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The Trademark as a Novel Innovation Index

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I. Pudding, Parks, and Products of the Intellect

Products of the intellect are different from a bowl of pudding.[1] In economic terms, pudding is considered "rivalrous," not in the way that the Hatfields and the McCoys are rivals, but by virtue of the fact that if I get to a bowl of pudding and eat it before someone else, it is "used up." There is no more of it. Ideas, on the other hand, are economically "non-rival," that is, one person's consumption of an idea does not necessarily reduce the amount of the idea available to another person.[2] My use of English syntax in this sentence prevents no one from simultaneously using syntax to write another sentence somewhere else. Language, unlike pudding, planes, and puppies, trades for nothing in a market economy.[3] But just like products of the intellect are different from pudding, they are also, generally speaking, different from public parks. In addition to being non-rival, public parks are "non-*excludable*"—a public park is freely available to all (taxes notwithstanding). The risk of treating ideas like we treat public parks is that many of the entrepreneurs amongst us would be unable to recoup the costs of inventing or creating. We would say that an entrepreneur does not innovate because she, he, or it, has no *incentive* to innovate.[4] We recognize that just because some ideas *can* be traded at a zero price does not mean that arriving at all ideas incurs *zero cost*. To discourage free riding, and to incentivize innovation by ensuring that certain species of ideas are entitled to excludability for a period of time, we treat some *ideas* like we treat *property*, but property of the intellect.[5]

The study of entrepreneurship "seeks to understand how opportunities are identified and exploited."[6] Valuable research in the field of entrepreneurship, therefore, involves "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered [and] evaluated."[7] When studying the relationship that exists between entrepreneurship and intellectual property, patents receive the most scholarly attention.[8] The attention makes sense when we consider that patents are closely associated with technical progress, grant temporary monopolies that incentivize investment in research & development (R&D), and function as "vector[s] of technological dissemination" in and of themselves.[9] In a number of industries, however, "conventional forms of invention (associated with patenting) are minimal, . . . so we must look elsewhere [to discern] innovative behaviour [sic]."[10] This is particularly true

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PRESIDENT'S CORNER

September 2015

What an honor it is for me to take the reins of such a collegial and renowned bar association dedicated to intellectual property law! The NYIPLA has become a vital thought-leader in the national intellectual property community. To demonstrate our commitment to intellectual property, one only has to survey the current activities of our committees.

The NYIPLA is thriving with its many active committees who are the driving force of the NYIPLA. I'm sure your participation in a committee will enrich your professional development and expand your network, be it with another committee member, a potential new client or finding a new job. Our committees promote interaction amongst our members serving as a network for education and collaboration.

Here are a few examples of the activities currently underway in NYIPLA committees and opportunities available for members looking to get involved:

The Amicus Brief Committee is a virtual beehive of activity addressing the most important and controversial IP issues of the day. On August 27, 2015, we filed an important amicus brief at the U.S. Court of Appeals for the Federal Circuit in support of a petition for rehearing en banc by Sequenom, Inc. on the issue of patent eligibility in *Ariosa Diagnostics Inc. v. Sequenom, Inc*. Three other amicus briefs were also filed recently in the *Akamai Technologies, Inc. v. Limelight Networks,* the *Lexmark International, Inc., v. Impression Products, Inc.,* and the *Cuozzo Speed Technologies, LLC v. Michelle L. Lee* cases. The continued diligence and hard work of the Amicus Brief Committee is vital to the NYIPLA.

The Legislative Action Committee (the "LAC") has been actively following the progress of the proposed patent bills in the Senate and the House. Earlier this year, the LAC submitted a White Paper to Congress presenting the NYIPLA's analysis of the proposed legislation. More recently, we visited several members of Congress, including Senators Charles Schumer, Patrick Leahy, Charles Grassley and Richard Blumenthal, to discuss proposed provisions of the Senate bill. The LAC is highly visible for those members interested in influencing the evolving statutory patent laws.

A special Committee has been busy organizing our next NYIPLA Presidents' Forum, an invitation-only event, to discuss in small-roundtable format the current dilemma surrounding the aftermath of *Alice*, *Mayo* and *Myriad*. The Forum will be facilitated by immediate Past President Anthony Lo Cicero and Dr. Marian Underweiser, IP Strategy & Policy Counsel at IBM, and will feature discussion leaders including district court judges, USPTO leaders, a law school professor, and stakeholders in both the biotech and financial services areas.

In June, our Patent Law & Practice Committee submitted comments to a USPTO "Request for Comments on Enhancing Patent Quality." In it, the NYIPLA provided several ideas on how patent quality can be improved, and commented on current procedures used to evaluate patent quality. Please refer to the NYIPLA website for our full submission. Currently, the Patent Law & Practice Committee is reviewing two new Requests from the USPTO soliciting comments on PTAB procedures, e.g., whether one or three APJs should decide Requests to Institute an IPR. This Committee is particularly useful for practitioners confronting the new IPR, CBM and PGR procedures as well as changes in patent prosecution rules.

The Programs Committee is organizing our hallmark CLE events, including the Fall One-Day Patent CLE Seminar, the "Day of the Dinner" Luncheon CLE Program and many other events. This Committee spearheaded a special event held on September 30, 2015 at Fordham Law School, designed to showcase the Southern District of New York during its 225th anniversary year. This special event presented a live *Markman* hearing, entitled *Wundaformer LLC v. Flex Studios*, and was presided over by the Honorable Jed Rakoff.

The NYIPLA also teamed up with the World Intellectual Property Organization to highlight WIPO-specific services, such as international patent and trademark filings as well as WIPO alternative dispute resolution services. This all-day event was held on September 17th at the Benjamin N. Cardozo School of Law.

Another special event took place on October 2, 2015 at the Western District of New York Courthouse to honor the Honorable William Skretny's many years of dedicated service as Chief Judge of the U.S. District Court for the Western District of New York. The event featured a mock damages expert testimony presentation presided over by the Honorable William Skretny followed by a panel discussion moderated by the Honorable Gregory Sleet, District Judge for the District of Delaware.

These are just a few examples: We are bubbling with activity, focused on the future for the IP community. I invite you to join our committees and get that cutting-edge advantage from the Association.

Finally, I would like to extend my grateful thanks to Anthony Lo Cicero, my predecessor as President, for an excellent and successful term in office. I also wish to thank each member of the Board, the Executive Office and each Committee Chair. These are the leaders of the NYIPLA who provide the spark and drive that make our organization special.

Dorothy R. Auth

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in our service sectors and consumer goods industries, including food and drink, fashion, and cosmetics. Trademarks[11] are particularly vital in industries where production technologies tend to be standardized, and where technological innovation is not in itself a condition for firm success.[12] Further, while firm R&D expenditures and patent portfolios can sometimes provide a reliable litmus test for innovation and entrepreneurship, these proxies map most readily onto the firms, sectors of the economy and countries with high financing capacities.[13] In other words, they only help us understand a small—and shrinking—share of global entrepreneurship.[14]

This article advances the premise that trademarks can function as complementary indices of entrepreneurship (1) in small or developing economies and (2) in service sectors and other low-tech industries. It illustrates both functions through the examination of trademark application activity in China as opposed to European industrialized nations at various points over the past thirty years. The article then discusses various ways in which trademarks can impact the lifecycle of firms engaged in everything from social networking to men's fragrances. In so doing, the article explores the varied relationship trademarks have with entrepreneurial activity in developed and developing nations, as well as in high and low technology industries. The result is a novel look at novel behavior, taking us beyond the Silicon Valley hacker's house and into the farmhouses of China, the public houses of Ireland, and the fashion houses of Germany.

II. Trademark Registration Activity as an Index of Entrepreneurship Across Industries in Less- and Least-Developed Nations: China Case Study

A. Economic Growth, Trademark Registration and Product Differentiation

A positive relationship exists between the size of an economy and product variety.[15] Increased imitation and rivalry lead to a proliferation of trademarks as entrepreneurial firms seek to diversify their products through the creation of new brands.[16] While patents may stimulate innovation, "trademarks are used for other purposes, in particular to stimulate product differentiation and business diversification."[17] This is because "[b]rands are recognised [sic] by consumers as a signal that a product [or service] satisfies basic requirements for consistency and quality (so-called vertical differentiation) and that it embodies a unique combination of characteristics that differentiates it from other brands (so-called horizontal differentiation)."[18] Increased horizontal differentiation in a market can demonstrate that entrepreneurs are developing "sophisticated and careful [market] segmentation strategies" and using "selected channels of distribution" to reach emerging niches.[19] Vertical differentiation, on the other hand, may signal that entrepreneurs recognize an emerging market potential to position their brand as "upmarket" vis-à-vis another firm's brand or another brand in the firm's own portfolio.[20] In both instances firms act entrepreneurially *and* intraprenurially, identifying and exploiting new opportunities through the introduction of new products or services.[21]

In many cases, trademark registration data can provide researchers with the kind of real-time information about the current state of entrepreneurial activity in a market that patent acquisition or R&D expenditure information cannot. This is because registration is possible for almost every conceivable product or service being offered in a market and, unlike patents, most countries limit grants of registration to products and services that are already being commercialized or will be commercialized in the very near future.[22] In the United States, for example, trademark applicants may file a "use in commerce" application under Section 1(a) of the Lanham (Trademark) Act, which requires that the applicant prove use of the mark in commerce on or in connection with *all* the goods and services listed in the application as of the application *filing date*.[23] Trademark applicants may also file an "intent-to-use" application under Section 1(b) when the applicant has a bona fide intent to use the trademark in commerce *after* the application filing date.[24] In order to perfect an intent-to-use application and be granted registration, however, the applicant must provide evidence within six months of a Notice of Allowance (extendible in six-month segments up to a total of three years from the Notice of Allowance) that the mark has been put into actual use.[25] The same is not true in China, whose "first-to-file" system grants applicants trademark rights upon registration regardless of whether the applicant has used the trademark or not,[26] although China does allow for registration challenges against unused or abandoned trademarks.[27]

1. Trademarks' Role in Spurring and Measuring Entrepreneurship in China

As the world's most important emerging market, China's experience with trademark law over the past thirty-five years offers myriad lessons about the interesting interplay that exists between trademark and entrepreneurship if we consider trademark law as both (1) an

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institution that can hinder and facilitate innovation and (2) as an innovation index.

a. Chinese Trademark Law From 1978 Through Present Day

China initiated market reforms in 1978 following its Cultural Revolution, shifting from a centrally-planned to a market-based economy, and has since experienced rapid economic and social development.[28] Contemporaneous with its move to a market economy, China began drafting its first modern trademark law[29] and established a state agency to handle trademark registration.[30] In fact, of the three dominant forms of intellectual property, trademark law was the first to be reintroduced following the Cultural Revolution.[31] A decade after adopting its first modern trademark law in 1982, China strengthened its intellectual property system once more, in response to pressure from the United States, and strengthened it a third major time in preparation for the country's accession to the World Trade Organization in 2001.[32] As will be shown, China's simultaneous move to a market economy and adoption of trademark law precipitated a surge of economic growth and entrepreneurial activity that has to a large extent been tied to China's trademark policy over the last thirty years.

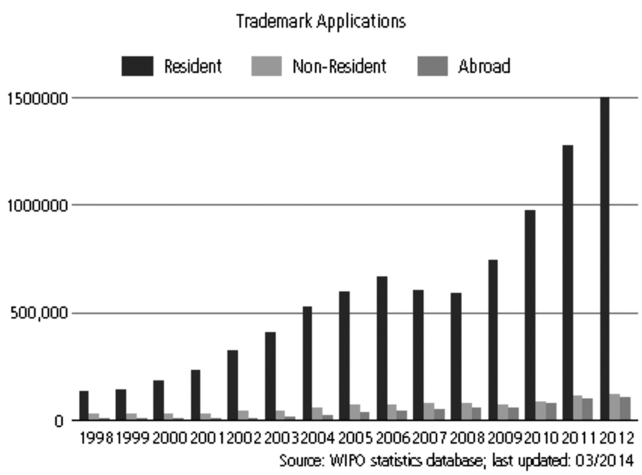
China's most recent overhaul of its trademark law occurred in 2001 when China acceded to the World Trade Organization, bringing its trademark law into greater conformity with international standards. Several amendments in particular are worth highlighting as demonstrations of trademark law's ability to be adapted to incentivize entrepreneurs and deter free riding that might otherwise hinder innovation in a young market economy. Among the most noteworthy changes to Chinese trademark law were new provisions protecting well-known global trademarks not already registered in China, providing an exception to China's aforementioned "first-to-apply" registration system by denying registrations to Chinese applications that are identical, similar to, or imitate pre-existing, famous trademarks.[33] The 2001 amendments also extended to local Chinese trademark tribunals the necessary powers to seize and destroy allegedly infringing goods as well as the tools used to manufacture them,[34] and increased infringement fines from the 1982 levels of "50% of illegal sales" to "three times [the amount of] illegal sales" or "a statutory fine."[35]

China's economic growth has directly impacted the government's focus on trademark law, more so than any other form of intellectual property.[36] From 2002-2007, for example, coming on the heels of China's 2001 trademark law revision, Chinese tribunals handled over 25,000 infringement cases per year, made possible in large part by increased government investment in trademark enforcement.[37] China now also offers trademark owners the ability to pursue infringement actions through administrative rulings rather than the court system, offering rights-holders a fast, efficient and cheaper avenue to pursue claims.[38] To deter would-be infringers, and to encourage rights-holding firms, the government has also attached criminal liability to serious counterfeiting.[39]

Beyond a desire to facilitate greater levels of Chinese entrepreneurship and economic development in its new economy, trademarks have become the form of intellectual property most closely associated with economic development in China over the past thirty years because out of the three dominant forms of intellectual property, trademark reform is the easiest to affect.[40]

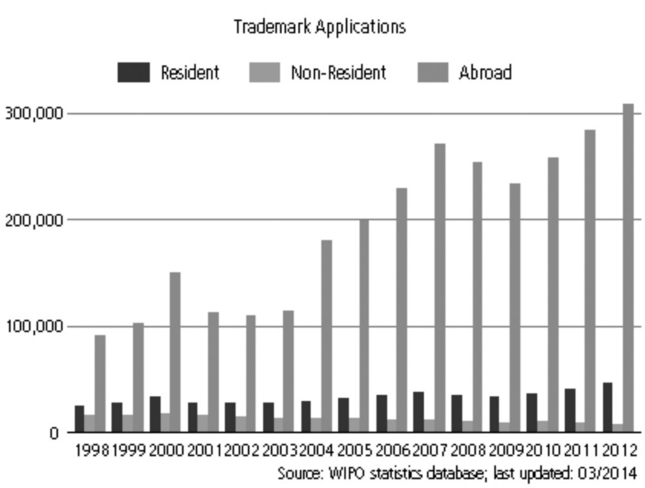
b. Chinese Trademark Registration as an Index of Entrepreneurship

China is the world's fastest growing consumer market,[41] and conventional wisdom holds that firms seeking to establish markets for finished products need trademark protection.[42] China is also the world's largest manufacturer and exporter of goods,[43] and trademark protection "is particularly important to an export-driven economy."[44] China's trademark application numbers have reflected the country's rapid economic development and strengthened trademark protection. China received just over 20,000 initial trademark registration applications in 1980 and over 1.4 million applications in 2011,[45] with non-Chinese applicants accounting for 142,958 applications, or approximately 10% of the total number.[46] The 2011 figures illustrate that from 1980 through 2011, the overwhelming majority of trademark applications in China originated with Chinese firms and citizens introducing new products and services into the marketplace, engaging in entrepreneurial activity. More recent statistics from the World Intellectual Property Organization (WIPO) bear out this trend:



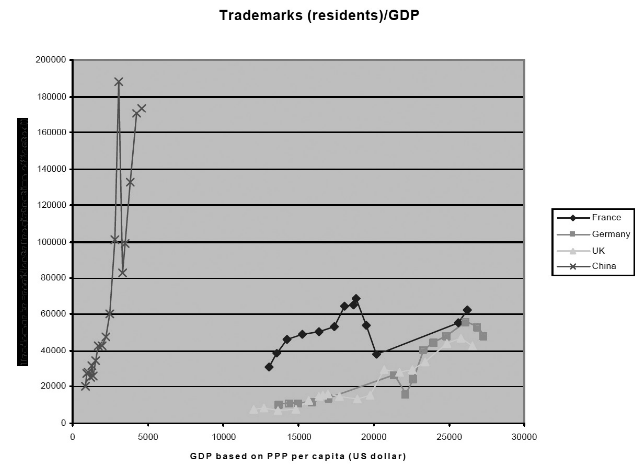
Graph 1: Chinese Trademark Applications By Residency From 1998-2012 (WIPO)[47]

Compare Chinese residents' application numbers with domestic trademark applications filed by citizens of the United Kingdom (UK) during the same period:



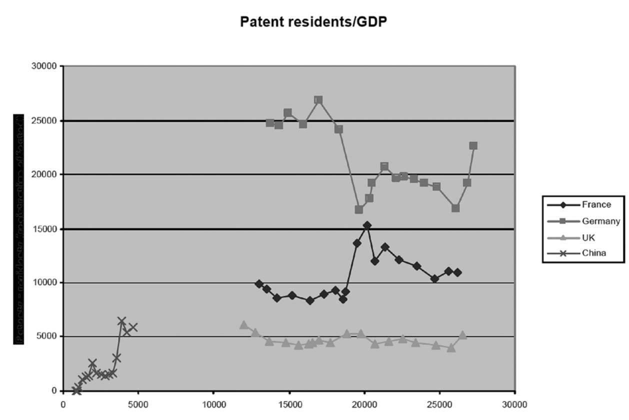
Graph 2: UK Trademark Applications By Residency From 1998-2012 (WIPO)[48]

During 2012, for example, UK firms filed 45,607 domestic trademark applications as compared with Chinese firms' 1.5 million domestic trademark applications. Even when one controls for population differences between the two countries, the difference is striking. Centi & Rubio (2005) also highlight that in 2002, for example, Chinese trademark application rates by residents thrived at lower levels of GDP (Gross Domestic Product) as compared with resident applications in more developed European countries.



Graph 3: Resident Trademark Applications By GDP In 2002 (Centi & Rubio, 2005)[49]

While trademark applications filed by Chinese residents thrived at a lower GDP, Chinese patent applications during the same time were far lower than applications filed by residents in France, Germany and the UK during the same period.



Graph 4: Resident Patent Applications By GDP In 2002 (Centi & Rubio, 2005)[50]

At low GDP per capita, China experiences less quantity of registered patents than the selected European member states. Having looked at whether foreign or domestic entrepreneurs are availing themselves of Chinese trademark law and having examined trademark versus patent registration rates weighted by GDP per capita, one final aspect that deserves attention is whether the

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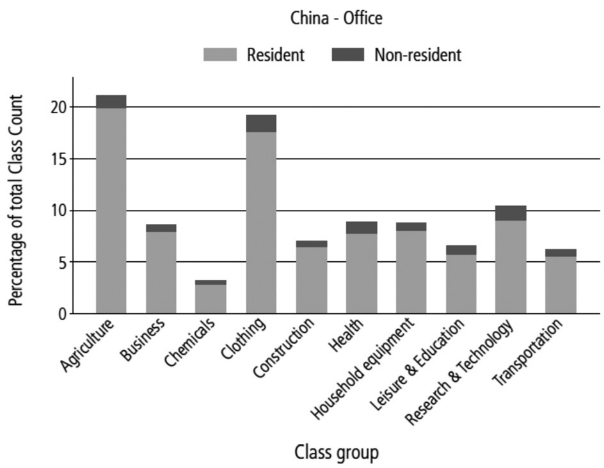
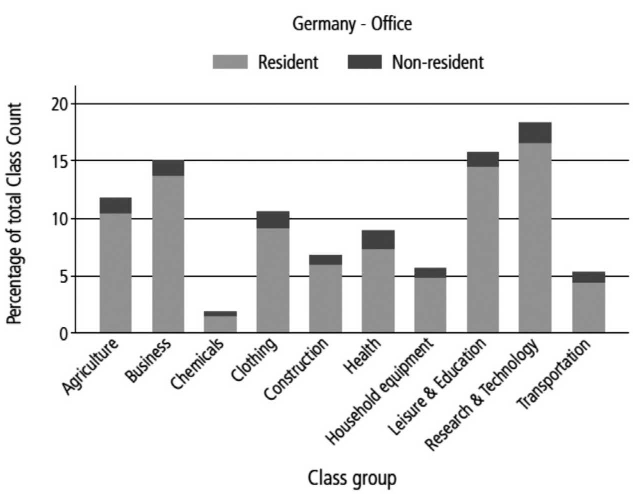
distribution of trademark applications across various products and services differs in China when compared with more developed countries. The 2013 WIPO statistics indicate that it does.



Graph 5: Chinese Trademark Applications By Sector In 2013 (WIPO)[51]

Current domestic Chinese trademark activity is highest in the agriculture and consumer goods sectors, given China's lower levels of purchasing power parity per capita, as might be expected. Chinese entrepreneurial activity is more depressed in capital-intensive sectors. Germany, however, shows greater entrepreneurial activity in these same sectors at higher levels of GDP.



