposal to extend Association membership outside of the New York metropolitan area by creating an additional category of “Affiliate Member” to the Association. She agreed to circulate a written proposal for Board review.

The meeting adjourned at 6:30 p.m.

The next Board meeting will take place on October 14, 2015.



## MINUTES OF OCTOBER 14, 2015

### MEETING OF THE BOARD OF DIRECTORS OF THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION

The Board meeting was held at the Midtown offices of Cadwalader, Wickersham & Taft LLP. President Dorothy Auth called the meeting to order at 12:25 p.m. In attendance were:

|                   |                   |
|-------------------|-------------------|
| Jessica Copeland  | Kathleen McCarthy |
| Walter Hanley     | Matthew McFarlane |
| Annemarie Hassett | Colman Ragan      |
| Robert Isackson   | Robert Rando      |
| Denise Loring     | Peter Thurlow     |

Garrett Brown and Frank DeLucia participated by telephone. Raymond Farrell, Anthony Lo Cicero, and Jeanna Wacker were absent and excused from the meeting. Feikje van Rein was in attendance from the Association's executive office.

The Board approved the Minutes of the September 16, 2015 Board meeting.

Treasurer Rob Rando reported that the Association's finances continue to be sound. He noted an uptick in revenue over the same period last year.

Rob Rando reported that the Association added 23 new members, including 19 new student members. The Board discussed ways of involving young members in the activities of the Association. The Board approved admission of the new members.

Rob Isackson reported on the activities of the Amicus Brief Committee. The Committee has recommended filing a brief in connection with a petition for certiorari filed with the U.S. Supreme Court in *In re Cuzzo Speed Technologies, LLC*, relating to the standards to be applied in IPR proceedings for appellate court review and claim construction. The brief would be due November 9, 2015. The Board discussed the need to coordinate with other committees in formulating positions taken by the Committee, generally and

in particular in connection with this amicus brief. The Board approved preparation of a draft brief for consideration by the Board.

Rob Isackson also reported that the Committee had voted to recommend filing a brief in support of an expected petition for certiorari in *Shammas v. Focarino*, relating to allowance of attorney fees for salaried government staff attorneys in connection with TTAB awards under Section 21 of the Lanham Act. The Committee will submit a proposal for the brief.

Anne Hassett and Denise Loring reported on activities of the Legislative Action Committee. The LAC and President Auth have been working with our advisors, ACG, on the Association's next activities in Washington, D.C., which may involve a briefing session or individual meetings on pending patent litigation reform legislation. Topics will include: pleadings, discovery, case management and other provisions that impact litigation procedure; venue; fee shifting; and IPRs. Also under consideration are the impact of the Trans-Pacific Partnership treaty on U.S. IP law and the pending trade secret legislation. The LAC is setting up working groups to address these issues. The Board approved the establishment of an ad hoc working group, open to the membership at large, to study and formulate positions on the trade secret bills.

Board members reported on upcoming and previous programs of the Association.

The Board approved establishment of a task force to study the evolution of the law of patent eligibility under 35 U.S.C. § 101 following recent U.S. Supreme Court decisions.

The meeting adjourned at 2:05 p.m.

The next Board meeting will take place on November 11, 2015. ■

**Save the Date!**

**April 1, 2016**

*97<sup>th</sup> Annual Dinner  
in Honor of the Federal Judiciary*

**The Waldorf Astoria New York Hotel**

| Last Name      | First Name | Company/ Firm /School                   | State                | Membership Type |
|----------------|------------|---|----------------------|-----------------|
| Alfano         | Alexander  | Fordham University School of Law        | New York             | Student         |
| Baker          | Mark       | Thomson Reuters                         | New York             | Active 3+       |
| Broad          | Ilana      | New York University School of Law       | New York             | Student         |
| Brownstone     | Daniel     | Fenwick & West LLP                      | California           | Associate       |
| Downey         | Catherine  | SUNY Buffalo Law School                 | New York             | Student         |
| Forman         | Scott      | Kenyon & Kenyon LLP                     | New York             | Active 3-       |
| Ghiselli       | Ryan       | Cowan, Liebowitz & Latman, P.C.         | New York             | Active 3+       |
| Godecki        | Marta      | Morrison & Foerster LLP                 | California           | Associate       |
| Hakimi         | Daniel     | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Headley        | Zalika     | PricewaterhouseCoopers LLP              | New York             | Corporate       |
| Hershkowitz    | Matthew    | Fordham University School of Law        | New York             | Student         |
| Hilgar         | Rebecca    | Seton Hall University School of Law     | New Jersey           | Student         |
| Ierega         | Olena      | Kenyon & Kenyon LLP                     | New York             | Active 3-       |
| Irwin          | Michelle   | George Washington University Law School | District of Columbia | Student         |
| Julie          | Staci      | Teva Pharmaceuticals USA                | Pennsylvania         | Corporate       |
| Kaplan         | Valerie    | Emory University School of Law          | Georgia              | Student         |
| Kato           | Stephanie  | Columbia Law School                     | New York             | Student         |
| Lee            | Margaret   | Pace University School of Law           | New York             | Student         |
| Lev            | Tamara     | Fordham University School of Law        | New York             | Student         |
| Lightbourn, II | Cyril      | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Lucas          | Eric       | Kenyon & Kenyon LLP                     | New York             | Active 3-       |
| McLennan       | Mark       | Columbia Law School                     | New York             | Student         |
| Ork            | Elizabeth  | SUNY Buffalo Law School                 | New York             | Student         |
| Palermo        | Nicole     | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Rai            | Manoranjan | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Seigel         | Katelyn    | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Shah           | Kierra     | SUNY Buffalo Law School                 | New York             | Student         |
| Sharma         | Puneet     | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Shulman        | Paula      | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Turner         | Michael    | Kenyon & Kenyon LLP                     | New York             | Active 3+       |
| Turner         | Camille    | Loyola University Chicago School of Law | Illinois             | Student         |
| Valdes         | Ashley     | Fordham University School of Law        | New York             | Student         |
| Wegrostek      | Manuel     | Benjamin N. Cardozo School of Law       | New York             | Student         |
| Worley         | Daniel     | Seton Hall University School of Law     | New Jersey           | Student         |

### THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION, INC.

**Telephone (201) 461-6603 [www.NYIPLA.org](http://www.NYIPLA.org)**

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Correspondence may be directed to *The Report* Editors,

William Dippert, [wdippert@patentusa.com](mailto:wdippert@patentusa.com), and Mary Richardson, [mary.e.w.richardson@gmail.com](mailto:mary.e.w.richardson@gmail.com)

#### **Officers of the Association 2015-2016**

President: Dorothy R. Auth

President-Elect: Walter E. Hanley Jr.

1st Vice President: Annemarie Hassett

2nd Vice President: Matthew B. McFarlane

Treasurer: Robert J. Rando

Secretary: Denise L. Loring

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William Dippert and Mary Richardson

##### **Committee Members**

Ronald Brown, Jayson Cohen, TaeRa Franklin,

Robert Greenfeld, Annie Huang, Dominique Hussey,

Keith McWha, Vadim Vapnyar, Joshua Whitehill

*Board Liaison* Jeanna Wacker

*The Report Designer* Johanna I. Sturm