Graph 6: German Trademark Applications By Sector In 2013 (WIPO)[52]

Considering the above data, is it possible to distinguish patents and trademarks as different vectors of growth? As the China case study demonstrates, we see higher levels of trademark registration activity by residents at lower levels of GDP in less capital-intensive economic sectors. This activity directly relates to entrepreneurship because the "[r]egistration (applications for registration) of trademarks indicates that new kinds of products will be supplied on the market."[53] Application activity demonstrates that entrepreneurs are developing new products with new characteristics to meet "potential demand[,] which has not yet been satisfied."[54]

The "dominance of industrialized countries in worldwide [intellectual property] ownership" is well-established, but "is most pronounced in the case of . . . patents, where less than 5 percent of worldwide patents" between 1994 and 1995 were granted to residents of developing countries.[55] During the same period, however, "32 percent of domestic trademark registrations" worldwide were granted to "residents of developing countries."[56] Trademarks, therefore, offer us a different index for understanding and measuring entrepreneurship in developing economies.

III. The Lifecycle of a Trademark Across Industries and Economies

John Stewart, the former CEO of the Quaker Oats Company, once told a friend that "[i]f this business were split up, I would give you the land and the bricks and mortar, and I would take the brands and trademarks, and I would fare better than you."[57]

Brand considerations can impact the lifecycle of a firm in interesting ways, highlighting a relationship between entrepreneurship, the life of individual trademarks and the life of a firm itself. Brands' impact on lifecycle decisions and other corporate activity is particularly pronounced in "consumer goods" industry firms, many of which are multi-brand (e.g., Procter & Gamble, Unilever), which differ from the many high tech and manufacturing industry firms who market under a single brand name (e.g., Apple).[58] For those segments of the economy that do not rely on advanced technologies and are dominated by multi-brand firms there is a greater ability to separate the ownership of a firm on the one hand with the ownership of a brand on the other hand, allowing for separate trade of the two.[59] This Section will discuss several notable ways trademarks may impact the lifecycle of a firm and how firms can effect various intrapreneurial or entrepreneurial goals through innovative brand activity.

A. Trademark's Impact on Exit Activity and Inter-Firm Partnership

Trademarks may impact a firm's decision to merge in order to "achieve economies in distribution and product development" for its brand(s) that would be impossible to achieve alone, allowing a larger firm to exploit a brand fully.[60] Unexpected or accelerated popularity of a brand may force a firm's hand to merge, requiring a smaller firm (or encouraging a smaller firm's financial backers) to seek out a larger partner that can support a global market or distribution system.[61] Brands may also influence firms' decisions to merge because, in some instances, "acquiring a [strong] brand essentially involve[s] the acquisition of a set of loyal customers."[62] Facebook's failed offer to acquire Snapchat, a company with no revenues, for $3 billion in 2013 illustrates the point well. Despite Facebook's reaching over 1.2 billion people worldwide, Snapchat had a loyal following of teenagers, a group with which Facebook was struggling to connect.[63] Snapchat had developed a loyal user base around its brand, and loyal user bases increasingly "loom large in valuation considerations."[64] Because trademarks and loyal user bases are connected, "[p]opular networks may not kill the [competitors] that came before [them]," and instead opt to acquire and keep a pre-existing brand intact, as Facebook did with both Instagram and WhatsApp.[65] After Snapchat rebuffed Facebook's offer, Facebook released its own app, Slingshot, which is identical to Snapchat in nearly every meaningful way.[66] On their face, Facebook's actions are curious—why would the largest social media company in the world offer $3 billion for a company whose service is virtually effortless to duplicate, generates no revenues, and has a user base that is dwarfed by Facebook's own in an industry where success is largely tied to network effects? The answer becomes clear if we consider that Facebook was willing to pay $3 billion solely for Snapchat the brand, rather than Snapchat the firm. Facebook must have known that it could produce the same or arguably an even better app than Snapchat ever could, given Facebook's dominance in social networking, for far less than $3 billion. Nevertheless, Facebook must have reasoned that it would not be able to compete with the Snapchat brand and the loyal following cultivated around that brand. As a result of a trademark, Facebook attempted to engage in a multi-billion dollar acquisition when it would have been a waste of corporate assets otherwise. To go back to the very first point made in this article: social networks, like language, are not only non-rival, but are *anti-rival*. Not only are people not harmed when another person uses an anti-rival good, but the more valuable the good becomes to everybody.[67] Social networks, therefore, require loyal users, and loyal users congregate around brands.

Relatedly, a firm may choose to merge for brand expansion purposes, where the merger is primarily effected so that one firm's well-known brand can be appended to another firm's less-recognized but nevertheless desirable underlying product or service.[68]

However, because of trademarks' ability to be licensed, a brand might also influence a company to refrain from merger and acquisition (M&A) altogether while still allowing companies in traditionally unrelated industries to recognize entrepreneurial synergies around a single brand in innovative, non-permanent ways. Hugo Boss had been a successful men's apparel brand since 1923, but in 1993, anticipating an increased willingness by men to wear fragrances, Hugo Boss entered into a licensing agreement with American multinational consumer goods company Procter & Gamble to produce fragrances under the Hugo Boss brand name.[69] Although the licensing agreement was Procter & Gamble's first investment in the fragrance business, the success of the initial Hugo Boss cologne eventually led Procter & Gamble "to achieve global leadership in men's fragrances."[70] Licensing a brand rather than engaging in M&A activity can allow firms to produce and distribute different products, or reach different geographic markets, for fixed periods of time.

Individual brands, as intellectual property, may also be traded independently of a firm through acquisitions. Large firms may opt to acquire individual brands from smaller firms "because they have the [organizational] skills and financial resources to rejuvenate [or reposition pre-existing] brands."[71] Bombay Sapphire gin, for example, "was launched in 1987 by International Distiller and Vinters (IDV), which [eventually] became a subsidiary of Grand Metropolitan."[72] After acquiring Bombay Sapphire, Grand Metropolitan horizontally differentiated Bombay Sapphire by using "attractive ingredients, innovative design (blue bottle) and a new recipe (more spicy and more lemon than competitor [gin] brands such as Gordon) to capture the market share."[73] However, when Grand Metropolitan decided to merge with Guinness to form Diageo, the resulting firm's potential market dominance in the alcoholic beverage industry "led to antitrust concerns in the U.S."[74] In order to avoid sanction by the Federal Trade Commission, Diageo sold the Bombay Sapphire brand to Bacardi.[75] "Bacardi retained the essential components of the brand," such as the distinctive blue bottle and recipe, but vertically differentiated the brand in a way Diageo had not, "through heavy advertising and higher prices," emphasizing Bombay Sapphire's status as a premium gin.[76] Because Bacardi was a smaller multinational than Diageo, Bombay Sapphire was "relatively more important [to] the firm's overall [brand] portfolio, and . . . received more attention [from] top management."[77] Following Bacardi's acquisition and vertical differentiation, Bombay Sapphire sales "grew from 0.5 million bottles in 1998 to 1.4 million bottles in 2004."[78]

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China provides another interesting example of how brands can influence corporate entrepreneurship. As of December 2014, China leads all of the world's emerging markets with ninety-five companies appearing on *Fortune*'s Global 500 list of the world's largest companies ranked by revenue.[79] Yet China has only one representative on Interbrand's October 2014 list of 100 Best Global Brands as measured by brand worth.[80] Huawei (#94 on the list), the Chinese telecommunications and network equipment provider, appeared for the first time in 2014 and is the first Chinese company ever to appear on Interbrand's list.[81] "The company is currently the third largest smartphone manufacturer in the world…"[82] Furthermore, despite China's increased outward-bound foreign direct investment of $3 billion to more than $60 billion from 2005-2011, only one-third of Chinese companies report international revenue developing in line with their expectations.[83] The *Harvard Business Review* notes that this is because "[t]o many skeptical consumers in developed markets, Brand China still means lower quality," and that most Chinese companies have traditionally focused on physical assets and low-cost manufacturing at the expense of strengthening intangible resources such as brands.[84] To compensate for this, the *Review* recommends that Chinese companies form joint ventures, merge with or acquire western brands to grow.[85] Tellingly, in November 2013, a full year before Huawei's first appearance in October 2014 on Interbrand's list, the *Review* highlighted Huawei as a brand to watch, noting that, "[a] significant part of … Huawei's leap from regional player to global leader … [is] due to [] partnerships with Motorola … and Symantec," both U.S.-headquartered companies.[86]

IV. The Trademark as a Novel Innovation Index

Trademarks do not guarantee that entrepreneurs will be successful, but they offer entrepreneurs the ability to exploit profit opportunities by allowing consumers to identify, distinguish, and reward talented firms. Strong trademark regimes offer all countries—developed and developing—the opportunity to both incentivize domestic entrepreneurship and attract foreign investment. The study of entrepreneurship seeks to understand how new opportunities are identified and exploited. Trademarks function as a novel innovation index because they symbolize firms' exploitation of new opportunities through the introduction of new products or services. In the context of entrepreneurship, trademarks can serve a unique complementary role as indexes for innovative activity (1) in small or developing economies and (2) in service sectors and other low-tech industries traditionally under-studied in the entrepreneurship literature. Finally, trademarks, as increasingly valuable intangibles, can impact the life-cycles—and life styles—of firms in unique ways. Thus, trademarks can provide us with a fresher picture of global entrepreneurship, wherever it takes place.

(Endnotes)

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[1] Marc Meola, *Non-Rival is Non-Relevant*, ACRLog (Mar. 26, 2009), http://acrlog.org/2009/03/26/non-rival-is-non-relevant.

[2] *Id.*

[3] *See generally* R. Cornes & T. Sandler, The Theory of Externalities, Public Goods, and Club Goods (1986).

[4] *See generally* Michele Boldrin & David K. Levine, Against Intellectual Property (2005).

[5] *See generally* William J. Baumol, Welfare Economics and the Theory of the State (1952) (discussing the economics of the free rider problem).

[6] Jeroen P.J. de Jong, *Schumpeter versus Kirzner: An Empirical Investigation of Opportunity Types* 5 (EIM Bus. and Policy Research & RSM Erasmus Univ., Working Paper, Jan. 2010).

[7] S. Shane & S. Venkataraman, *The Promise of Entrepreneurship as a Field of Research*, 25(1) Acad. Mgmt. Rev. 217, 218 (2000).

[8] A Dec. 9, 2014 Google Scholar (scholar.google.com) search for "patents and entrepreneurship" yields 61,400 results, compared to a similar search for "trademarks and entrepreneurship," which yields 16,100 results. A search for "copyright and entrepreneurship" yields 326,000 results, but this is due to Google's highlighting every article's copyright notice as relevant to the query.

[9] Jean-Pierre Centi & Nathalie Rubio, *Intellectual Property Rights and Entrepreneurship: On The Precedence of Trademarks* 2 (Int'l Ctr. Econ. Research, Working Paper No. 29, 2005).

[10] Teresa da Silva Lopes & Mark Casson, *Entrepreneurship, Brands and the Development of Global Business* 3 (Ctr. Globalization Research, Queen Mary, Univ. of London, CGR Working Paper No. 2, Sept. 2007).

[11] A trademark is "a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods [and/or services] of one party from those of others." *Trademark, Patent, or Copyright?*, U.S. Pat. & Trademark Office, http://www.uspto.gov/trademarks/basics/definitions.jsp (last visited Dec. 9, 2014).

[12] da Silva Lopes & Casson, *supra* note 10, at 8-9.

[13] Centi & Rubio, *supra* note 9, at 5.

[14] Carl Haub, *Fact Sheet: World Population Trends 2012*, Population Reference Bureau (July 2012), http://www.prb.org/Publications/Datasheets/2012/world-population-data-sheet/fact-sheet-world-population.aspx.

[15] Centi & Rubio, *supra* note 9, at n.5 (noting that "[a] higher GDP increases the number of varieties of products rather than the quantity produced per variety").

[16] *See generally* Montserrat Llonch-Casanovas, *Trademarks, Product Differentiation and Competitiveness in the Catalan Knitwear Districts During the Twentieth Century*, 54(2) Bus. History 179 (Apr. 2012). *See also* Centi & Rubio, *supra* note 9, at 3 (noting that even the "prospect of differentiation

boosts up the market dynamic" by encouraging price and other forms of competition).

17 Centi & Rubio, *supra* note 9, at 14.

18 da Silva Lopes & Casson, *supra* note 10, at 7.

19 *Id*. at 26.

20 *Id*. at 27.

21 de Jong, *supra* note 6, at 5.

22 Centi & Rubio, *supra* note 9, at 14.

23 15 U.S.C. §1051(a).

24 *Id*. §1051(b).

25 *Id*. §1051(d).

26 Huang Hui & Guo Shoukang, *China Trademark Laws & Cases—A Summary of the Trademark System and Comments and Analysis of Trademark and Unfair Competition Cases in China*, EU-China Project on the Protection of Intellectual Property Rights (IPR2) 12 (May 2011), www.ipr2.org/storage/Trademark_Laws_&_Cases-EN-110504-final1006.pdf.

27 Hatty Cui, *Brief Review of 'Non-Use' Trade Mark Cancellation Proceedings in China*, China Daily (June 14, 2012), http://ipr.chinadaily.com.cn/2012-06/14/content_15502882.htm .

28 *China Overview*, The World Bank, http://www.worldbank.org/en/country/china/overview (last visited Dec. 9, 2014); Peter K. Yu, *Intellectual Property, Economic Development, and the China Puzzle* 3 (Intellectual Prop. Law Ctr., Drake Univ. Law School, Working Paper No. 1, Sept. 2007).

29 *Trademark Law of the People's Republic of China*, Trademark Office of The State Admin. for Indus. & Commerce of China, http://www.saic.gov.cn/sbjenglish/flfg1_1/flfg/201012/t20101227_103092.html (last visited Dec. 9, 2014) (noting that China's first modern trademark laws were adopted in August 1982, revised again in 1993, and revised for a third time in 2001).

30 Hui & Shoukang, *supra* note 26, at 10.

31 Yu, *supra* note 28, at 32.

32 Hui & Shoukang, *supra* note 26, at 10; *China and the WTO*, World Trade Org., http://www.wto.org/english/thewto_e/countries_e/china_e.htm (last visited Dec. 9, 2014).

33 Hui & Shoukang, *supra* note 26, at 17. For example, while I was the legal intern for trademarks at Google during my 1L summer, I was responsible for trying to have Google's ANDROID operating system trademark classified by the Chinese government as well known because the classification is extremely useful in preventing infringement and counterfeiting across all classes of goods and services.

34 *Id*. at 25.

35 *Id*.

36 Joff Wild, *The Truth About Trademarks in China*, World Trademark Rev. 52 (Jan./Feb. 2007), http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCAQFjAA&url=http%3A%2F%2Fwww.worldtrademarkreview.com%2FMagazine%2FIssue%2F05%2FRoundtable%2FThe-truth-about-trademarks-in-China&ei=s3aHVKn1EIHugwTR9YGgBg&usg=AFQjCNFWf6JJEVYn6emPQ55mV6UuAvPfjQ&bvm=bv.81449611,d.eXY.

37 *Id*.

38 *Id*. at 55.

39 *Id*. at 53.

40 Yu, *supra* note 28, at 32 (noting that copyright reform can be associated with "propaganda, thought work, and information control" and that patent reform is difficult "due to [patents'] considerable impact on technology transfer and the potential for slowing down the country's modernization efforts by draining foreign exchange reserves in the form of royalty and license fee payments.").

41 Steven Barnett, *China: Fastest Growing Consumer Market in the World*, Int'l Monetary Fund Direct (Dec. 2, 2013), http://blog-imfdirect.imf.org/2013/12/02/china-fastest-growing-consumer-market-in-the-world.

42 Yu, *supra* note 28, at 5.

43 David Sims, *China Widens Lead as World's Largest Manufacturer*, ThomasNet.com (Mar. 14, 2013), http://news.thomasnet.com/IMT/2013/03/14/china-widens-lead-as-worlds-largest-manufacturer; Peter Cai, *Is China Really theWorld's Largest Exporter,* China Spectator (Feb. 24, 2015), http://businessspectator.com.au/article/2015/2/24/china/china-really-worlds-largest-exporter.

44 Yu, *supra* note 28, at 21.

45 There are several explanations, pessimistic and optimistic, as to why Chinese firms may have taken to trademark to such an extent. On the pessimistic side, free riding may have motivated many Chinese initially because of the country's unique "first-to-file" system. Chinese entrepreneurs, because of a lack of any real intellectual property infrastructure in the country prior to the 1982, may have "consider[ed] it a smart business strategy to free-ride on other people's trademarks and reputation." Wild, *supra* note 36, at 53. Because a large majority of the Mainland Chinese population did not speak English, Chinese entrepreneurs could also opt to register Chinese translated or Chinese transliterated versions of pre-existing trademarks before the firms that owned the foreign rights to those trademarks would notice. *Id*. at 54. Taking the optimistic view, some practitioners believe that, as among trademark, patent, and copyright in China, trademarks are the most widely understood and appreciated form of intellectual property. *Id*. at 53. Pragmatically, from the standpoint of internal entrepreneurship in China, "trademark protection is even more beneficial than the protection afforded by other forms of intellectual property." Yu, *supra* note 28, at 22. This is because developing recognized trademarks "requires neither considerable technological expertise or initial heavy capital investment." *Id*. Enhancing trademark protection "encourage[s] local companies to catch up and compete with famous Western brands." *Id*. at 22-23. This is particularly true in the dynamic and immature market of a developing country, where "consumers are still experimenting, and brands come and go with great speed." *Id*. at 23. "As a result, local firms empowered by trademark law have the opportunity to attain market position and develop the next promising brands." *Id*. Witnessing successful Chinese brands compete with famous Western brands could encourage more Chinese entrepreneurship, resulting in a trademark-driven entrepreneurial feedback loop. Trademark violations were likely to be easier to pursue in China because Chinese authorities perceived patent infringement merely as a kind of technology transfer that helped to meet "national technology development goals." *Id*. at 32 (quoting Keith Maskus, Sean Dougherty, & Andrew Mertha).

46 China Customs, Trade Regulations and Procedures Handbook 66 (Ibp Inc., 2013); *Annual Development Report on China's Trademark Strategy*, Trademark Office Rev. & Adjudication Bd. of State Admin. for Indus. & Commerce of China (Mar. 22, 2012), http://www.saic.gov.cn/zwgk/ndbg/201205/P020120507585844728024.pdf; Wild, *supra* note 36. Note that in calculating this number, I combined "non-resident" applicants (foreign firms applying for trademark protection in China specifically) with "abroad" applicants (foreign firms applying for trademark protection in China as well as a number of other countries simultaneously through the Madrid Protocol process).

47 *Statistical Country Profiles: China*, World Intellectual Prop. Org., http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN (last accessed Dec. 9, 2014). Although I have not researched this, I imagine that application rates in 2008 were potentially impacted by the global economic crisis, though I will not speculate as to the reasons for the dip in 2007 as well. China's improved performance in 2009 makes sense given that China's economy grew more than any other country that year.

48 *Statistical Country Profiles: UK*, World Intellectual Prop. Org., http://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=GB (last accessed Dec. 9, 2014). Again, although I have not researched this, you do not see the same drop in application activity for the UK during the 2007-2008 that you saw in China. I submit (but am speculating) this may be because trademark activity is already depressed in developed countries as opposed to developing countries, and therefore less prone to financial "shock." The UK's 2009 numbers, in any event, reflect a decline from 2008, which makes sense given that the UK's economy that year suffered one of the worst real GDP growth rates of any developed nation.

49 Centi & Rubio, *supra* note 9, at 7.

50 *Id*. at 8.

51 *2013 World Intellectual Property Indicators* 120, World Intellectual Prop. Org., http://www.wipo.int/ipstats/ en/wipi/2013 (statistics available when last accessed Dec. 10, 2014).

52 *Id*. at 119.

53 Centi & Rubio, *supra* note 9, at 4.

54 *Id*.

55 C. A. Primo Braga, C. Fink & C. Paz Sepulveda, *Intellectual Property Rights and Economic Development* 25 (World Bank, Discussion Paper No. 412, Mar. 2000).

56 *Id*.

57 *Interbrand's Top Global Brands*, Adverteaze Live (June 10, 2008), https://

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adverteazelive.wordpress.com/2008/06/10/inter-brand%E2%80%99s- top-global-brands.

[58] *The Company Behind the Brand: In Reputation We Trust*, *Multi-Brand Company Spotlight*, Weber Shandwick (July 2012), http://www.webershandwick.com/uploads/news/files/MultiBrand_Spotlight_Report.pdf.

[59] da Silva Lopes & Casson, *supra* note 10, at 41.

[60] *Id*. at 28.

[61] *Id*. at 24-25.

[62] Kai A. Konrad, *Merger Profitability in Industries With Brand Portfolios and Loyal Customers*, 26 Kor. Econ. Rev. 1, 9 (Summer 2010).

[63] Julianne Pepitone, *Facebook Admits Young Teens Are Losing Interest in the Site*, CNN Money (Oct. 31, 2013, 10:00 AM), http://money.cnn.com/2013/10/30/technology/social/facebook-earnings/; Ryan Tate, *Why Facebook Would Pay $3 Billion for Snapchat (And Why It Shouldn't)*, Wired (Nov. 13, 2013, 6:38 PM), http://www.wired.com/2013/11/facebook-snapchat.

[64] Richard Waters, *Loyal Users Key to Snapchat and Twitter Fortunes*, Financial Times (July 31, 2014, 4:57 PM), http://www.ft.com/cms/s/0/097ad3ee-185c-11e4-a82d-00144feabdc0.html#axzz3LLTBob8f.

[65] *Id*.

[66] Jordan Crook, *Is Facebook Slingshot Third Time's A Charm or Strike Three?*, TechCrunch (June 17, 2014), http://techcrunch.com/2014/06/17/facebook-snapchat-slingshot.

[67] Lawrence Lessig, *Do You Floss?*, 27(16) London Rev. of Books (Aug. 18, 2005), *available at* http://web.archive.org/web/20061210095140/http://www.lrb.co.uk/v27/n16/less01_.html.

[68] da Silva Lopes & Casson, *supra* note 10, at 28.

[69] *Id*. at 30.

[70] *Id*.

[71] *Id*. at 31.

[72] *Id*. at 28.

[73] *Id*. at 28-29.

[74] *Id*. at 29.

[75] *Id*.

[76] *Id*.

[77] *Id*.

[78] *Id*.

[79] *Global 500 2014*, Fortune.com (Dec. 8, 2014), http://fortune.com/global500/wal-mart-stores-1.

[80] "When determining the top 100 most valuable brands each year, Interbrand [(whose brand valuation formula was the first of its kind to be certified by the International Organization for Standardization)] examines three key aspects that contribute to a brand's value: [(1)] [t]he financial performance of the branded product and service[; (2)] [t]he role the brand plays in influencing customer choice[; and (3)] [t]he strength the brand has to command a premium price or secure earnings for the company." *Interbrand's 15th Annual Best Global Brands Report*, Interbrand (Oct. 9, 2014), http://interbrand.com/newsroom/interbrands-15-annual-best-global-brands-report.

[81] *Id*.

[82] *Id*.

[83] *Growth Journeys: Helping Asian Companies Realize the Value of their International Expansion Strategies*, Accenture 7 (2013), http://www.accenture.com/Microsites/asia-go-global/Documents/pdfs/home-slider/Accenture-Growth-Journeys-Final.pdf.

[84] Martin Roll, *How Chinese Companies Can Develop Global Brands*, Harvard Bus. Rev. (Nov. 20, 2013), https://hbr.org/2013/11/how-chinese-companies-can-develop-global-brands.

[85] *Id*.

[86] *Id*.

Moving UP
& Moving ON

➤ William H. Dippert, formerly of Eckert Seamans Cherin & Mellott, LLP, has joined Lerner Greenberg Stemer LLP, Hollywood, Florida, in the firm's intellectual property practice.

➤ Patrice P. Jean, formerly of Kenyon & Kenyon LLP, has joined Hughes Hubbard & Reed LLP as a partner in the firm's intellectual property practice.

➤ Jane M. Love and Robert Trenchard, formerly of WilmerHale, have joined Gibson, Dunn & Crutcher LLP as partners in the intellectual property and life sciences practice.

➤ Dov H. Scherzer, formerly of Moses & Singer LLP, has joined Polsinelli PC as a shareholder in the firm's Life Sciences & Technology Division.

➤ Whitmyer IP Group LLC opened its first office in Stamford, Connecticut, where it will specialize in patent and trademark law for U.S. and international technology companies.

➤ Michael Kahn, formerly of Ropes & Gray LLP, has joined Akin Gump Strauss Hauer & Feld LLP as a partner in its intellectual property practice.

➤ Paul Zagar, formerly of McDermott Will & Emery LLP, has joined Blank Rome LLP as a partner in its intellectual property practice.

➤ Lewis V. Popovski and Jeffrey S. Ginsberg, formerly of Kenyon & Kenyon LLP, have joined Patterson Belknap Webb & Tyler LLP as partners in the patent litigation practice group.

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) or Mary Richardson (mary.e.w.richardson@gmail.com)

What About Us? Pre-1972 Sound Recordings, Music Licensing, and Recording Artists' Public Performance Rights in the Wake of *Flo & Eddie v. Sirius XM*

By Nick Bartelt[*]

Look out honey, 'cause I'm using technology
Ain't got time to make no apology

- Iggy Pop[1]

I. Introduction: (Can't Get No) Satisfaction

The history of recorded music in the 20th century is one of culturally significant, often radical, expressions being regularly confronted with a series of similarly disruptive technologies—from player piano rolls[2] to digital sampling[3] to file-sharing[4] to streaming.[5] While these technologies have expanded music's creative potential and its ability to reach new audiences, they also have presented challenges to musicians, and the music industry, in their ability to control and exploit the exclusive rights granted under the copyright law.[6] As the rise in digital streaming has been met with a decline in physical record sales and digital downloads, rights holders have become more creative and aggressive in pursuing new or unexplored avenues of revenue.[7]

Recognizing this shift, the major organizations representing music copyright holders—record companies[8] and collecting societies[9]—have sought to extract additional royalties from digital music services. ASCAP and BMI both recently challenged the judicially-supervised statutory rates for royalties paid by Internet radio service Pandora as too low, receiving differing rulings from their respective rate courts in the Southern District of New York.[10] Likewise, SoundExchange petitioned the Copyright Royalty Board[11] to increase royalty rates for digital transmissions, unsuccessfully appealing the CRB's determination to the Circuit Court of Appeals for the District of Columbia.[12] Meanwhile, Universal Music Group has been reportedly using contract negotiations to pressure Spotify to limit its free service and enroll more paying subscribers.[13]

In many cases, individual artists have taken matters into their own hands.[14] In two widely-publicized actions, Taylor Swift pulled her music from Spotify in protest over the service's refusal to restrict access to only premium subscribers[15] and admonished Apple Music for planning to launch its new streaming service with a free trial during which it would pay no royalties to the artists.[16] A number of musicians have been skeptical of the business models of digital streaming services and whether they are fairly compensating the creators of the content upon which the platforms rely.[17] While contemporary acts may be able to somewhat mitigate the impact of diminished sales and royalties through touring and merchandise sales, most musical acts have a limited shelf-life and can only last so long on the road before they run out of steam (or their fans do). And, what about the musicians that, never mind touring, are not receiving any streaming royalties from digital services like Sirius or Pandora because they performed, but did not write, songs and did so before February 15, 1972? Should the moderately successful recording artists of the "'40s," "'50s" , and "'60s" be entitled to the same sound recording royalties received by musicians who recorded in the years after them?

A. Happy Together? Artists and Public Performance Rights in the Pre-Digital Days

This is the question Flo & Eddie, Inc. has asked upon encountering the daunting copyright law labyrinth of public performance rights in pre-1972 sound recordings. A little background: Flo & Eddie, Inc. ("Flo & Eddie") is a corporation formed by two founding members of the 1960s rock group "The Turtles" and which owns the rights to the band's sound recordings.[18] The Turtles are best known for their hits "Happy Together," "She'd Rather Be With Me," and a cover of Bob Dylan's "It Ain't Me Babe"—importantly, none of which was written by members of the Turtles.[19] This point is significant because while songwriters, or more precisely the owners of the copyrights in the *musical compositions*, collect royalties on public performances (e.g., radio airplay, playback in bars and restaurants) of those songs, the copyright owners of the *sound recordings*, that is, the recorded performances of the musical compositions, generally do not.[20] This is due to the fact that sound recordings did not receive federal protection until 1971.[21] Even once protected, there were two significant exceptions to federal copyrights in sound recordings: 1) no public performance right was granted; and 2) only works fixed on or after February 15, 1972

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were protected under federal law.[22] A few years later, in the 1976 revision of the Copyright Act, Congress specifically exempted pre-1972 sound recordings from preemption preserving "any rights or remedies under the common law or statutes of any State . . . until February 15, 2067."[23] So while Flo & Eddie and other pre-1972 sound recording owners have been able to exploit their copyrights over the years through sync licensing to movies, TV, and commercials, they had never sought or collected a dime for public performances of these sound recordings.[24] This is due in part to the long-standing view in the music industry that radio airplay served as marketing to increase record sales, not as an independent source of revenue.[25] In any event, as long as pre-1972 sound recording rights holders were being treated the same as post-1972 rights holders, at least in terms of the types of royalties they were receiving, it would seem they were accepting the status quo.

B. Right Place, Wrong Time: Digital Performance Right in Sound Recordings Act of 1995

The status quo had changed by 1995 when Congress, in response to the emergence of digital radio and Internet transmissions, enacted the Digital Performance Right in Sound Recordings Act.[26] The DPRA added the exclusive right "to perform [federally-protected sound recordings] publicly by means of a digital audio transmission" to Section 106 of the Copyright Act.[27] The DPRA created three tiers of digital audio transmission services with different attendant limitations and licensing schemes that reflect the extent to which the types of transmissions might potentially erode record sales.[28] First, non-subscription broadcast transmission services (e.g., radio stations like WFMU that retransmit their terrestrial radio programs over the Internet)[29] are exempted from the public performance right.[30] Second, non-interactive, subscription transmissions including satellite and Internet radio (e.g., Sirius XM, Pandora) are subject to statutory licensing. Third, interactive digital audio transmission services (e.g., Spotify, Apple Music)[31] must negotiate and obtain licenses directly from the owners of the sound recordings.[32] What the DPRA did not (and perhaps could not)[33] do was provide a public performance right for owners of pre-1972 sound recordings. Instead, because they are not works subject to federal copyright,[34] pre-1972 sound recordings fall outside the scope of the licensing provisions of the DPRA. Consequently, the current regime has an arbitrariness to it whereby, for example, Neil Young's album *Harvest*, because it was recorded in late 1971 and released on February 14, 1972—the day before sound recordings were protected under federal copyright law, does not receive digital audio transmission royalties.[35] By extending public performance rights to post-1972 sound recordings, the DPRA perhaps prompted the owners of pre-1972 sound recordings to ask, "what about us?" So the question is: do Flo & Eddie, and the owners of thousands of pre-1972 sound recordings, have public performance rights in those copyrights reserved to them under the laws of the states?

* * *

This article looks at how courts in California, New York, and Florida have recently addressed that question, specifically by examining how interested parties have been crisscrossing the country seeking to convince different judges of different states with different applicable laws how they should answer the same essential copyright question. This overview of the recent motion practice is presented not only to provide context for the decisions but also to demonstrate how these cases could be seen to represent an information failure where the recording companies, rights holders, and digital music services are operating without a clear understanding of the law or, perhaps as importantly, of whether a "fair" royalty rate exists that would also sustain business models' coexistence easily. This article then looks at the actual and potential impact of the recent decisions on other music royalty cases and licensing disputes. Finally, the article concludes by noting proffered solutions to the pre-1972 sound recordings quandary and commenting on the challenges of efforts to adapt copyright law to the changing digital music marketplace.

II. The Ballad of *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*: Class Action Litigation in Three Parts

The primary focus of this article, and of the recent litigation, is on the so-called second tier of subscription transmission services under the DPRA. These services pay public performance royalties through the non-profit intermediary SoundExchange, which divides royalties between the owner of the sound recording (50%), "featured artists" on the sound recording (45%), and "nonfeatured" musicians and vocalists (5%).[36] The royalty rates paid by the subscription services to SoundExchange are set by the Copyright Royalty Board.[37]

One such subscription transmission service, Sirius XM Radio, Inc. ("Sirius") satellite radio, is defending four pending lawsuits over its transmission of pre-1972 sound recordings—three class actions filed by Flo & Eddie and another case brought by the Record Companies.[38] Sirius has a number of channels dedicated to pre-1972 recordings, including "'40s on 4," "'50s on 5," "'60s on 6,"[39] which it transmits to its subscribers throughout the United States via special digital radios, over the Internet, and through mobile devices.[40] In operating its service, it is undisputed that "Sirius makes multiple copies, temporary, permanent, whole or partial, during its broadcast process; and it performs the copies it makes. Furthermore, as to pre-1972 sound recordings, it does so without obtaining licenses or paying royalties."[41] The cases against Sirius discussed below are organized by state in the order in which the complaints were filed, which is also the order in which the summary judgment decisions were rendered.

A. California Dreamin' (Of a Public Performance Royalty Stream)

On August 1, 2013, Flo & Eddie filed a complaint in Los Angeles Superior Court, alleging violations of California Civil Code § 980(a)(2) (providing for "exclusive ownership" rights in pre-1972 sound recordings), as well California's Unfair Competition Law, conversion, and misappropriation.[42] On Sirius's motion, the case was removed to the U.S. District Court for the Central District of California.[43] There, Judge Philip S. Gutierrez denied Sirius's motion to transfer the case to the Southern District of New York where a related class action was pending, primarily because of California's interest in deciding a matter of first impression in California state law, that is, whether Section 980(a)(2) or California common law includes a right of public performance for pre-1972 sound recordings.[44] On June 9, 2014, Flo & Eddie moved for summary judgment on liability just two weeks after Sirius had moved for summary judgment in the action before the Southern District of New York.[45]

On September 22, 2014, Judge Gutierrez was the first to render a decision on state law public performance rights in pre-1972 sound recordings.[46] The "crucial point of statutory interpretation" before the court was whether "exclusive ownership" of a pre-1972 sound recording under California Civil Code § 980(a)(2) "carries within it the exclusive right to publicly perform the recording."[47] Section 980(a)(2) states:

> The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an exclusive ownership therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.[48]

In a succinct textual analysis of the statute, Judge Gutierrez construed it to mean that the California legislature intended for "exclusive ownership" to "include all rights that can attach to intellectual property, save the singular, expressly-stated exception for making 'covers' of a recording."[49] The court reasoned that the legislature's decision to include an express exception for "covers" of sound recordings evidenced that the legislature made a similar decision *not* to include an exception for public performance of those recordings.[50] Sirius had argued that Section 980(a)(2) departed from common law concerning public performance rights in sound recordings prior to the amendment of the statute in 1982,[51] and thus, the statute was limited by earlier case law absent an express provision providing for public performance rights.[52] However, Judge Gutierrez found there was no California common law on point from which to depart, in which case, the plain language of the statute prevails.[53] Finally, Judge Gutierrez noted that the limited California case law interpreting Section 980(a)(2) also "implicitly" supported the court's interpretation of legislative intent.[54] Accordingly, the court granted summary judgment for Flo & Eddie on all causes of action to the extent they were premised on public performance.[55] On May 27, 2015, Judge Gutierrez granted class certification and appointed counsel for Flo & Eddie as class counsel.[56] On August 10, the Court of Appeals for the Ninth Circuit denied Sirius's petition to appeal the class certification order.[57]

Meanwhile, only a month after Flo & Eddie filed its complaint, the Record Companies, which reportedly own a combined eighty percent of all pre-1972 U.S. sound recording copyrights (and thus represent a significant portion of the putative class),[58] brought their own action in Los Angeles Superior Court alleging the same California state law causes of action against Sirius.[59] The Record Companies adopted a more accelerated litigation strategy than Flo & Eddie, making a motion in February 2014 for the following jury instruction addressing the critical issue:

> The owner of a sound recording 'fixed' (i.e., recorded) prior to February 15, 1972, possesses a property interest and exclusive ownership rights in that sound recording. This property interest and the ownership rights under California law include the exclusive right to publicly perform, or authorize others to publicly perform, the sound recording by means of digital transmission—whether by satellite transmission, over the Internet, through mobile smartphone applications, or otherwise.[60]

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This aggressive strategy apparently almost backfired on the Record Companies because, at one point before the *Flo & Eddie* decision was issued, the Superior Court had tentatively ruled against the proposed jury instruction that would grant public performance rights in pre-1972 sound recordings, reasoning that the legislative intent of Section 980(a)(2) was merely to "maintain" rather than "expand" the rights of sound recordings.[61] However, on October 14, 2014, after taking judicial notice of the *Flo & Eddie* decision, Superior Court Judge Mary H. Strobel found that the tentative ruling had "failed to focus on the fact that the legislature had provided an exception to exclusive ownership rights in the statute itself" for "covers," which indicated that the California legislature, unlike Congress, decided not to adopt a specific exemption for public performance rights in sound recordings.[62] While expressing lingering concerns about the ambiguity of the term "ownership,"[63] the dearth of applicable common law,[64] and the public policy implications of recognizing a public performance right in pre-1972 sound recordings,[65] Judge Strobel nonetheless found the logic of Judge Gutierrez's interpretation of Section 980(a) "compelling" and granted the record companies' motion for a jury instruction.[66] Sirius's petition for writ of mandate to the California Court of Appeal, Second Appellate District, and subsequent petition for review to the California Supreme Court were both denied.[67]

These two California actions collided in mid-June when a $210 million settlement was reached between Sirius and the Record Companies that resolved the California state action while deflating the size of the federal class.[68] Although they were aware of mediation talks as early as May 7, upon later learning of the amount and scope of the settlement announced on June 26, class counsel unsuccessfully petitioned the district court to lift an imposed stay to block the settlement from proceeding.[69] Class counsel argued that its role had been usurped as it was improperly excluded from the mediation and, further, that counsel would be irreparably harmed by being unable to obtain attorney fees from the settlement fund for its role in representing the class in which the Record Companies would have been beneficiaries.[70] The Record Companies intervened in the federal action, commenting, "Plaintiff's counsel offers no authority for treating a settlement that was achieved as a result of a separate lawsuit, in a separate court, using separate counsel, and respecting separate (and different) claims, as a 'common fund' for the benefit of class counsel."[71] Ultimately, Flo & Eddie's objection that the Record Companies had improperly piggybacked on its efforts fell on deaf ears as Judge Gutierrez denied the motion stating that the settlement's "consummation and impending distribution is due in part to Flo & Eddie's dilatory conduct leading up to the . . . mediation and [class counsel] has not demonstrated that it will be irreparably harmed."[72]

B. New York State of Mind: Recognizing Common Law Performance Rights

Going back to August 16, 2013, Flo & Eddie filed its second putative class action complaint against Sirius, this time in the Southern District of New York.[73] Flo & Eddie sought relief under New York state law, alleging common law copyright infringement and misappropriation of pre-1972 sound recordings.[74] Unlike California, New York does not have a statutory provision addressing pre-1972 sound recordings. Sirius moved for summary judgment on May 30, 2014, arguing "(1) New York common law copyrights in pre-1972 sound recordings do not afford an exclusive right of public performance; (2) the copies Sirius made of Turtles recordings are protected by fair use; (3) sustaining Flo and Eddie's claims would violate the Dormant Commerce Clause; and (4) Flo and Eddie's entire action is barred by the doctrine of laches."[75] While that motion was pending, Flo & Eddie filed notices of the two California decisions[76] to supplement its opposition to summary judgment and to give the court notice of the related decisions.[77]

On November 14, 2014, Judge McMahon denied Sirius's motion for summary judgment. Acknowledging that the case was one of "one of first impression, and one that has profound economic consequences for the recording industry and both the analog and digital broadcast industries," the court predicted that, given the opportunity, the "New York Court of Appeals would recognize the exclusive right to public performance of a sound recording as one of the rights appurtenant to common law copyright in such a recording."[78] Judge McMahon's decision was supported by principles derived from examining New York courts' protection of the common law copyrights in other types of publicly performed works.[79] In the case of both plays and films protected under common law copyright, public performance rights are included among the bundle of rights granted to copyright holders of those works.[80] Addressing Sirius's argument that lack of precedent indicates that there is no public performance right in sound recordings, the court turned that argument on its head, instead positing that judicial silence, as well as the fact that Congress had to specifically carve out public performance rights for sound recordings in 1971, in fact suggests the opposite: that sound recordings carry the entire bundle of common law rights.[81] Further, the court commented that "acquiescence by participants in the recording industry in a status quo where recording artists and producers were not paid royalties while songwriters were does not show that they lacked an enforceable right under the common law—only that they failed to act on it."[82] The court acknowledged and perhaps even shared some of Sirius's policy concerns, namely that this "unprecedented" holding will upset settled economic expectations in the broadcast industry, that extending rights to existing recordings does not incentivize creation of works, and that inconsistency between federal and state laws will lead to administrative difficulties in imposing and collecting royalties.[83] However, Judge McMahon concluded that absent a legislative solution, the courts are tasked with protecting common law property rights and, as evidenced by the rate courts' long experience overseeing the ASCAP and BMI consent decrees, are capable of administering royalties when it is necessary to do so.[84] Further, the court went beyond the decision in the Central District of California companion case by deciding that Sirius's internal copying of the sound recordings as part of its broadcast operation infringed the reproduction right, that said copying did not constitute fair use, and finally that applying state property law would not amount to a "regulation" of interstate commerce in contravention of the Dormant Commerce Clause.[85] Judge McMahon concluded by ordering Sirius to advise the court of any remaining issues of material fact that would require a trial, or otherwise summary judgment on liability would be entered for Flo & Eddie.[86] Instead, Sirius opted to change counsel, who then moved for reconsideration of the summary judgment decision, or alternatively to certify an order for interlocutory appeal.[87] The primary basis for the motion was that Sirius had seemingly discovered a case directly on point that was not addressed in the summary judgment briefing and which supported its position that there is no public performance right afforded sound recordings.[88] The case, *RCA Mfg. Co. v. Whiteman*,[89] involved the common law copyrights in records that had been sold to the public and then subsequently broadcast by a third party. Judge McMahon, in denying the motion for reconsideration, found *Whiteman* unpersuasive at best and admonished counsel for Sirius:

> The only clear error in this case is [Sirius's new counsel's]. Sirius's former counsel had two perfectly good reasons not to argue the lack of any public performance right on the basis of *Whiteman*: (1) *Whiteman* does not hold that New York does not recognize a public performance right as part of the common law copyright in sound recordings; and (2) its actual holding—which is that the sale of sound recordings to the public constituted "publication," which divested a creation of any common law copyright whatsoever—is no longer good law, and has not been for 60 years.[90]

The court went on to reject Sirius's retooled Dormant Commerce Clause arguments before deferring the motion to certify an interlocutory appeal.[91] On January 15, 2015, the court issued an order stating that summary judgment on liability would only be granted if Flo & Eddie were to proceed individually and if the case did not remain a class action.[92] The court certified the case for interlocutory appeal on February 10, specifically on the question: "Under New York law, do the holders of common law copyrights in pre-1972 sound recordings have, as part of the bundle of rights attendant to their copyright, the right to exclusive public performance of those sound recordings?"[93] On April 15, the Court of Appeals for the Second Circuit accepted Sirius's petition.[94] Briefs from Sirius and proposed *Amici Curiae* Copyright and Intellectual Property Law Professors in support of Sirius were recently submitted to the Second Circuit panel.[95]

C. Welcome to Miami: "Florida is Different."

Flo & Eddie filed their third class action against Sirius in the Southern District of Florida on September 3, 2013, asserting Florida state-law claims for common law copyright infringement, unfair competition, conversion, and civil theft, which contains a treble damages provision.[96] Sirius also moved to transfer this case to New York, although after the Central District of California's denial of Sirius's motion to transfer that case, the court did not see sufficient utility in transferring the Florida case.[97] On July 15, 2014, Sirius moved for summary judgment.[98]

After being notified of the decisions in the California and New York actions, and hearing oral argument on the matter,[99] on June 22, 2015, just days after Sirius had privately settled with the Record Companies, Judge Darrin P. Gayles granted Sirius's motion.[100] Acknowledging the court's departure from the decisions in California and New York, Judge Gayles commented: "Florida is different. There is no specific Florida legislation covering sound recording property rights, nor is there a bevy of case law interpreting common law copyright related to the arts."[101] Judge Gayles explained the contrasting law between jurisdictions stating that "it makes sense that California and New York have statutes and well-developed case law regarding the arts and related property rights" because they are the "creative centers of the Nation's art world" and home to numerous

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creative industries.[102] Notably, there is a Florida state criminal statute that recognizes public performance rights in pre-1972 sound recordings, however it is a criminal statute and furthermore it contains an exception for radio broadcasts.[103] In the end, the court, in a terse discussion, found the limited judicial and statutory support in Florida law insufficient to justify what, in the court's view, would amount to "creating a new property right in Florida as opposed to interpreting the law."[104] Judge Gayles did allow that the Florida legislature could regulate pre-1972 sound recordings because Congress specifically authorized state action under 17 U.S.C. § 301(c).[105] Indeed, echoing dicta in the other decisions, the court suggested that the legislature was in the "best position" to address the "many unanswered questions and difficult regulatory issues including: (1) who sets and administers the licensing rates; (2) who owns a sound recording when the owner or artist is dead or the record company is out of business; and (3) what, if any, are the exceptions to the public performance right."[106] On July 10, Flo & Eddie appealed the final judgment entered in the district court to the Court of Appeals for the Eleventh Circuit.[107]

III. Into the Great Wide Open: Implications for Digital Music Beyond *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*

While the Flo & Eddie cases that are before three appellate circuit courts have received the most attention, a number of related cases have sprung up, demonstrating the broader friction in the digital music marketplace between rights holders and services that digitally transmit music to the public. Below are some recent and ongoing cases that have already been or stand to be impacted by the *Flo & Eddie v. Sirius* litigations.

A. Opening Pandora's Box

Pandora Media, Inc., which operates Pandora, an Internet radio service that offers personalized music streaming to paying and non-paying members, has, like Sirius, become involved in a number of litigations concerning music royalties. In addition to its recent rate court battles with ASCAP and BMI over public performance royalty rates for musical compositions,[108] Pandora Media, Inc. ("Pandora") was also recently sued separately by both Flo & Eddie and the Record Companies over public performances of pre-1972 sound recordings.[109] Following their successful summary judgment motion against Sirius in the Central District of California, Flo & Eddie filed a class action against Pandora mirroring their complaint in the Sirius action.[110] Pandora made an anti-SLAPP motion to strike the claims as a nonmeritorious challenge to protected speech, specifically arguing that the court in *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.* misinterpreted Section 980(a)(2) because any common law protection afforded the pre-1972 recordings should have been extinguished by their publication, that is, their first sale in California.[111] Judge Gutierrez, agreeing with himself, rejected this "overly limited" interpretation of California law as it would effectively only protect a tiny class of unpublished pre-1972 sound recordings and place all "published" sound recordings in the public domain.[112] Looking back to Ninth Circuit precedent interpreting Section 980 prior to the 1982 amendment, Judge Gutierrez pointed out that instead of creating a "free-for-all where exploitation of sound recordings after first sale was the accepted status quo," the Ninth Circuit provided for owners of pre-1972 sound recordings to exercise common law rights even where statutory rights under Section 980(a) were unavailable.[113] Judge Gutierrez's decision is currently on interlocutory appeal before the Ninth Circuit.[114]

The Record Companies elected to file their action against Pandora in New York State Supreme Court, rather than in California, Pandora's principal place of business and the venue for *Capitol Records v. Sirius*.[115] The extent of this litigation at the moment primarily consists of a series of stipulations and letters debating the scope and confidentiality of discovery. For example, Pandora has been adamant about limiting review of its documents marked "highly confidential" to outside opposing counsel and keeping them away from counsel to the RIAA (Recording Industry Association of America).[116] The Record Companies, for their part, have objected to requests by Pandora seeking "artist compensation" information in the form of thousands of individual agreements between the Record Companies and artists.[117] This jockeying may indicate that both sides regard each other with some suspicion and each side has imperfect knowledge about how its adversary is operating and adapting their business to navigate the current music licensing regime.[118]

B. "Copycat" Class Actions

Likely sensing an opportunity after Flo & Eddie's successes in California and New York, a slew of copycat class actions were filed in January 2015. The most prolific plaintiff has been Zenbu Magazines LLC, which owns sound recordings created by the Flying Burrito Brothers and New Riders of the Purple Sage. Of the ten actions filed in the wake of Flo & Eddie, Zenbu Magazines brought eight separate class actions in the

Northern,[119] Central,[120] and Southern[121] California District Courts and in the Eastern District of New York[122] against almost every conceivable defendant that operates any type of digital music streaming service including Apple, Google, and Sony.[123] With the exception of Sony, which settled with Zenbu Magazines in May, the other cases were voluntarily dismissed almost immediately after they were filed.[124] It is foreseeable that other "copycat" cases will emerge, which will be of most interest where defendants other than Sirius and Pandora are involved or where brought in jurisdictions outside of California, New York, and Florida as those cases will necessarily involve a unique interpretation of common law copyright specific to that state.

C. Playing Off the "Grooveshark" Cases

At least in New York, Judge McMahon's decisions are already gaining traction in other cases involving pre-1972 sound recordings, perhaps even expediting the resolution of cases that pre-date the *Flo & Eddie* actions. Both UMG and EMI[125] had previously separately sued Escape Media Group, Inc. alleging that its Grooveshark streaming music service, which allowed users to upload and stream music from a centralized database, infringed sound recordings, including pre-1972 recordings.[126] The UMG case brought in New York State court was already noteworthy for a 2012 decision by the Appellate Division, First Department, holding that the safe harbor provisions of the Digital Millennium Copyright Act do not apply as an affirmative defense to infringement claims involving pre-1972 sound recordings because they are protected under state not federal law.[127] Although the "Grooveshark" cases involved more prevailing issues of willful infringement by Grooveshark employees,[128] both the New York State Supreme Court and Southern District of New York took notice of Judge McMahon's decisions, which contributed to a grant of summary judgment in favor of EMI in federal court on March 25 followed by a Stipulation and Consent Judgment and Permanent Injunction on May 5 terminating the Grooveshark system.[129]

D. Back to the Copyright Royalty (Drawing) Board for SoundExchange

On another front in these royalty disputes, SoundExchange has been seeking higher statutory royalties from Sirius, urging the Copyright Royalty Board, and courts reviewing the CRB's determination, that Sirius's "Gross Revenues" should not reflect a number of deductions that reduce the royalties it pays out.[130] Among its arguments, SoundExchange claims that when Sirius is calculating its "Gross Revenues," it should not be able to deduct revenue associated with pre-1972 sound recordings. This is because either a) "if there is no state law protection for pre-1972 recordings, the benchmark rates already account for the diminished value of those recordings" so "reducing the royalty base . . . would be redundant" or b) "if there *is* state law protection for pre-1972 recordings, there is no need for a separate deduction" because Sirius would have to directly license those recordings from the rights holders and could avail itself of a different reduction, "direct licensing reduction."[131] The Court of Appeals for the District of Columbia Circuit most recently considered and rejected these arguments on December 19, 2014, holding that the CRB's determinations were not arbitrary and did not evidence any "redundant" or "superfluous" "double discounting" of the revenues associated with pre-1972 sound recordings.[132] However, in discussing SoundExchange's argument supposing state law protection, the court refrained from deciding "whether the [CRB] could have designated the direct licensing deduction as the vehicle for excluding revenues associated with pre-1972 works rather than creating a separate deduction as they did" because the "amendments to the Copyright Act say nothing about state level rights."[133] In light of the recent *Flo & Eddie* decisions, it would seem likely that SoundExchange would encourage the CRB to revisit this issue when it begins proceedings in 2016 to establish rates for the next period of years, 2018 to 2023.

IV. Closing Tracks: Proposals for the Future of the Music Marketplace

As noted in some of the decisions discussed, litigation is perhaps not the best method for crafting the most equitable solution to the problems of music licensing. Below are legislative solutions that have been proposed to address pre-1972 sound recordings and public performance rights. An additional suggestion considered is to increase information-sharing concerning licensing to help dispel adversarial mistrust and encourage mutually beneficial licensing arrangements.

A. Should We Talk About the Government?[134] U.S. Copyright Office Reports and Legislative Proposals

As the appeals in the *Flo & Eddie v. Sirius* class actions await hearings and decisions from the circuits, and until what fallout there may be from the settlement between the Record Companies and Sirius becomes clearer, it is worth noting that a number of legislative

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solutions to the issue of pre-1972 sound recordings have been offered.

Most prominently and comprehensively, the U.S. Copyright Office[135] has undertaken multiple studies and issued two reports addressed in whole or in part to this issue: *Federal Copyright Protection Pre-1972 Sound Recordings*,[136] and more broadly, *Copyright and the Music Marketplace*.[137] Reaffirming its position first advocated in the 2011 report devoted to the subject of pre-1972 sound recordings, the Copyright Office in its February 2015 report stated:

> [P]re-1972 recordings—currently protected only under state law—should be brought within the scope of federal copyright law, with the same rights, exceptions, and limitations as more recently created sound recordings. The lack of federal protection for pre-1972 sound recordings impedes a fair marketplace. Record labels and artists are not paid for performances of these works by digital services, which (at least until recent court rulings under state law) were considered free from copyright liability on the sound recording side. At the same time, the owners of the musical works embodied in these sound recordings are paid for the same uses.[138]

Beyond putting owners of pre-1972 sound recordings on equal footing with owners of later recordings in terms of exclusive rights, the Copyright Office's proposal was advanced with particular sensitivity to supporting the preservation of and public access to pre-1972 sound recordings.[139] Whether the proposal could actually be implemented was a matter addressed by Professors Eva Subotnik and June Besek in a subsequent article concluding that constitutional concerns over violations of the takings and due process clauses could be alleviated with a few modifications to the proposal.[140]

Taking legislative action on these proposals, at least three bills concerning pre-1972 recordings have been proposed in Congress: the "Sound Recording Simplification Act,"[141] the "RESPECT Act,"[142] and the "Fair Play Fair Pay Act of 2015."[143] The "Sound Recording Simplification Act" perhaps *over*simplified the issue by proposing to repeal the exemption of pre-1972 sound recordings from federal preemption under 17 U.S.C. § 301(c) without addressing "any of the problems that such federalization would create."[144] The "RESPECT Act," a shoe-horned acronym for "Respecting Senior Performers as Essential Cultural Treasures Act," was limited to amending 17 U.S.C. § 114(f)(4) to "require digital broadcasters to pay for digital transmissions of pre-1972 sound recordings on the same terms as for post-1972 sound recordings."[145] The enforcement mechanism was that a broadcaster's failure to pay subjected it to liability in federal court whereas "making such payment would have immunized the broadcaster from state law causes of action."[146] Introduced on April 13, 2015, the "Fair Play Fair Pay Act" would expand public performance statutory royalties to terrestrial radio transmissions.[147] Although the Act would not extend full federal copyright protection to pre-1972 sound recordings, the Act provides for those recordings through provisions similar to the scheme previously introduced in the "RESPECT Act."[148]

In addition to the federal legislation, a state law amendment was considered in Tennessee, home to one of the largest songwriting and recording regions in the country, and somewhat surprisingly not one of the states in which a pre-1972 sound recordings class action has been filed yet. The "Legacy Sound Recording Protection Act," introduced on January 27, 2014, incidentally was drafted with the help of Flo & Eddie's attorney.[149] The proposed bill would have granted owners of pre-1972 sound recordings the same rights in Tennessee that later sound recordings enjoy under federal law.[150] Although it failed to advance out of committee, the bill could be reintroduced in Tennessee or modified to be introduced in other states.[151] More importantly, it demonstrates the creative and comprehensive royalty-seeking strategies being deployed by rights holders and Flo & Eddie in particular.

B. A Call for Licensing Transparency

While one might consider the disputes over the scope of copyright for pre-1972 sound recordings a niche copyright issue, they actually shine a light on what is just one of a variety of issues caused by digital disruption of the music marketplace. The legal wrangling over pre-1972 sound recordings may very well spill over into licensing disputes affecting interactive digital music services like Spotify, content hosting sites like YouTube, and perhaps even traditional, non-digital outlets from jukeboxes to terrestrial radio.[152] The fact that it took over forty years for suits involving pre-1972 sound recordings to emerge may indicate that the plaintiffs perhaps see a dormant opportunity to leverage litigation in order to obtain "fair" licensing rates for other uses. But what are those "fair" rates? Or put more cynically, is there any rate that will satisfy the industries on opposite sides of these cases—the record companies and the Internet companies—whose business models, or at least their approaches to maximizing revenue, often seem incompatible? At the moment, it is unclear if a happy medium can be achieved in which music can be made accessible to consumers while valued at a level where recording artists receive meaningful remuneration for their creative works. Part of the problem, according to musician David Byrne writing in a recent op-ed in *The New York Times*, is a lack of transparency about the obligations of the parties in streaming deals as to how revenue is apportioned.[153] Byrne calls upon the music industry to open its "black box" as the industry's failure to share data about music consumption is inhibiting it as a whole from growing to its potential.[154] It remains to be seen whether better knowledge will allow the rising tide of music distribution channels to lift all boats.

* * *

Whether though litigation, legislation, or private negotiations, the dialogue about public performance rights is opening up to reflect how important those rights are to the future of music. The *Flo & Eddie v. Sirius* class actions offer a reminder not to leave recording artists by the wayside as new technologies and services present potential revenue streams. As Byrne remarks, "[t]his should be the greatest time for music in history"[155]—and perhaps it will be once the law on public performance of sound recordings is clarified. Perhaps once the digital music services become more familiar to the other stakeholders, as has happened time and again with technological innovations in the music industry, the current disputes may give way to increased openness that will allow the digital music marketplace to better reflect the true costs and achieve the full benefits of fair artist compensation and broad access to recordings.

(Endnotes)

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1 The Stooges, *Search and Destroy*, on Raw Power (Columbia 1973).

2 *See White-Smith Music Publ'g Co. v. Apollo Co*., 209 U.S. 1 (1908).

3 *See Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005).

4 *See MGM Studios Inc. v. Grokster, Ltd*., 545 U.S. 913 (2005).

5 *See, e.g*., *BMI v. Pandora Media, Inc*., Nos. 13 Civ. 4037 (LLS), 64 Civ. 3787 (LLS), 2015 U.S. Dist. LEXIS 69002 (S.D.N.Y. May 27, 2015); *In re Pandora Media, Inc*., 6 F. Supp. 3d 317 (S.D.N.Y. 2014), *aff'd*, *Pandora Media, Inc. v. ASCAP*, 785 F.3d 73 (2d Cir. 2015).

6 U.S. Const. Art. 1, § 8, cl. 8; Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (Oct. 19, 1976) (codified at various parts of Title 17 of U.S. Code).

7 *See* Ben Sisario, *Music Artists Take on Business, Calling for Change*, N.Y. Times, Aug. 1, 2015, at B1, a version of this article, dated July 31, 2015, is *available at* http://www.nytimes.com/2015/08/01/business/media/music-artists-take-on-the-business-calling-for-change.html?_r=2.

8 The five major U.S. record companies involved in the current litigation surrounding public performance rights in pre-1972 sound recordings are Capitol Records, LLC, Sony Music Entertainment, UMG Recordings, Inc., Warner Music Group Corp., and ABKCO Music & Records, Inc. (the "Record Companies"). *See infra* note 59.

9 The major U.S. collecting societies, or performance-right organizations, are the American Society of Composers, Authors, and Performers ("ASCAP"), Broadcast Music Inc. ("BMI"), SESAC, and SoundExchange. *See infra* notes 10-12.

10 *BMI v. Pandora*, 2015 U.S. Dist. LEXIS 69002; *Pandora v. ASCAP*, 785 F.3d 73. Royalty rates for public performances of musical compositions are overseen by rate courts established by consent decrees. *See United States v. ASCAP*, Civ. Action No. 41-1395, 2001 U.S. Dist. LEXIS 23707 (S.D.N.Y. June 11, 2001); *United States v. Broadcast Music, Inc*., 64 Civ. 3787, 1994 U.S. Dist. LEXIS 21476 (S.D.N.Y. Nov. 18, 1994). The U.S. Department of Justice is currently reviewing the operation and effectiveness of the decrees. *See* U.S. Dep't of Justice, Antitrust Consent Decree Review – ASCAP/BMI, http://www.justice.gov/atr/ascap-bmi-decree-review.

11 The Copyright Royalty Board ("CRB") is an administrative tribunal created to make determinations concerning rates and terms for statutory licenses. *See* Copyright Royalty and Distribution Reform Act of 2004, Pub. L. 108-419, 118 Stat. 2341 (Nov. 30, 2004).

12 *See Music Choice v. Copyright Royalty Bd*., 774 F.3d 1000 (D.C. Cir. 2014). *See also* Glenn Peoples, *SoundExchange Launches Campaign for Royalties on Pre-1972 Sound Recordings*, Billboard (May 29, 2014), http://www.billboard.com/biz/articles/news/legal-and-management/6099428/soundexchange-launches-campaign-for-royalties-on-pre.

13 *See* Ben Kaye, *Apple, Record Labels Pressuring Spotify to Reduce Free Streaming* (May 5, 2015), http://consequenceofsound.net/2015/05/apple-record-labels-pressuring-spotify-to-reduce-free-streaming.

14 *See* Sisario, *supra* note 7.

15 *See* Jack Dickey, *Taylor Swift on* 1989*, Spotify, Her Next Tour and Female Role Models*, Time (Nov. 13, 2014), *available at* http://time.com/3578249/taylor-swift-interview.

16 *See* Taylor Swift, *To Apple, Love Taylor*, Taylor Swift Tumblr (June 21, 2015), http://taylorswift.tumblr.com/post/122071902085/to-apple-love-taylor.

17 *See* Sisario, *supra* note 7.

18 *See Flo & Eddie, Inc. v. Sirius XM Radio, Inc*., 62 F. Supp. 3d 325, 330 (S.D.N.Y. 2014) [hereinafter "*Flo & Eddie I*"]. The master recordings were originally owned by the Turtles' record label, but Flo & Eddie, Inc. subsequently acquired the rights in the master recordings through a legal settlement and a series of ownership transfers. *Id*.

19 *See* The Turtles, *Happy Together*, on Happy Together (White Whale Records 1967); The Turtles, *She'd Rather Be With Me*, on Happy Together (White Whale Records 1967); The Turtles, *It Ain't Me Babe*, on It Ain't Me Babe (White Whale Records 1965).

20 *See* 2 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 8.14. Nimmer explains:

> The disallowance of sound recordings . . . from performance rights should not be confused with the performance right that has always been accorded to

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> musical works . . . , which may be claimed by the copyright owner thereof regardless of whether the performance is "live," or by the performance of a phonorecord of such work. Thus, when a disk jockey plays a record of a musical work on the radio, the copyright owner of the implicated musical work is entitled to be paid for the performance (and can claim infringement if the performance is unauthorized). But the copyright owner of the sound recording has no claim by virtue of the performance. . . .

Id. (Footnotes omitted).

[21] Sound Recording Act of 1971, Pub. L. No. 92-140, 85 Stat. 391 (1971) (amended by Pub. L. No. 93-573, 88 Stat. 1873 (1974) (codified in the Copyright Act of 1976, 17 U.S.C. § 102 (1990)).

[22] *Id*.

[23] Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541, 2572 (1976) (codified at 17 U.S.C. § 301 (1998)).

[24] *Flo & Eddie I,* 62 F. Supp. 3d at 340 ("[T]he conspicuous lack of any jurisprudential history confirms that not paying royalties for public performances of sound recordings was an accepted fact of life in the broadcasting industry for the last century. So does certain testimony cited by Sirius from record industry executives, artists and others, who argued vociferously before Congress that it was unfair for them to operate in an environment in which they were paid nothing when their sound recordings were publicly performed.") (citing Digital Performance Rights: Hearing Before the House Judiciary Committee Subcommittee on Courts and Intellectual Property on H.R. 1506, 104th Cong. (1995) (statement of Edward O. Fritts, President & CEO, Nat'l Ass'n of Broadcasters), 1995 WL 371107; H. Comm. On Patents, 74th Cong., Hearings on Revision of Copyright Laws 622 (Comm. Print. 1936) (statement of H.A. Huebner, representing Brunswick Record Corp. and Columbia Phonograph Co.)).

[25] *See* Steve Gordon & Anjana Puri, *The Current State of Pre-1972 Sound Recordings: Recent Federal Court Decisions in California and New York Against Sirius XM Have Broader Implications Than Just Whether Satellite and Internet Radio Stations Must Pay for Pre-1972 Sound Recordings*, 4 N.Y.U. J. Intell. Prop. & Entm't L. 336, 340-41 (2015) (explaining the importance of radio play to record labels and the persisting practice of payola: "The myriad of mostly small independent labels composing the record business . . . constantly tried to get local radio stations to play their records. Often they would actually offer cash and other forms of 'consideration,' a practice known as 'payola,' to DJs or station managers to play their tracks.").

[26] Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (1996) [hereinafter DPRA].

[27] DPRA, § 2 (codified at 17 U.S.C. § 106(6) (2002)).

[28] *See* DPRA, § 3 (codified at 17 U.S.C. § 114 (2010)).

[29] *See* WFMU, http://wfmu.org/ (last visited Aug. 9, 2015).

[30] *See* 17 U.S.C. § 114(d)(1) (2010).

[31] *See* Spotify, https://www.spotify.com/ (last visited Aug. 9, 2015); Apple Music, http://www.apple.com/music/ (last visited Aug. 9, 2015).

[32] *See* 17 U.S.C. § 114(d)(3) (2010).

[33] For a thorough analysis of the constitutional obstacles that would face any effort to extend federal protection to pre-1972 sound recordings, *see* Eva E. Subotnik & June M. Besek, *Constitutional Obstacles? Reconsidering Copyright Protection for Pre-1972 Sound Recordings*, 37 Colum. J.L. & Arts 327 (2014).

[34] *See* 17 U.S.C. § 301 (1998).

[35] Neil Young, Harvest (Reprise Records 1972).

[36] 17 U.S.C. §§ 114(d)(2), 114(g)(2) (2010). SoundExchange is also entitled to deduct "reasonable costs" associated with administration of the subscription royalty program. *Id*. § 114(g)(3).

[37] *Id*. §§ 114(f), 801-805.

[38] *See Flo & Eddie, Inc. v. Sirius XM Radio, Inc*., No. 13-23182-CIV, 2015 U.S. Dist. LEXIS 80535, 114 U.S.P.Q.2d 1997 (S.D. Fla. June 22, 2015) [hereinafter "*Flo & Eddie III*"]; *Flo & Eddie I*; *Flo & Eddie Inc. v. Sirius XM Radio Inc*., No. CV 13-5693, 2014 U.S. Dist. LEXIS 139053, 112 U.S.P.Q.2d 1307 (C.D. Cal. Sept. 22, 2014) [hereinafter "*Flo & Eddie II*"]; Court's Ruling on Submitted Matter, *Capitol Records, LLC v. Sirius XM Radio Inc*., BC 520981 (Cal. Super. Ct. Oct. 14, 2014).

[39] SiriusXM Channel Lineup, SIRIUSXM, http://www.siriusxm.com/channellineup (last visited Aug. 9, 2015).

[40] *See Flo & Eddie I,* 62 F. Supp. 3d at 331.

[41] *Id*. at 334.

[42] Complaint, *Flo & Eddie II*, No. BC 517032 (Cal. Super. Ct. Aug. 1, 2013).

[43] Notice of Removal, *Flo & Eddie II,* No. CV 13-5693, Dkt. No. 1 (C.D. Cal. Aug. 6, 2013).

[44] Minutes Order, *Flo & Eddie II,* No. CV 13-5693, Dkt. No. 43, (C.D. Cal. Dec. 3, 2013) (Order denying motion to transfer venue and to stay case).

[45] *See* Notice of Motion and Motion for Summary Judgment as to All Causes of Action, *Flo & Eddie II*, No. CV 13-5693, Dkt. No. 65 (C.D. Cal. June 9, 2014); Motion for Summary Judgment, *Flo & Eddie I,* No. 13 Civ. 5784, Dkt. No. 46 (S.D.N.Y. May 30, 2014).

[46] *See Flo & Eddie II*, 2014 U.S. Dist. LEXIS 139053, at *1.

[47] *Id*. at *9.

[48] Cal. Civ. Code § 980(a)(2) (1982); *Flo & Eddie II*, 2014 U.S. Dist. LEXIS 139053, at *16-18.

[49] *Flo & Eddie II*, 2014 U.S. Dist. LEXIS 139053, at *13.

[50] *Id*. at *17-19.

[51] Section 980 was amended in 1982 to tailor the scope of state copyright in order to avoid preemption by the federal Copyright Act of 1976, which came into force January 1, 1978. *Id*. at *16-17.

[52] *Id*. at *13-14.

[53] *Id*. at *14.

[54] *Id*. at *19-23 (discussing *Capitol Records, LLC v. BlueBeat, Inc*., 765 F. Supp. 2d 1198 (C.D. Cal. 2010); *Bagdasarian Prods., LLC v. Capitol Records, Inc*., No. B217960, 2010 Cal. App. Unpub. LEXIS 6590 (Cal. Ct. App. Aug. 18, 2010)).

[55] *Id*. at *33. The court held there were triable issues of fact precluding summary judgment on Flo & Eddie's reproduction claims. *Id*. at *23-27.

[56] Minutes Order Granting Motion for Class Certification and Appointing Gradstein & Marzano P.C. as Class Counsel, *Flo & Eddie II*, No. CV 13-5693, Dkt. No. 225 (C.D. Cal. May 27, 2015). Notably, the court held that "Sirius XM consented to Flo & Eddie's bringing a motion for summary judgment prior to certifying a class. As a result of Sirius XM's waiver, the Court holds that the one-way intervention rule does not preclude certification of Flo & Eddie's class." *Id*. at 7-8.

[57] Order, *Flo & Eddie, Inc. v. Sirius XM Inc*., No. 15-80102 (9th Cir. Aug. 10, 2015).

[58] Sirius XM Holdings Inc., Form 8-K (June 26, 2015), *available at* http:/d1lge852tjjqow.cloudfront.net/CIK-0000908937/41b6d33a-aa84-4765-b01b-9aae46d05270.pdf.

[59] Complaint, *Capitol Records, LLC v. Sirius XM Radio Inc*., BC 520981 (Cal. Super. Ct. Sept. 11, 2013).

[60] Court's Ruling on Submitted Matter, *Capitol Records, LLC v. Sirius XM Radio Inc*., BC 520981 (Cal. Super. Ct. Oct. 14, 2014) (citing Plaintiffs' Notice of Motion for Jury Instruction Regarding a Digital Performance Right in Sound Recordings Fixed Before

February 15, 1972, p. 1), at 2; Request for Judicial Notice in Support of Plaintiffs' Motion for Jury Instruction Regarding a Digital Performance Right in Sound Recordings Fixed Before February 15, 1972, *Capitol Records LLC v. Sirius XM Radio Inc.*, BC 520981 (Cal. Super. Ct. Feb. 3, 2014).

[61] Court's Ruling on Submitted Matter, *supra* note 60, at 4.

[62] *Id.* at 5; *see also* 17 U.S.C. § 114 (2010).

[63] *Id.* at 3-4.

[64] *Id.* at 5-6 (distinguishing cases cited by plaintiff as relevant to claims of unauthorized duplication and distribution, not public performance rights: *Capitol Records, Inc. v. Erickson*, 2 Cal. App. 3d 526 (Cal. App. 2d Dist. 1969), *A&M Records, Inc. v. Heilman*, 75 Cal. App. 3d 554 (Cal. App. 2d Dist. 1977), and *Capitol Records, LLC v. BlueBeat, Inc.*, 765 F. Supp. 2d 1198 (C.D. Cal. 2010)).

[65] *Id.* at 7 (noting plaintiff's policy argument for "compensating owners of rights to creative works" is undercut because "permit[ting] record companies to profit from performances of sound recordings when they did not expect such payments at the time they created or obtained the rights to the sound recordings also contravenes public policies in favor of fairness").

[66] *Id.* at 1, 5.

[67] Denial of Petition for Review, *Sirius XM Radio Inc. v. Super. Ct. Los Angeles Cnty.*, No. S224881, 2015 Cal. LEXIS 2373 (Cal. Apr. 29, 2015) ; Order Denying Petition, *Sirius XM Radio Inc. v. Super. Ct. Los Angeles Cnty.*, No. B260717 (Cal. Ct. App. Feb. 23, 2015) (denying petition for writ of mandate).

[68] *See* Sirius XM Holdings Inc., Form 8-K (June 26, 2015), *available at* http://d1lge852tjjqow.cloudfront.net/CIK-0000908937/41b6d33a-aa84-4765-b01b-9aae46d05270.pdf. The terms of the settlement consisted of a payment of $210 million by Sirius on or before July 15, 2015 (later changed to July 31) resolving past claims and licensing the recordings owned by the Record Companies through December 31, 2017 with an option to renew the license through 2022. *Id.*

[69] *See* Order Denying *Ex Parte* Application to Lift Stay, *Flo & Eddie Inc. v. Sirius XM Radio Inc.*, No. CV 13-5693, Dkt. No. 254 (C.D. Cal. July 22, 2015).

[70] *See id.*

[71] Sur-Reply of Intervenors Capitol Records, LLC, Sony Music Entertainment, UMG Recordings, Inc., Warner Music Group Corp., and ABKCO Music & Records, Inc. in Opposition to Plaintiff's Application for Extraordinary Relief, *Flo & Eddie Inc. v. Sirius XM Radio Inc.*, No. CV 13-5693, Dkt. No. 251, at 4 (C.D. Cal. July 14, 2015).

[72] Order Denying *Ex Parte* Application to Lift Stay, *supra* note 69, at 8.

[73] *Flo & Eddie I*, 62 F. Supp. 3d at 335 (Amended Complaint filed Nov. 13, 2013).

[74] *Id* at 336.

[75] *Id.*

[76] *See* Court's Ruling on Submitted Matter, *supra* note 60, at 4; *Flo & Eddie II*, 2014 U.S. Dist. LEXIS 139053, at *1.

[77] *See* Notice of Filing Order Granting Capitol Records' Motion for Jury Instruction, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13-CIV-5784, Dkt. No. 86 (S.D.N.Y. Oct. 17, 2014); Notice of Filing Order on Flo & Eddie's Motion for Summary Judgment in California Action, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13-CIV-5784, Dkt. No. 84 (S.D.N.Y. Sept. 24, 2014)..

[78] *Flo & Eddie I*, 62 F. Supp. 3d at 338-39.

[79] *See id.* at 339.

[80] *Id.* (citing cases involving plays, *Palmer v. De Witt*, 47 N.Y. 532, 535-36, 540-41 (1872); *Roberts v. Petrova*, 126 Misc. 86, 213 N.Y.S. 434, 434-37 (Sup. Ct. 1925); *French v. Maguire*, 55 How. Pr. 471, 472-73, 479-80, 1878 WL 11310 (N.Y. Sup. Ct. 1878), and films, *Brandon Films, Inc. v. Arjay Enter., Inc.*, 33 Misc. 2d 794, 230 N.Y.S.2d 56, 57-58 (Sup. Ct. 1962)).

[81] *Id.* at 340-41.

[82] *Id.* at 340 ("While, as a factual matter, a state may not have affirmatively acknowledged a public performance right in pre-1972 recordings as of the [U.S. Copyright] Office's 2011 report, the language in the report should not be read to suggest that a state could not properly interpret its law to recognize such a right.") *Id.* (quoting United States Copyright Office, Music Licensing Study: Second Request for Comments, 79 Fed. Reg. 42,833-01, 42,834 n.3 (July 23, 2014)).

[83] *See id.* at 342-44, 352-53.

[84] *Id.* at 344.

[85] *See id.* at 349-53.

[86] *Id.* at 353.

[87] *See Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13 Civ. 5784, 2014 U.S. Dist. LEXIS 174907, at *2 (S.D.N.Y. Dec. 12, 2014).

[88] *Id.* at *3-4.

[89] 114 F.2d 86 (2d Cir. 1940).

[90] *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13 Civ. 5784, 2014 U.S. Dist. LEXIS 174907, at *4 (S.D.N.Y. Dec. 12, 2014)

[91] *Id.* at *16. In conclusion, Judge McMahon commented:

> This case is not about the content of radio broadcasts; it is about whether Sirius has to pay for the privilege of copying and broadcasting pre-1972 sound recordings—just as it pays royalties through ASCAP and BMI to the composers of the music contained on all the recordings it broadcasts, and just as it pays statutory copyright holders for the privilege of playing post-1972 sound recordings. The Dormant Commerce Clause does not stand in the way of a purely private party's availing himself of his legal rights in order to protect his property. This Court harbors no doubt whatsoever that Flo and Eddie will be perfectly delighted to let Sirius play—for pay.

Id.

[92] *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.,* No. 13 Civ. 5784, 2015 U.S. Dist. LEXIS 6101, at *2-3 (S.D.N.Y. Jan. 15, 2015).

[93] *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, No. 13 Civ. 5784, 2015 U.S. Dist. LEXIS 17374, at *2 (S.D.N.Y. Feb. 10, 2015).

[94] *See* Order, *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, No. 15-497 (2d Cir. Apr. 15, 2015).

[95] *See* Brief *Amici Curiae* of Copyright and Intellectual Property Law Professors in Support of Defendant-Appellant Sirius XM Radio Inc., *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, No. 15-497 (2d Cir. Aug. 4, 2015); Brief and Special Appendix for Defendant-Appellant Sirius XM Radio Inc., *Flo & Eddie, Inc. v. Sirius XM Radio Inc.*, No. 15-497 (2d Cir. July 29, 2015). As of August 9, 2015, several motions to file *amici curiae* briefs have been filed, but the Second Circuit panel has yet to grant any motions filed by proposed *amici*.

[96] *See Flo & Eddie III*, 2015 U.S. Dist. LEXIS 80535, at *5 (Amended Complaint filed Dec. 5, 2013); Stephen Carlisle, *Flo and Eddie v. Sirius XM Radio: Have Two Hippies from the 60's Just Changed the Course of Broadcast Music?* (Oct. 2, 2014), http://copyright.nova.edu/flo-and-eddie-v-sirius-xm-radio/ (noting Florida civil theft law claim carries with it potential for treble damages).

[97] *See Flo & Eddie III*, 2015 U.S. Dist. LEXIS 80535, at *10 n.2 (noting Jan. 10, 2014 order denying motion to transfer).

[98] *Id.* at *5-6.

[99] Transcript of Oral Argument, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 13-23182-CIV (S.D. Fla. Apr. 28, 2015).

[100] *See Flo & Eddie III*, 2015 U.S. Dist. LEXIS 80535, at *1-2.

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[101] *Id.* at *12.

[102] *Id.* at *11.

[103] *See id.* at *12-13 & n.4 ("Florida Statute §540.11, governing the unauthorized copying of sound recordings, is the only time the Florida legislature specifically addressed ownership rights in sound recordings and specifically excludes broadcast radio."). Summarizing the lack of support for recognizing a right of public performance, the court comments:

> In arguing its position, Flo & Eddie can only point to New York common law and one district court case arising out of the Middle District of Florida—which also relied extensively on New York law. *See CBS, Inc. v. Garrod*, 622 F. Supp. 532, 534-35 (M.D. Fla. 1985). In short, neither Florida legislation nor Florida case law answers the question of whether Florida common law copyright includes an exclusive right of public performance.

Id. at *12.

[104] *Id.* at *13. With limited discussion, the court also found that the backup and buffer copies made by Sirius did not constitute an unauthorized reproduction because the copies are not "maintained by Sirius or accessible to the public." *Id.* at *15.

[105] *See id.* at *16-17.

[106] *Id.* at *14.

[107] Notice of Appeal, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, No. 15-13100 (11th Cir. July 10, 2015) (docketed July 13, 2015).

[108] *See BMI v. Pandora Media, Inc.*, Nos. 13 Civ. 4037 (LLS); 64 Civ. 3787 (LLS), 2015 U.S. Dist. LEXIS 69002 (S.D.N.Y. May 27, 2015); *In re Pandora Media, Inc.*, 6 F. Supp. 3d 317 (S.D.N.Y. 2014), *aff'd*, *Pandora Media, Inc. v. ASCAP*, 785 F.3d 73 (2d Cir. 2015).

[109] *Flo & Eddie, Inc. v. Pandora Media, Inc.*, No. CV 14-7648, 2015 U.S. Dist. LEXIS 70551 (C.D. Cal. Feb. 23, 2015); Complaint, *Capitol Records, LLC v. Pandora Media, Inc.*, Index No. 651195/2014 (N.Y. Sup Ct. Apr. 17, 2014).

[110] *See Flo & Eddie, Inc. v. Pandora Media, Inc.*, No. CV 14-7648, 2015 U.S. Dist. LEXIS 70551, at *2 (C.D. Cal. Feb. 23, 2015) (Complaint filed Oct. 2, 2014).

[111] *Id.* at *14, *19.

[112] *See id.* at *23-24.

[113] *Id.* at *27 (citing *Lone Ranger Television, Inc. v. Program Radio Corp.*, 740 F.2d 718, 726 (9th Cir. 1984)).

[114] *Flo & Eddie, Inc. v. Pandora Media, Inc.*, No. 15-55287 (9th Cir. Feb. 24, 2015) (docketed and entered appearances of counsel).

[115] Complaint, *Capitol Records, LLC v. Pandora Media, Inc.*, Index No. 651195/2014 (N.Y. Sup. Ct. Apr. 17, 2014) .

[116] Letter, *Capitol Records, LLC v. Pandora Media, Inc.*, Index No. 651195/2014 (N.Y. Sup. Ct. May 6, 2015).

[117] Letter, *Capitol Records, LLC v. Pandora Media, Inc.*, Index No. 651195/2014 (N.Y. Sup. Ct. Aug. 6, 2015) (letter from the Record Companies to the court responding to Pandora's letter concerning discovery disputes). *See also* Letter, *Capitol Records, LLC v. Pandora Media, Inc.*, Index No. 651195/2014 (N.Y. Sup. Ct. Aug. 4, 2015) (letter from Pandora to the court seeking to compel discovery).

[118] *See, e.g.*, David Byrne, Op-Ed., *Open the Music Industry's Black Box*, N.Y. Times, Aug. 2, 2015, at SR4, a version of this Op-Ed., dated July 31, 2015, is *available at* http://www.nytimes.com/2015/08/02/opinion/sunday/ open-the-music-industrys-black-box.html?_r=0.

[119] *Zenbu Magazines LLC v. Rdio, Inc.*, 15-cv-00311 (N.D. Cal. Jan. 22, 2015) (voluntary dismissal without prejudice Jan. 23, 2015); *Zenbu Magazines, LLC v. Sony Computer Entm't Am. LLC*, 15-cv-00310-EDL (N.D. Cal. Jan. 22, 2015); *Zenbu Magazines LLC v. Apple Inc.*, 15-cv-00309 (N.D. Cal. Jan 22, 2015) (voluntary dismissal without prejudice Jan. 23, 2015); *Zenbu Magazines LLC v. Google Inc.*, 15-cv-00307 (N.D. Cal. Jan. 22, 2015) (voluntary dismissal without prejudice Jan. 23, 2015).

[120] *Zenbu Magazines LLC v. Beats Electronics, LLC*, 15-cv-00464 (C.D. Cal. Jan. 22, 2015) (voluntary dismissal without prejudice Jan. 23, 2015).

[121] *Zenbu Magazines LLC v. Slacker, Inc.*, 15-cv-00151 (S.D. Cal. Jan. 22, 2015) (voluntary dismissal without prejudice Jan. 28, 2015).

[122] *Zenbu Magazines LLC v. Escape Media Group, Inc.*, 15-cv-00349 (E.D.N.Y. Jan. 22, 2015) (order and stipulation of dismissal without prejudice June 1, 2015); *Zenbu Magazines LLC v. Songza, Inc.*, 15-cv-00351 (E.D.N.Y. Jan. 22, 2015) (voluntary dismissal without prejudice Jan. 23, 2015).

[123] *See also Sheridan v. iHeartMedia, Inc.*, 15-cv-04067 (C.D. Cal. May 29, 2015) (Anti-SLAPP motion to dismiss filed July 24, 2015); *Beach Road Music LLC v. Apple Inc.*, 15-cv-00700 (N.D. Cal. Feb. 13, 2015) (dismissed without prejudice Feb. 18, 2015).

[124] *See* Order of Dismissal, *Zenbu Magazines, LLC v. Sony Computer Entm't Am. LLC*, 15-cv-00310-EDL (N.D. Cal. May 21, 2015); *see supra* notes 119-23. One explanation suggested for the spate of filings and voluntary dismissals is because the music on the defendants' systems came about through catalog-wide licenses. *See* Eriq Gardner, *Sony, Google, Apple Hit With Lawsuits Over Pre-1972 Music*, The Hollywood Reporter (Jan. 23, 2015), http://www.hollywoodreporter.com/thr-esq/sony-google-apple-hit-lawsuits-766187.

[125] Capitol Records, LLC d/b/a EMI Music North America ("EMI").

[126] *See Capitol Records, LLC v. Escape Media Group, Inc.*, 12-CV-6646, 2015 U.S. Dist. LEXIS 38007 (S.D.N.Y. Mar. 25, 2015); Complaint, *Capitol Records, LLC v. Escape Media Group, Inc.*, 12-cv-6646 (S.D.N.Y. Aug. 30, 2012); *UMG Recordings, Inc. v. Escape Media Group, Inc.*, No. 100152/2010 (N.Y. Sup. Ct. Jan. 6, 2010).

[127] *See UMG Recs., Inc. v Escape Media Group, Inc.*, 107 A.D.3d 51, 58-59, 964 N.Y.S.2d 106 (N.Y. App. Div. 1st Dep't 2013).

[128] *See, e.g.*, *UMG Recordings, Inc. v. Escape Media Grp., Inc.*, 11 Civ. 8407, 2015 U.S. Dist. LEXIS 53734, at *7-11 (S.D.N.Y. Apr. 23, 2015).

[129] *See* Stipulation and Consent Judgment and Permanent Injunction, *Capitol Records, LLC v. Escape Media Group, Inc.*, 12-CV-6646, 2015 U.S. Dist. LEXIS 38007 (S.D.N.Y. May 5, 2015).

[130] *See Music Choice v. Copyright Royalty Bd.*, 774 F.3d 1000 (D.C. Cir. 2014); *see also SoundExchange, Inc. v. Sirius XM Radio, Inc.*, 65 F. Supp. 3d 150, 157 (D.D.C. 2014) (staying this related action alleging underpaid royalties pending a determination by the CRB).

[131] *Music Choice*, 774 F.3d at 1011.

[132] *Id.*

[133] *Id.*

[134] R.E.M., *Pop Song 89*, on Green (Warner Bros. Records 1988).

[135] U.S. Copyright Office, http://www.copyright.gov (last visited Aug. 9, 2015).

[136] U.S. Copyright Office, Federal Copyright Protection for Pre-1972 Sound Recordings (Dec. 2011), http://copyright.gov/docs/sound/pre-72-report.pdf.

[137] U.S. Copyright Office, Copyright and the Music Marketplace (Feb. 2015), http://copyright.gov/docs/musiclicensingstudy/copyright-and-the-music-marketplace.pdf.

[138] *Id.* at 3.

[139] *See* Federal Copyright Protection, *supra* note 136, at 50-80, 90-100. Other commentators have articulated concerns similar to those of the Copyright Office regarding preservation and public

access to cultural heritage of early sound recordings. *See, e.g.*, Holly M. Sharp, Comment, *The Day the Music Died: How Overly Extended Copyright Terms Threaten the Very Existence of Our Nation's Earliest Musical Works*, 57 Emory L.J. 279, 302-10 (2007) (proposing a compulsory licensing scheme for reissues of pre-1972 sound recordings); Ass'n for Recorded Sound Collections and Music Library Association, Legal Impediments to Preservation of and Access to the Audio Heritage of the United States (2007), *available at* http://www.arsc-audio.org/pdf/ARSC-MLAcopyright.pdf. For a glimpse into the challenges of cultural preservation and access to early American blues sound recordings, *see John Jeremiah Sullivan, The Ballad of Geeshie and Elvie*, N.Y. Times (Apr. 13, 2014), http://www.nytimes.com/interactive/2014/04/13/magazine/blues.html.

[140] *See* Subotnik & Besek, *supra* note 33. *See also* Elizabeth Townsend Gard & Erin Anapol, *Federalizing Pre-1972 Sound Recordings: An Analysis of the Current Debate*, 15 Tul. J. Tech. & Intell. Prop. 123 (2012) (providing a fulsome analysis of the term provisions of the Copyright Office proposal).

[141] H.R. 2933, 112th Cong. (2011).

[142] H.R. 4772, 113th Cong. (2014).

[143] H.R. 1733, 114th Cong. (2015).

[144] Gary Pulsinelli, *Happy Together? The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 Tenn. L. Rev. 167, 250 (2014) (citing Copyright Protection for Pre-1972 Sound Recordings, *supra* note 136).

[145] Pulsinelli, *supra* note 144, at 250; *see* H.R. 4772, *supra* note 142, § 2.

[146] Pulsinelli, *supra* note 144, at 251; H.R. 4772, *supra* note 142, § 2.

[147] *See* H.R. 1733, *supra* note 143, § 2.

[148] *See id*. § 7.

[149] Pulsinelli, *supra* note 144, at 196 n.192. Pulsinelli cites to two e-mails reflecting counsel for Flo & Eddie's role in drafting the Tennessee bill:

> E-mail from Stacey Campfield, Tennessee State Senator, to Cari Gervin, Knoxville Metro Pulse (Feb. 10, 2014, 18:20 EST) (on file with the author, as forwarded from Gervin) (identifying the bill's authors as Tony Gottlieb in Tennessee and Henry Gradstein from Gradstein & Marzano, the lawyers from the Turtle's California class action). Gottlieb is the principal in the ACF Music Group and its online licensing site, http://www.getsongsdirect.com/. *See* E-mail from Cari Gervin, Knoxville Metro Pulse, to Gary Pulsinelli (Feb. 10, 2014, 18:47 EST) (on file with the author) (forwarding Sen. Campfield's email and identifying Gottlieb).

Id.

[150] *Id*. at 169.

[151] *See id*. at 196-97.

[152] *See* Gordon & Puri, *supra* note 25, at 353-58 (discussing potential implications if decisions favorable to Flo & Eddie are affirmed, predicting additional litigation asserted by owners of pre-1972 sound recordings).

[153] *See* Byrne, *supra* note 118.

[154] *Id*.

[155] *Id*.

August/September 2015 IP Media Links

*By Jayson L. Cohen**

Google and the Evolution of Language

In his column "Common Sense" for The New York Times, James B. Stewart wrote an article, dated August 13, 2015, entitled, "Even in the New Alphabet, Google Keeps Its Capital G." The piece takes Google's mid-August 2015 announcement—of a restructuring under an umbrella entity Alphabet—as an opportunity to consider the genericization of the term "google" in language, including the verb form "to google" and the participle "googling." The article cites Google's brand value of $66 billion, according to Forbes, as providing Google with incentive to protect its related trademarks and to guard against adoption of "to google" or "googling" into mainstream linguistic usage as a generic term relating to searching the Internet. The article compares older brand names, such as aspirin, which have lost legal status as a protectable trademark, with brands such as Band-Aid and Kleenex, whose owners maintain their trademarks despite those brands having become part of our common linguistic usage. Only last year, a claim that the Google trademark had become generic was rejected in court. Stewart's article quotes Geoffrey Nunberg of the University of California, Berkeley, stating: "To be generic, a word has to refer to an entire category." "People almost never say, 'I googled this on Bing.'" (http://www.nytimes.com/2015/08/14/business/even-in-the-new-alphabet-google-keeps-its-capital-g.html?_r=0; *see also* http://www.forbes.com/sites/seanstonefield/2011/06/15/the-10-most-valuable-trademarks (last visited September 8, 2015); http://www.forbes.com/sites/ericgoldman/2014/09/15/google-successfully-defends-its-most-valuable-asset-in-court.)

The Patent Examiner Who Got Caught

On August 21, 2015, in an article by Lisa Rein, the Washington Post reported about the abuses to the USPTO's telecommuting system perpetrated by a single (ex-)examiner, entitled, "He billed the government for four months of work he never did—and his teleworking boss never noticed." Apparently, it took an anonymous whistleblower-type letter to expose this particular examiner's abuses. An investigation led by acting Inspector General David Smith of the Commerce Department was performed in light of the anonymous letter, and revealed that the government had paid this particular examiner for at least 730 hours of work never performed in 2014. This was the abuse that the investigation could document, believed to be only a portion of the actual abuse. The article shows this examiner's instant messaging (IM) communications with coworkers, which suggest that the examiner played golf or pool or drank beer at bars while clocking USPTO time. His boss at the USPTO did not notice the abuses until the anonymous letter was sent. According to Ms. Rein's article, the publicly available 27-page investigative report expresses concerns about the USPTO's ability to detect misconduct and fraud within its workforce.

A follow-up news story by Ms. Rein, on August 26, 2015, was entitled, "After no-show employee bilks U.S. out of four months' pay, agency chief vows zero tolerance." The title reflects USPTO Director Michelle Lee's email message to USPTO employees on August 25, which appears in the article. (http://www.washingtonpost.com/blogs/federal-eye/wp/2015/08/21/he-billed-the-government-for-four-months-of-work-he-never-did-and-his-teleworking-boss-never-noticed/; http://www.washingtonpost.com/r/2010-2019/WashingtonPost/2015/08/21/National-Politics/Graphics/Response%20Letter_2015-001775_8-20-15.pdf; http://www.washingtonpost.com/blogs/federal-eye/wp/2015/08/26/patent-office-chief-to-employees-time-and-attendance-abuse-is-absolutely-unacceptable.)

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Conversations with the New Members of the NYIPLA Board of Directors

In May 2015, five new members joined the NYIPLA Board of Directors: Frank A. DeLucia Jr., Robert M. Isackson, Kathleen E. McCarthy, Colman B. Ragan, and Robert Rando (who also became the NYIPLA's new Treasurer). In addition, Matthew B. McFarlane took on a new role as a Board officer when he became Second Vice-President of the NYIPLA. *The Report* interviewed the new Board members and officers to discuss their experiences with the NYIPLA.

Matthew B. McFarlane

Two years ago, Matthew McFarlane was elected to the Board, and he was interviewed at that time. His answers can be found in the August/September 2013 issue of the the Bulletin, https://stage.nyipla.org/images/nyipla/Documents/Bulletin/2013/AugSept-2013BOD Converstions.pdf. Matthew has now been tapped as a Board Officer—Second Vice-President, so we are interviewing him again. These questions follow up on his answers from the earlier interview.

THE REPORT: Why did you decide to become an Officer of the NYIPLA?

MM: In my two years on the Board, I've been inspired by the ability of this organization to impact its members and our community in many different ways. There is a lot of energy and enthusiasm for supporting existing programs and developing new initiatives that will help the NYIPLA continue to improve and adapt to a changed legal environment. I am honored that my colleagues nominated me to be Second Vice-President, and I embrace the opportunity to contribute to our future success.

THE REPORT: What is your current role on the Board?

MM: I serve on the Strategic Planning Committee with Dorothy Auth, Colman Ragan, and John Moehringer.

THE REPORT: What are your goals for your time as an Officer on the Board, that is, what do you hope to accomplish? Do they differ from when you were just a Board member?

MM: The NYIPLA has been and continues to be a preeminent organization for IP professionals. My goals are, quite simply, to build on that legacy and to continue to expand our reach and influence. To do that, I believe we need to grow strategically in ways that keep our current membership engaged and position our organization as a vital resource for the next generation of IP lawyers. My goals really haven't changed in any fundamental way since I joined the Board. But as an Officer, I feel a greater responsibility to think more broadly about the future and consider bold ideas that could have the greatest future impact.

THE REPORT: What do you see as the future of the Association? Does this vision differ from when you were just a Board member?

MM: I see the NYIPLA's future as having a greatly expanded influence in areas of intellectual property law beyond patent law. We've certainly been evolving in that direction—our name changed from The New York Patent Law Association 22 years ago. Our rate of change must increase to match the dramatic changes to the legal landscape in the past few years. I don't doubt for a second that our patent lawyers will continue to be a dominant force in the Association. But our future success depends on our ability to be a relevant resource for other areas of IP law with growing influence in society, such as rights in privacy and rights of publicity, software and digital media, and trade secret protection.

THE REPORT: Is there anything else that you wish to share, now that you have two years of Board experience under your belt?

MM: I do want to share how incredibly impressed I am with my fellow Board members, and how, despite active law practices, they're each able to make such meaningful contributions to the NYIPLA. I think the last two years has brought a tremendous impact to our members through new initiatives like the Presidents' Forum and the Legislative Action Committee. I'm happy to be in a position to help keep that momentum going during my tenure as an Officer.

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Robert J. Rando

THE REPORT: How long have you been a member of the NYIPLA?

RR: I have been a member for 25 years.

THE REPORT: Why did you first join the Association?

RR: I was a first-year associate at Skadden Arps in their small nascent patent practice group. The firm hosted a judge at the NYIPLA Judges Dinner, and I was told that I would be attending and be seated at that table. It was the first time that I attended a formal affair or experienced anything like it. I came away from the evening knowing that I needed to become a member of whatever group hosted the event.

THE REPORT: Has your membership in the Association benefited your practice and, if so, how?

RR: It has benefited me professionally and personally in several ways. Professionally, over the years I have developed contacts and connections with practitioners from diverse private and public sector positions. I have worked with colleagues from law firms of all sizes, in-house counsel, USPTO officials and members of the federal bench. I have been able to remain current in all aspects of IP Practice through the NYIPLA's outstanding CLE programs, both as an attendee over the years and, more recently, as a participant in planning and sponsoring the events as a member of the Programs Committee. That cutting-edge knowledge base enables me to provide meaningful value to my clients and to others in the practice with whom I engage. On a personal note, having left Big Law many years ago to form my own firm, I am still able to experience the benefits of collegiality and working together with other highly motivated IP law practitioners—especially one in particular, my daughter, Jessica Copeland.

THE REPORT: With which committees have you been involved during your membership?

RR: Over the years I have been an active member of the following committees: Programs Committee (formerly the CLE Committee), where I served as a member and Co-Chair, and am now the Board Liaison; Amicus Brief Committee; Patent Litigation Committee; and, Legislative Action Committee.

THE REPORT: How did you end up as the Treasurer?

RR: After serving as Co-Chair of the Programs Committee for several years, and as an active member of various other NYIPLA committees, I was informed by Past President Tom Meloro, that I had been nominated to become a Board Member and Treasurer for the Association.

THE REPORT: Why did you want to be the Treasurer?

RR: My affection and affinity for the NYIPLA run long and deep. As indicated earlier, I have derived tremendous benefits from my membership professionally and personally. I firmly believe in the responsibility of contributing to our profession in the various ways available to us. I am grateful for the opportunities the NYIPLA has provided to me and am delighted for the opportunity to serve the Association and our membership in this capacity.

THE REPORT: What is your role on the Board?

RR: I am the Treasurer and also Board Liaison for the Programs Committee. As Treasurer, I am responsible for overseeing and maintaining the Association's treasury and for disbursements of all accounts payable. As Treasurer, I am an Officer of the Association and am charged with the responsibilities designated to the Officers of the NYIPLA under our governing rules. As Board Liaison to the Programs Committee, I am responsible for reporting to the Board on the Committee's activities as well as communicating to and from the Board regarding Programs Committee issues and functions. I also remain active with the Committee.

THE REPORT: Are you active in any other bar associations and, if so, which ones and in what capacity?

RR: Over the years I have been a member of several different bar associations (N.Y.S., ABA, Nassau County Bar Association, and N.Y.S. Academy of Trial Lawyers Association). However, I have only been an active member of the NYIPLA and the Federal Bar Association ("FBA"). As a member of the FBA, since 2005, I have served on the Board of the EDNY Chapter (of which I am a Charter Member) and as Past President of the Chapter. I have been an appointed member of the FBA Government Relations Committee for two three-year terms (2010-2013; 2014-2016) and serve as Deputy Chair of the IP Law Section of the FBA.

THE REPORT: How does your involvement with the NYIPLA compare with your involvement with these other bar associations?

RR: My work with the NYIPLA has been primarily devoted to and focused on the substantive nature of IP Law practice. I have benefited greatly in my professional endeavors from my active involvement with the NYIPLA. It has been an invaluable resource for my practice. My activity with the FBA is primarily geared towards, and focused on, its mission to support and protect the independence of the Federal Judiciary and to serve the interests of the federal practitioner. These are both issues that I am committed to ardently support.

THE REPORT: What are your goals for your time on the Board, that is, what do you hope to accomplish?

RR: Assist the Association in maintaining and expanding its influence, with respect to the practice of IP law, at all levels of the three branches of the federal government that impact IP law. Also, work towards moving our Association forward with membership growth, increased diversity, innovative and top-tier programming, and in mentoring our young lawyer members to ensure the stability and longevity of the NYIPLA.

THE REPORT: Over the longer term, what do you see as the future of the Association?

RR: I expect the NYIPLA to remain the premier IP law association that it has been since its inception and to carry on in the tradition of many of our highly respected and well-known members and leaders of the past. I am confident that we will continue to be looked upon for leadership on the various complex issues of IP law and that we will evolve and adapt to the new developments and rapidly changing worldwide economic, business and political conditions that impact, and are impacted by, intellectual property rights, enforcement and protections.

THE REPORT: Is there anything else that you wish to share or comment upon?

RR: I would like to thank the Association, its leaders and all of our members for entrusting me with the responsibilities I have assumed and for allowing me the opportunity to engage in, and benefit from, the work that I do with the NYIPLA.

Frank A. DeLucia Jr.

THE REPORT: How long have you been a member of the NYIPLA?

FD: 2.5 years.

THE REPORT: Why did you first join the Association?

FD: To become more involved, raise my profile further, meet other practitioners, and influence the system.

THE REPORT: Has your membership in the Association benefited your practice and, if so, how?

FD: My membership has helped me to stay better abreast of changes in the law and rules, and has established me as a leader in my field.

THE REPORT: With which committees have you been involved during your membership?

FD: The Patent Law & Practice and the Young Lawyers Committees.

THE REPORT: How did you end up on the Board?

FD: One of my partners was coming off the board and I was elected as a replacement for him.

THE REPORT: Why did you want to be on the Board?

FD: I would like to contribute to the NYIPLA on a higher level than I previously did and to have an opportunity to influence decisions and practice.

THE REPORT: What is your role on the Board?

FD: Liaison for the Young Lawyers Committee.

THE REPORT: Are you active in any other bar associations and, if so, which ones and in what capacity?

FD: I am active in the AIPLA.

THE REPORT: How does your involvement with the NYIPLA compare with your involvement with the AIPLA?

FD: It is greater with the NYIPLA. I spend more time and am much more actively involved.

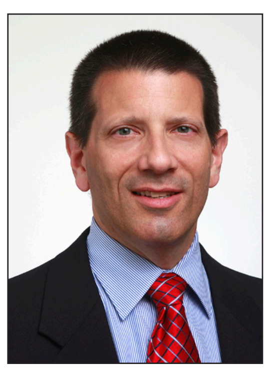
THE REPORT: What are your goals for your time on the Board, that is, what do you hope to accomplish?

FD: My goals are to have an impact on raising the profile of the NYIPLA, and influencing patent practice in general.

THE REPORT: Over the longer term, what do you see as the future of the Association?

FD: The Association will have increased membership and greater influence on public policy and law-making.

Robert M. Isackson



THE REPORT: How long have you been a member of the NYIPLA?

RI: I first joined the NYIPLA in 1983.

THE REPORT: Why did you first join the Association?

RI: My firm at the time, Fish & Neave, offered to pay the dues and encouraged associates to become active to broaden our horizons, as well as to get the member discount for our attending the Judges Dinner.

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THE REPORT: Has your membership in the Association benefited your practice and, if so, how?

RI: It has in several respects. First, I have over the years participated in a number of committees that were at the time outside my area of practice, for example, designs, antitrust, and trade secrets. This was a very useful way to learn different areas of the law and get up to speed on both general principles and hot topics. As a result, my practice skillset expanded and sure enough I began to take on engagements in these other areas. Second, it was a great opportunity to meet with colleagues who shared common interests and to discuss developing legal issues at an intellectual level, without necessarily trying to advocate for a position. I also learned a lot from what others had to say, and seeing how they approached the issues under discussion. Third, it is a good way to give back to the profession which has been very good to me, and to help others to learn and provide opportunities to develop.

THE REPORT: With which committees have you been involved during your membership?

RI: In recent years, the Patent Litigation and Amicus Brief Committees. I recall many years ago being on committees addressing U.S. patent prosecution, design protection, and antitrust and unfair competition.

THE REPORT: How did you end up on the Board?

RI: The simple answer is I was asked to join, which I assume came out of my having been a Co-Chair of the Amicus Brief Committee for several years. I accepted, and they voted me onto the Board.

THE REPORT: Why did you want to be on the Board?

RI: I enjoyed the collegiality and honest debate within the Amicus Brief and Patent Litigation Committees, the professional and social aspects of the meetings, and joining the Board seemed like an opportunity to learn more, contribute to the organization at a broader level, and expand horizons in the IP world beyond my practice area. I have a lot of respect for the NYIPLA as an organization and for the current Board members and I thought it would be interesting, challenging and fun to be part of that group.

THE REPORT: What is your role on the Board?

RI: To participate in the debate on the various issues facing, and initiatives of, the NYIPLA, and more formally to liaise with the Amicus Brief Committee regarding what briefs are being contemplated by the Committee, to solicit the Board's views and feedback on proposals for amicus briefs, and, if accepted, to relay the Board's approval for filing briefs.

THE REPORT: Are you active in any other bar associations and, if so, which ones and in what capacity?

RI: I have been active in the Intellectual Property Owners Association (IPO) for almost as long as I have been active in the NYIPLA. I have been a member of the IPO's Amicus Committee, which is an invited post, for several years, and I have been an active member of the Trade Secret Committee, including as past Vice-Chair, for an even longer period of time.

THE REPORT: How does your involvement with the NYIPLA compare with your involvement with the IPO?

RI: The NYIPLA is very different from the IPO because it is much more personal, regional in nature, and offers far more in terms of programs and events. Thus, it is easy to get involved and participate and to attend NYIPLA events, and of course I see lots of colleagues, which I enjoy. The IPO has an annual two-day meeting which is attended by many people from all over the world, but is not as big a time commitment.

THE REPORT: What are your goals for your time on the Board, that is, what do you hope to accomplish?

RI: To support and promote the Association and its programs and initiatives, and expand the active participation by our members, particularly on the in-house counsel side, and continue to serve on the Amicus Brief and Patent Litigation Committees.

THE REPORT: Over the longer term, what do you see as the future of the Association?

RI: The Association has a solid foundation as a preeminent IP bar association, and, although regional by definition and by-laws (NY, VT, CT and NJ), it has a national presence and influence. So the future is bright because the Association has a voice, and attracts people who want to be members and participate so that they can help define that voice. Also, the various CLE programs are well designed and executed, and cover the range of IP topics that we as lawyers need, which provides a terrific service to our members (and non-members) beyond what the commercial CLE businesses can offer.

Kathleen McCarthy

THE REPORT: How long have you been a member of the NYIPLA?

KM: I joined more than twenty years ago, back when the Association was still the New York Patent Law Association.

THE REPORT: Why did you first join the Association?

KM: I started to specialize in trademark and copyright law in 1988 at Ladas & Parry and became aware of the Association when I was invited to fill a spot at the firm's table at the Judges Dinner. I formally joined the Association as soon as I started working at Kane Dalsimer in 1991. David Kane, a former NYIPLA Board President, encouraged all attorneys at the firm to join and get involved with the Association.

THE REPORT: Has your membership in the Association benefited your practice and, if so, how?

KM: The Association has provided tremendous opportunities for continuing education, networking, exchange of ideas regarding developments in the law and the challenges we and all of our clients face in the intellectual property field. The Association has also provided tremendous opportunities for interacting with colleagues at other firms and companies and with members of the federal judiciary and the U.S. Patent and Trademark Office. As a young attorney, I once sat next to the Honorable Ruth Bader Ginsburg at the Judges Dinner, back when she was on the Court of Appeals for the D.C. Circuit.

THE REPORT: With which committees have you been involved during your membership?

KM: I have been involved with the Trademark Law & Practice Committee for a number of years including serving several terms as Chair or Co-Chair.

THE REPORT: How did you end up on the Board?

KM: Steve Quigley, a longtime colleague from my Kane Dalsimer days, was a Board member and nominated me to replace him when his 3-year term ended.

THE REPORT: Why did you want to be on the Board?

KM: Like me, Steve was a trademark practitioner and he told me that the Board was interested in keeping someone with a trademark focus on the Board after his term ended, so Steve recommended me. I shared that interest and was happy to help. Steve passed away just a few weeks after I spoke with him about the nomination. His collegiality and tremendous contributions to the Association will be sorely missed.

THE REPORT: What is your role on the Board?

KM: I act as Board Liaison to both the Trademark Law & Practice Committee and the Internet & Privacy Law Committee.

THE REPORT: Are you active in any other bar associations and, if so, which ones and in what capacity?

KM: I am active in the International Trademark Association (INTA) and have worked on The Trademark Reporter Committee for years. I will step into the role of Editor-in-Chief and Committee Chair of The Trademark Reporter Committee starting in January 2016.

THE REPORT: How does your involvement with the NYIPLA compare with your involvement with INTA?

KM: INTA has an international, exclusively trademark focus and the two organizations complement one another. My involvement with INTA keeps me up to speed on global trademark issues whereas the broader focus of the NYIPLA helps keep me informed about developments in all aspects of IP law. Both have helped my practice in numerous ways, providing opportunities for speaking, education, networking, and contributing to IP policy development.

THE REPORT: What are your goals for your time on the Board, that is, what do you hope to accomplish?

KM: I'll do my best to continue to represent trademark interests—or more generally non-patent intellectual property interests—on the Board, in Steve Quigley's honor.

THE REPORT: Over the longer term, what do you see as the future of the Association?

KM: I believe the Association will continue to present wonderful opportunities for those in the greater New York area to learn about and have an influence on the development of IP law on a global basis, all while networking with colleagues at firms, companies and in the judiciary and government.

THE REPORT: Is there anything else that you wish to share or comment upon?

KM: I encourage all members to get actively involved in the Association—join a committee, attend a CLE—and spread the word to encourage non-members to sign up.

Colman B. Ragan

THE REPORT: How long have you been a member of the NYIPLA?

CR: Since 2004.

THE REPORT: Why did you first join the Association?

CR: When I was a young associate at Kenyon & Kenyon it was very important to be a part of the organization as many of the partners were active members.

THE REPORT: Has your membership in the Association benefited your practice and, if so, how?

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CR: It has benefited my practice in several ways, among the most important has been providing the networking and exposure to some of the top IP legal minds in New York. It also has provided much needed education in aspects of IP that I would not normally get given that my practice focuses on pharmaceutical patent issues.

THE REPORT: With which committees have you been involved during your membership?

CR: I have been involved with the CLE, Meetings & Forums, Programs, Corporate, Amicus Brief, Legislative Action, and Strategic Planning & Membership Committees.

THE REPORT: How did you end up on the Board?

CR: I was nominated this past year, and I was excited to accept, given how important the NYIPLA has been to me over my career.

THE REPORT: Why did you want to be on the Board?

CR: The future of the NYIPLA is very important to me and I am excited to participate in shaping that future.

THE REPORT: What is your role on the Board?

CR: I am the liaison to the Corporate Committee. I am also active in the Strategic Planning & Membership, Programs, and Legislative Action Committees.

THE REPORT: Are you active in any other bar associations and, if so, which ones and in what capacity?

CR: The NYIPLA is the only association that I am active in to this level.

THE REPORT: What are your goals for your time on the Board, that is, what do you hope to accomplish?

CR: I hope to learn from the more senior members of the Board how to efficiently run the Association and to be part of the next generation of Board members who keep the Association going for many years to come.

THE REPORT: Over the longer term, what do you see as the future of the Association?

CR: I would like to think that the Association will continue to find the right ways to grow as IP law changes and intersects with other aspects of our economy and culture. I also hope that the Association continues to focus on fostering participation from its younger members.

THE REPORT: Is there anything else that you wish to share or comment upon?

CR: I just hope that the Association continues to be a well-respected bar association that provides great service and content for its members.

CALL FOR NOMINATIONS!

2016 NYIPLA INVENTOR OF THE YEAR AWARD

Deadline: Thursday, December 10, 2015

The 2016 Inventor of the Year will be honored at the Association's Annual Meeting and Awards Dinner to be held at The Princeton Club of New York on Tuesday, May 17, 2016

This year's winner will be awarded $5,000.

We invite you to nominate an individual or group of individuals who, through their inventive talents, have made a worthy contribution to society by promoting the progress of Science and useful Arts.

See http://www.nyipla.org/nyipla/InventorOfTheYear.asp for more information, including submission rules, instructions, and answers to frequently asked questions.

Should you have any questions, feel free to contact:

David Leichtman at 212.980.7401, dleichtman@rkmc.com or

Jonathan Auerbach at 212.459.7195, jauerbach@goodwinprocter.com

NYIPLA Calendar   www.nyipla.org

Diverse Careers in IP Law and Strategies for Achieving Success

➤ **TUESDAY, OCTOBER 13, 2015** ➤

Brooklyn Law School, 250 Joralemon Street, Brooklyn, NY 11201

A Day in the Life of a Privacy Practitioner

➤ **THURSDAY, OCTOBER 22, 2015** ➤

- WEBINAR -

The Nuts and Bolts of Marketing Your IP Practice

➤ **TUESDAY, NOVEMBER 10, 2015** ➤

Sills, Cummis & Gross P.C., 101 Park Avenue, 28th Floor, New York, NY 10178

One-Day Patent CLE Seminar

➤ **WEDNESDAY, NOVEMBER 18, 2015** ➤

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

(1) Data Privacy, Security and Confidentiality Issues in Litigation and Transactional Matters;
(2) Issues Concerning Proof of Patent Infringement;
(3) 35 U.S.C. § 101 Patentability and Subject Matter Eligibility; and
(4) Current Initiatives of the USPTO.

There will also be an interactive session following lunch on legal ethics and professional responsibility concerning the Internet and the use of "the cloud."

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

➤ **WEDNESDAY, DECEMBER 2, 2015** ➤

Woodbridge Hotel at Metropark, 120 S. Wood Avenue, Iselin, NJ 08830

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

Supreme Court 2014-2015 IP Case Review

*By Charles R. Macedo, Richard S. Mandaro, David P. Goldberg, and Kyung J. Shin**

INTRODUCTION

In the past term, as in its 2013-2014 term, the Supreme Court once again showed a keen interest in intellectual property matters. The Amicus Brief Committee filed briefs in two of the five intellectual property cases reviewed by the Court.[1] Below, we summarize last term's decisions in the order they were issued by the Court.

***Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854, 135 S. Ct. 831 (Jan. 20, 2015)**

Issue: Patent Law – Standard of Appellate Review

Question Presented:

Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.

Teva Pharmaceuticals owns a patent covering a method of manufacturing its popular drug Copaxone®, which is used to treat multiple sclerosis and has generated over $10 billion in sales since its introduction in 1997. The claim at issue requires the claimed agent to have a "molecular weight" within a certain range. When Teva sued Sandoz, Inc. for patent infringement, defendant Sandoz argued that the term "molecular weight" was "indefinite" for failing to identify the method of calculation to be used to calculate the "molecular weight."

The district court disagreed, explaining that the term "molecular weight" would be an "average molecular weight" in this context as the claimed agent is produced as a non-uniform mixture. *Teva Pharms. USA., Inc. v. Sandoz Inc.*, 810 F. Supp. 2d 578, 587 (S.D.N.Y. 2011). However, the Federal Circuit reversed, and found the term to be indefinite, noting that the plain language of the claims does not indicate which type of average molecular weight measure was to be used. In so ruling, the Federal Circuit concluded that the testimony of Teva's expert regarding the specification does not save the claims from indefiniteness. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 723 F. 3d 1363, 1369 (Fed. Cir. 2013).

On certiorari, the Supreme Court held that any "underlying factual disputes" resolved by the judge in the course of claim construction must be reviewed for clear error. In addition to reviewing its holding in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), the Supreme Court explained that precedent, including its treatment of "obviousness" as a question of law with underlying questions of fact, as well as "practical considerations" such as the district court's familiarity with the "specific scientific problems and principles" at issue in the case, support clear error review. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. at 838.

Accordingly, in a 7-2 panel, the Court held that the Federal Circuit erred by not accepting Teva's expert's explanation as to how a skilled artisan would interpret Figure 1 of the patent-at-issue, without finding that explanation "clearly erroneous." Although it established in *Markman* that claim construction "is not for a jury but 'exclusively' for 'the court' to determine," the "evidentiary underpinnings" of claim construction are still underlying factual questions subject to clear error review under Rule 52(a). *Id*. The majority also rejected the argument that it is difficult to separate the "factual" questions from the "legal" ones by explaining how to identify the "factual" questions that are entitled to deference. For example, the majority explained that claim construction involves only subsidiary factual findings when the district court reviews extrinsic evidence, beyond the patent's claims, specification, and prosecution history such as witness credibility, and the meaning of a term of art to a person of ordinary skill in the art at the time of the invention. *Id*. at 841.

In a dissenting opinion, Justice Thomas, joined by Justice Alito, argued that the Federal Circuit properly applied a *de novo* standard of review. While the majority opinion likened a patent to a deed or a contract rather than a statute, the dissent took the opposite position and argued that because patents "provide rules that bind the public at large, patent claims resemble statutes," which do not involve subsidiary findings of fact. *Id*. at 847. Indeed, Justice Thomas described the understanding of a "skilled artisan" as a "legal fiction" more analogous to a "conclusion of law" than a "finding of fact." *Id*. at 849.

Since this decision in January 2015, the Supreme Court has granted certiorari, vacated, and remanded five cases regarding the issue of the standard of review for claim construction in light of *Teva*, namely, *Gevo, Inc. v. Butamax Advanced Biofuels*, No. 13-1286;

Lighting Ballast Control LLC v. Universal Lighting Techs, Inc., No. 13-1536; *Shire Development, LLC v. Watson Pharms., Inc.*, No. 14-206; *CSR PLC v. Azure Networks, LLC*, No. 14-976; and *CardSoft, LLC v. VeriFone, Inc.*, No. 14-1160. The Federal Circuit's resolution of these cases on remand may provide additional guidance as to the significance of *Teva*'s holding in the future.

As of submission of this article, the Federal Circuit ruled on two of the aforementioned five cases. *See Shire Dev., LLC v. Watson Pharms., Inc.*, No. 2013-1409, 2015 U.S. App. LEXIS 9250 (Fed. Cir. June 3, 2015); *Lighting Ballast Control LLC v. Philips Elecs. North Am. Corp.*, No. 2012-1014, 2015 U.S. App. LEXIS 10535 (Fed. Cir. June 23, 2015). On remand from the Supreme Court, Shire argued that because the district court heard testimony from various expert witnesses during the trial, the Federal Circuit must defer to the district court's constructions of claim terms. *Shire*, 2015 U.S. App. LEXIS 9250, at *20. However, the Federal Circuit did not see any factual findings that warranted a deferential standard of review under *Teva* and again reversed the district court's constructions, noting that a deferential standard of review is not triggered any time a district court hears or receives extrinsic evidence. *Id.* at *21. On the other hand, in *Lighting Ballast*, the Federal Circuit found "underlying 'subsidiary' factual findings by the district court related to the extrinsic record." 2015 U.S. App. LEXIS 10535, at *10. Accordingly, the Federal Circuit reviewed the district court's construction of the term "direct current blocking means" for clear error. *Id.* at *22-23. For other terms such as "control means," for which the district court had denied a motion for "Judgment as a Matter of Law," however, the Federal Circuit reviewed the lower court's decision *de novo*, applying the law of the applicable regional circuit (the Fifth Circuit). *Id.* at *27-28.

Holding:

When reviewing a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit must apply a "clear error," not a *de novo*, standard of review.

***Hana Financial, Inc. v. Hana Bank*, No. 13-1211, 135 S. Ct. 907 (Jan. 21, 2015)**

Issue: Trademark Law - Trademark Tacking

Question Presented:

Whether the jury or the court determines whether use of an older mark may be tacked to a newer one?

A party claiming trademark ownership must establish that it was the first to use the mark in the sale of goods or services, or has "priority." *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999). The trademark tacking doctrine allows a party to "tack" the date of the user's first use of a mark onto a subsequent mark to establish priority, and thus ownership, where the "two marks are so similar that consumers generally would regard them as essentially the same." *Id.* at 1048. In other words, the two marks must be "legal equivalents." *Id.* This doctrine allows a trademark owner to make slight modifications to a mark over time without losing priority and ownership.

The Korean word "hana" means "number one," "first," "top," or "unity." The parties in this dispute both use the English word "Hana" in their names and offer financial services in the United States. In 2007, petitioner Hana Financial sued respondent Hana Bank, alleging infringement of its "HANA FINANCIAL" mark. Respondent Hana Bank denied infringement by invoking the tacking doctrine and claiming that it was the senior user, because it had used the mark "Hana Overseas Korean Club" in the United States as early as 1994, before it changed its name to "Hana World Center" in 2000, and finally settled on "Hana Bank" in 2002. *Hana Fin., Inc. v. Hana Bank*, 500 F. Supp. 2d 1228, 1232 (C.D. Cal. 2007); *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158, 1160-62 (9th Cir. 2013). The district court granted summary judgment to the defendant Hana Bank, but the Ninth Circuit determined there were genuine issues of material facts as to priority, and remanded for a new trial. *Hana Fin., Inc. v. Hana Bank*, 398 F. App'x 257 (9th Cir. 2010). On remand, the jury found that Hana Bank had used its mark in commerce in the U.S. beginning prior to April 1, 1995, and continuously since that date, despite Hana Financial's argument that the use was inapplicable because "Hana Bank" and "Hana Overseas Korean Club" were completely different names. *Hana Fin., Inc. v. Hana Bank*, CV 07-1534 PA(JWJx), 2011 U.S. Dist. LEXIS 70096 (C.D. Cal. 2011).

Although the Ninth Circuit Court of Appeals expressly stated that "reasonable minds could disagree on whether the [marks "Hana Overseas Korean Club," "Hana World Center," and "Hana Bank"] were materially different," it upheld the jury's verdict,

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holding that tacking is a question of fact that must be upheld if it is supported by substantial evidence. The Court of Appeals explained that the jury reasonably concluded that "the ordinary purchasers of the financial services at issue likely had a consistent, continuous commercial impression of the services" that the defendant offered and of the origin of those services, due in part to advertisements that grouped the name "Hana Overseas Korean Club" in English next to its "Hana Bank" mark in Korean, and an unchanged distinctive "dancing man" logo. *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158, 1166-67 (9th Cir. 2013). Citing a circuit split between the Ninth Circuit—which views tacking as a question of fact for the jury—and the Sixth Circuit, Federal Circuit, and TTAB—which view tacking as a question of law for the judge, Hana Financial petitioned the United States Supreme Court for certiorari. *Hana Fin., Inc. v. Hana Bank,* No. 13-1211, Petition for Certiorari, 1, 9 (U.S. Apr. 7, 2014).

In a unanimous decision penned by Justice Sotomayor, the Supreme Court affirmed the Ninth Circuit's decision and held that trademark tacking is a question for the jury rather than the judge. The Court reasoned that "when the relevant question is how an ordinary person or community would make an assessment, the jury is generally the decisionmaker that ought to provide the fact-intensive answer." *Hana Fin., Inc. v. Hana Bank*, 135 S. Ct. at 911. However, the Court admitted that there are circumstances where a judge should make that determination; such as where there are no material facts at issue. *Id*.

In a footnote, the Court explained that its holding is not inconsistent with its decision in the patent case of *Markman v. Westview Instruments, Inc*., 517 US 370 (1996), in which it held that "construing patent terms falls to judges and not to juries." The Court reasoned that, while claim construction is the responsibility of judges, since they are likely to do textual interpretation better than jurors, tacking is an appropriate question for the jury, since tacking is a factual judgment about consumer impression and not a task that "judges often do better than jurors." *Hana*, 135 S. Ct. at 912 n.2.

Holding:

The jury, rather than a court, determines whether the use of an older trademark may be tacked to a newer one.

***B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352, 135 S. Ct. 1293 (Mar. 24, 2015)**

Issue: Trademark Law - Lanham Act - Preclusive Effect Of Finding Of Likelihood Of Confusion By Trademark Trial And Appeal Board ("TTAB")

Questions Presented:

1. Whether the TTAB's finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.

2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the TTAB's finding of a likelihood of confusion absent strong evidence to rebut it.

Under the Lanham Act, a person may not use or register a mark that is "likely to cause confusion" with an existing mark. 15 U.S.C. § 1114(1); 15 U.S.C. § 1052(d).

Two manufacturers of metal fasteners that seal things tightly have been in a legal feud for nearly two decades involving multiple TTAB and district court actions and attendant appeals. Petitioner B&B Hardware, Inc. ("B&B") sells a specialty fastener under the registered mark SEALTIGHT for use in aerospace and high-tech industries. Respondent Hargis Industries, Inc. ("Hargis") sells specialty fasteners under the name SEALTITE for use in the construction industry. In 2007, the TTAB held that Hargis' mark created a likelihood of confusion with B&B's mark and sustained B&B's opposition proceeding, canceling Hargis' SEALTITE mark from the Register. In 2010, in a trademark infringement action brought by B&B against Hargis, a jury returned a verdict in favor of Hargis, finding that there was no likelihood of confusion between the two marks. In that trial, B&B asserted that the TTAB's 2007 likelihood of confusion determination should be given preclusive effect, but the district court denied this collateral estoppel argument because the TTAB is not an Article III court, citing *Flavor Corp. of America v. Kemin Industries, Inc*., 493 F.2d 275 (8th Cir. 1974). The district court further rejected B&B's attempt to admit the TTAB decision into evidence, concluding that to do so would be confusing and misleading to the jury. *B&B Hardware, Inc. v. Hargis Indus*., 736 F. Supp. 2d 1212, 1217-18 (E.D. Ark. 2010).

On appeal, the majority of the Court of Appeals for the Eighth Circuit affirmed, reasoning that the TTAB and the trial courts use different likelihood of confusion analyses, with different factors weighted differently, and with different burdens of persuasion.

B&B Hardware, Inc. v. Hargis Indus., 716 F.3d 1020, 1024-26 (8th Cir. 2013) (explaining, *inter alia*, that the TTAB uses the 13-factor test from *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (CCPA 1973), while the Eighth Circuit applies the six-factor test from *Squirt Co v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)). The Court of Appeals also rejected B&B's argument that the TTAB's factual findings from a trademark registration case are entitled to deference by the district court and held that the district court did not abuse its discretion in refusing to admit the TTAB's decision into evidence in this case. *Id.* at 1026-27. One judge dissented from the majority opinion on collateral estoppel.

At the Supreme Court, Justice Alito, writing for the majority, reasoned that the standards used by the TTAB and the trial courts in determining likelihood of confusion are "not fundamentally different" and "minor variations … do not defeat preclusion." *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293, 1307 (2015). Accordingly, the majority disagreed with the Eighth Circuit's narrow understanding of issue preclusion and held that a court should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met. However, the majority explained that "for a great many [TTAB] decisions issue preclusion obviously will not apply because the ordinary elements will not be met." *Id.* at 1306. In other words, "[i]f the TTAB does not consider the marketplace usage of the parties' marks, the TTAB's decision should 'have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.'" *Id.* at 1308. Nonetheless, the Court stated that the fact that many TTAB decisions cannot satisfy the ordinary elements of issue preclusion does not mean that none will. *Id.* at 1306.

Justice Ginsburg concurred with the majority's reasoning but stressed that "for a great many registration decisions issue preclusion obviously will not apply." *Id.* at 1310. Justice Thomas dissented, joined by Justice Scalia, arguing that there is no justification to apply administrative preclusion—a presumption born from a 1991 decision of the Supreme Court (*Astoria Fed. Sav. & Loan Assn. v. Solimino*, 501 U.S. 104 (1991))—to the Lanham Act, which was passed much earlier in 1946. *Id.*

The NYIPLA submitted an amicus brief in this case in support of respondents. *See* http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/BBHardwareV.HargisIndustries13-352.PDF.

Holding:

So long as the ordinary elements of issue preclusion are met in a likelihood of confusion analysis, when the usages adjudicated by the Trademark Trial and Appeal Board are materially the same as those before a district court, issue preclusion should apply.

***Commil USA, LLC v. Cisco Systems, Inc.*, No. 13-896, 135 S. Ct. 1920 (May 26, 2015)**

Issue: Patent Law - Belief in Invalidity as a Defense to Induced Infringement

Questions Presented:

1. Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

2. Whether the Federal Circuit erred in holding that *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011) required retrial on the issue of intent under 35 U.S.C. § 271(b) where the jury (1) found the defendant had actual knowledge of the patent and (2) was instructed that "[i]nducing third-party infringement cannot occur unintentionally."

In 2007, Commil USA, LLC sued Cisco Systems, Inc. in the U.S. District Court for the Eastern District of Texas, alleging that Cisco's wireless networking equipment directly infringed Commil's patent, and that by selling the devices Cisco induced others to infringe its patent as well. In this first trial, the jury concluded that Commil's patent was valid and that Cisco had directly infringed, awarding Commil $3.7 million in damages. As to induced infringement, the jury found Cisco not liable.

Commil then filed a motion for a new trial on induced infringement and damages, which the district court granted because of certain inappropriate comments Cisco's counsel had made during the first trial. *Commil USA, LLC v. Cisco Sys.*, No. 2:07-CV-341, 2010 U.S. Dist. LEXIS 144014, at *7-8 (E.D. Tex. Dec. 29, 2010). As a defense to the claim of inducement, Cisco argued that it had a good-faith belief that Commil's patent was invalid and sought to introduce relevant evidence. However, the district court found the evidence to be inadmissible, and the jury again returned a verdict for Commil on induced infringement awarding $63.7 million in damages.

cont. on page 36

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On appeal, the Federal Circuit concluded that it was error for the district court to have instructed the jury that Cisco could be liable for induced infringement if it "knew or should have known" that its customers infringed. *Commil USA, LLC v. Cisco Sys. Inc.*, 720 F.3d 1361, 1366 (Fed. Cir. 2013). The panel held that "induced infringement 'requires knowledge that the induced acts constitute patent infringement.'" *Id.* (quoting *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011)). Beginning with the observation that it is "axiomatic that one cannot infringe an invalid patent," the Federal Circuit reasoned that "evidence of an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement." *Commil*, 720 F.3d at 1368. The Federal Circuit thus remanded, but the Supreme Court intervened by granting certiorari.

Justice Kennedy, writing for the majority, held that a defendant's belief (good faith or otherwise) as to the invalidity of a patent is not a defense to induced infringement. *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. at 1928. While the Court reaffirmed that induced infringement under Section 271(b) and contributory infringement under Section 271(c) require both knowledge of the patent and knowledge of patent infringement, the Court made clear that mental state is irrelevant for both causes of action, as well as for direct infringement under Section 271(a). In other words, "invalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for induced infringement." *Id.* at 1929. Thus, the Court confirmed that a defendant's good faith belief that a patent is invalid is not a defense to either induced infringement or contributory infringement.

To hold otherwise, the majority explained, would permit a defendant to escape liability by showing a reasonable belief in invalidity thus circumventing the clear and convincing standard to rebut the presumption of validity. *Id.* at 1929. In addition, a defense of belief in invalidity would be redundant in light of "various proper ways to obtain a ruling to that effect," such as inter partes review and ex parte reexamination. *Id.* In an apparent effort to caution against imposing an intent requirement on indirect infringement claims is not the way to address issues of "patent trolls," the Court also noted that district courts have the authority and responsibility to sanction attorneys for bringing such frivolous lawsuits. *Id.* at 1930.

Justice Scalia dissented, joined by Chief Justice Roberts, arguing that while the distinction between invalidity and noninfringement was real, it was also irrelevant. *Id.* at 1931 (Scalia, J., dissenting). Because only valid patents can be infringed, anyone with a good-faith belief in a patent's invalidity necessarily believes the patent cannot be infringed. According to Justice Scalia, it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he knows will infringe it. *Id.*

Holding:

A defendant's belief regarding patent validity is not a defense to an induced infringement claim under 35 U.S.C. § 271(b).

***Kimble v. Marvel Entertainment, LLC*, No. 13-720, 2015 U.S. LEXIS 4067 (June 22, 2015)**

Issue: Patent Law - Post-Expiration Royalties

Question Presented:

Whether this Court should overrule *Brulotte v. Thys Co.*, 379 U.S. 29 (1964).

Petitioner Kimble is the owner of U.S. Patent No. 5,072,856 for a toy that allows children to shoot foam strings or "spider webs" out of the palm of their hand. Marvel Entertainment, LLC sells the "Web Blaster" which similarly allows Spider-Man fans to shoot foam through a polyester glove, thus mimicking Spider-Man. In an effort to settle a patent infringement litigation brought by Kimble against Marvel, the parties entered into an agreement whereby Marvel would purchase Kimble's patent for a lump sum and a continuing three percent royalty payment on Marvel's future sales of the Web Blaster (or similar product). The agreement did not set an end date for the royalty payments.

After a dispute arose regarding Marvel's royalty obligations under the agreement, Kimble sued Marvel for breach of contract. After becoming aware of the Supreme Court's decision in *Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964), which holds that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*," Marvel sought a declaratory judgment that it did not owe royalty payments after the Kimble patent expired in 2010. The district court agreed with Marvel, holding that under *Brulotte*, "the royalty provision is unenforceable after the expiration of the Kimble patent." *Kimble v. Marvel Enters.*, 692 F. Supp. 2d 1156, 1161 (D. Ariz. 2010). The United States Court of Appeals for the Ninth Circuit affirmed "reluctantly," acknowledging that the application of *Brulotte*, "arguably deprives Kimble of part of the benefit of his bargain based upon a technical detail that both parties regarded as insignificant at the time of the agreement." *Kimble v. Marvel Enters*., 727 F.3d 856, 866 (9th Cir. 2013). The Supreme Court affirmed.

Justice Kagan, writing for the 6-3 majority, held that *stare decisis* required the Court to uphold *Brulotte* which bars license agreements that require royalty payments after a patent expires. The Court held that "[f]inding many reasons for staying the *stare decisis* course and no 'special justification' for departing from it, we decline Kimble's invitation to overrule *Brulotte*." *Kimble v. Marvel Entm't, LLC*, No. 13-720, 2015 U.S. LEXIS 4067, *31 (June 22, 2015). Specifically, the Court found that the typical reasons for overturning precedent of the Court did not help Kimble. *Id*. at *19. The Court found that there was no "superspecial justification to warrant reversing *Brulotte*." *Id*. *Brulotte*'s "statutory and doctrinal underpinnings have not eroded over time," since the patent law on which *Brulotte* relies has remained the same. *Id*. Similarly, the precedent on which *Brulotte* relies remains good law. *Id*. at *20. Secondly, *Brulotte* has not proven unworkable. To the contrary, *Brulotte* is simply applied, merely requiring a court to ask "whether a licensing agreement provides royalties for post-expiration use of a patent." *Id*. at *22. Finally, the Court found that Kimble's justifications for overturning *Brulotte* were not persuasive. *Id*. at *23. Rather, the proper audience for Kimble's concerns is Congress not the Court. *Id*. at *28.

Interestingly, the Court noted that parties to an agreement can find ways around *Brulotte*. In particular, *Brulotte* allows for royalty payments incurred during the life of the patent to be deferred "into the post-expiration period." *Id*. at *12. According to the Court, parties to an agreement have even more options "when a licensing agreement covers either multiple patents or additional non-patent rights." *Id*. at *13. For instance, royalties may run until the last-to-expire patent expires. Or, where a license is tied to both patent rights and non-patent rights, such as a trade secret, other mechanisms can be used. *Id*.

Significantly, three justices dissented. Justice Alito wrote that *Brulotte* "interferes with the ability of parties to negotiate licensing agreements that reflect the true value of a patent, and it disrupts contractual expectations." *Id*. at *32 (Alito, J., dissenting). The dissent called *Brulotte* a "baseless and damaging precedent" that lacked any "statutory interpretation" resulting in a "bald act of policymaking." *Id*. at *32-33.

The NYIPLA submitted an amicus brief in this case in support of petitioners. *See* http://www.nyipla.org/images/nyipla/Documents/Amicus%20Briefs/imbleGrabbVMarvel13-720.PDF.

Holding:

The Court declined to overrule its 1964 decision in *Brulotte v. Thys Co*., holding that a patent holder cannot charge royalties for the use of his or her invention after its patent term has expired.

(Endnotes)




* Charles R. Macedo is Co-Chair of the Amicus Brief Committee for the New York Intellectual Property Law Association, and a Partner at Amster, Rothstein & Ebenstein LLP. Richard S. Mandaro is a Senior Counsel at Amster, Rothstein & Ebenstein LLP. David P. Goldberg is a member of the Amicus Brief Committee and an Associate at Amster, Rothstein & Ebenstein LLP. Their practice specializes in intellectual property issues, including litigating patent, trademark and other intellectual property disputes. Kyung J. Shin was a 2015 Summer Associate at Amster, Rothstein & Ebenstein LLP and is a third-year law student at Fordham University School of Law.

[1] The cases in which the NYIPLA submitted amicus briefs are *B&B Hardware, Inc. v. Hargis Indus., Inc*. and *Kimble v. Marvel Entm't, LLC*. The Amicus Brief Committee will continue to monitor and propose amicus curiae submissions, where appropriate, to be made to the Court(s). If you would like to join the Amicus Brief Committee, please contact Co-Chairs, Charles Macedo (cmacedo@arelaw.com), Irena Royzman (iroyzman@pbwt.com) and David Ryan (dfrhawley@optionline.net).

Notable Trademark Trial and Appeal Board Decisions

*By Pina Campagna and Michael Cannata**

(Unless noted, all decisions are precedential.)

Board Dispatches Procedural Argument

The Board affirmed the Examining Attorney's refusal to register "HOUSE BEER" under Section 2(d) of the Trademark Act based upon a registration on the Supplemental Register for "House Beer." The Applicant did not challenge the merits of the Section 2(d) refusal. Rather, the Applicant claimed that a procedural error improperly resulted in the issuance, in the first instance, of the Section 2(d) refusal.

According to the Applicant, the Registrant filed an amendment to allege use and requested transfer to the Supplemental Register subsequent to the Applicant's filing date. As a result, the Applicant argued that the effective filing date of the now-registered mark post-dated the Applicant's filing date and, thus, the now-registered mark could not serve as a basis for refusing the Applicant's submission under Section 2(d).

The Board concluded, however, that the refusal was proper as the governing statute, 15 U.S.C. § 1052(d), did not make reference to filing dates as a basis for refusal and simply provides that "a mark *registered* in the Patent and Trademark Office…" can serve as a basis for a Section 2(d) refusal. In that connection, the Board held that it could not afford to give "the internal examining procedures of the USPTO … primacy over statutory law."

The Board concluded its analysis by affirming the conclusions of the Examining Attorney with respect to the merits of the Section 2(d) refusal.

In re House Beer, LLC, 114 USPQ2d 1073 (TTAB 2015).

BUYAUTOPARTS.COM Deemed Generic

The Board rejected the Applicant's request to register BUYAUTOPARTS.COM on the Supplemental Register on the basis that the proposed mark was generic.

After initially concluding that the recitation of services set forth in the application adequately identified the relevant genus—the online sale of auto parts—the Board went on to analyze the relevant public's understanding of the proposed mark. In conducting this analysis, the Board rejected the Applicant's argument that the proposed mark was not generic because the word "buy," which is the first or dominant portion of the proposed mark, stands in marked contrast to a genus of services affiliated with "selling." The Board concluded that "buying auto parts is a central focus of the service of offering auto parts for sale."

In support of its decision to affirm the examining attorney's finding of genericness, the Board cited relevant marketplace usage which demonstrated the generic nature of the proposed mark. In that connection, the Board even cited to the Applicant's own generic usage of the proposed mark in the marketplace to support its holding.

In re Meridian Rack & Pinion d/b/a BUYAUTOPARTS.COM, 114 USPQ2d 1462 (TTAB 2015).

HUGHES Marks Are Confusingly Similar

The Board rejected the Applicant's attempt to trademark the below stylized logo in light of an existing registration for the standard character mark "BRADLEY HUGHES":

After sustaining the Applicant's objection to the introduction of certain evidence, the Board conducted a comprehensive likelihood of confusion analysis under Section 2(d) of the Trademark Act. As a result of that analysis, the Board, in affirming the refusal to register under Section 2(d) of the Trademark Act, concluded that: (1) the Applicant's goods (furniture) and Registrant's goods (residential and commercial furniture) are legally identical; (2) the factor addressing the conditions under which the goods are to be purchased was neutral; and (3) the respective marks were confusingly similar in that they both featured the surname "Hughes" as the dominant component of the marks.

In re Hughes Furniture Industries, Inc., 114 USPQ2d 1134 (TTAB 2015).

"THE HOUSE THAT JUICE BUILT" and "TOP HAT SYRINGE & Design Mark" Cause Dilution of Yankees' Famous Top Hat Design Mark and "THE HOUSE THAT RUTH BUILT" Mark

In a precedential ruling, the Board refused to register the Applicant's (IET Products) marks THE HOUSE THAT JUICE BUILT and a TOP HAT SYRINGE & Design mark (illustrated below) on the grounds that they would dilute the Opposer's (Yankees) famous slogan THE HOUSE THAT RUTH BUILT and the TOP HAT BASEBALL BAT & Design mark (illustrated below).

The Applicant argued that its marks succeed as a parody precisely because they create an association with the Opposer's marks, i.e., the marks convey that they are the original (Opposer's marks) but that the inclusion of the representations of the syringe, the prohibition symbol, or the term JUICE simultaneously convey that they are not the original, but rather are a parody. The Applicant's president testified that its marks "play off of the idea that steroids are a player on MLB teams and the Yankees."

The Board rejected the Applicant's fair use parody defense, indicating that the Applicant ignored the language of Section 43(c)(3)(A), which limits the "fair use" exclusion as defined in the statute to use of a famous mark "other than as a designation of source for the person's own goods or services." The Board stated that since the Applicant applied to register its trademarks as designations of the source of the Applicant's own goods, then the parody defense is not applicable here.

Based on the evidence of record of fame of the marks, including the Applicant's own admissions that the Opposer's marks were famous, the Board found the Applicant's marks likely to dilute the distinctive quality of the Opposer's marks and sustained the opposition.

New York Yankees Partnership v. IET Products and Services, Inc., 114 USPQ2d 1497 (TTAB 2015).

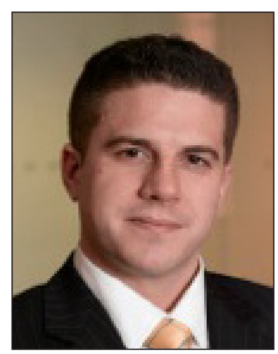
Deer Logo with Phantom Antlers Rejection Affirmed by the Board on Four Grounds

Applicant Bar NND Ranches, LLC sought to register the design mark reproduced below for coffee and coffee-based beverages. The Applicant appealed the Examining Attorney's refusal which was based on four related grounds: (1) the application seeks to register more than one mark because the antlers in dashed lines represent a changeable or phantom element in violation of Sections 1 and 45 of the Trademark Act; (2) the Applicant's drawing is unacceptable under Section 1(a)(1); (3) the description of the mark is unacceptable; and (4) the mark on the specimen does not match the drawing as required by Sections 1 and 45.

The Applicant admitted in its brief that it places different antler configurations above the deer to describe particular qualities for each particular coffee product sold, i.e., more tips for bolder coffee. The Board found that the Applicant was impermissibly seeking to register more than one mark because the antlers shown in broken lines constitute a changeable, phantom element of the mark, despite the Applicant's argument that the antlers do not constitute an "integral portion" of the mark as required to support the "phantom element" claim. For the same reasons, the Board found that the specimen which depicted a deer with very large antlers did not show use of the mark in the drawing. Based on these conclusions, the Board also found that the drawing and description of the mark were unacceptable and affirmed refusals on all grounds.

In re Bar NND Ranches, LLC, Serial No. 77928601 (July 28, 2015) [not precedential].

(Endnote)



*Pina Campagna is an attorney at Carter, DeLuca, Farrell & Schmidt, LLP. Ms. Campagna's practice includes representing regional, national and international businesses, with a particular concentration in trademark and design patent matters. She is Co-Chair of the Trademark Law & Practice Committee. Michael 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.

As Time Goes By: Of This and That

At the ripe old age of ten, Chester Carlson published a newspaper by hand and distributed it to his childhood friends. The newspaper was titled "*This and That*."[1]

As a teenager, Chester became his family's primary bread-winner via a number of odd jobs that became available, due in large part to his parents' ill health, including his father's spinal arthritis and tuberculosis and his mother's tuberculosis. Despite the need to work throughout the time he attended school, he was able to finish community college and graduate with a degree in physics from Cal Tech.

Although born in Seattle, Washington, and raised in California, most of Chester's creative years were spent in areas within our Association's geographic reach, including Manhattan, Astoria, Queens, and Rochester, N.Y. His first job out of college was as a research engineer, and later as a patent assistant, with Bell Telephone Laboratories. After managing to get fired from Bell Labs, he served a brief stint with the patent law firm of Austin and Dix, located near Wall Street, long enough to become a registered patent attorney. Back then, formal legal education was not required to obtain such a registration. From there, he moved on to P.R. Mallory Company, and became head of the company's patent department. Mallory is now the Duracell division of Procter & Gamble.

While working full-time, Chester began attending New York Law School at night, and graduated with an LL.B. degree in 1939. During this time he also performed experiments in electrophotography, not as a "garage inventor," but rather in the kitchen of his NYC apartment, wreaking havoc on the apartment with hydrogen sulfide "rotten egg" smoke, and causing a fire that he and his wife were hard-pressed to put out.

During those early years, Chester developed arthritis of the spine, just like his father had. The arthritis may well have served as a motivator for him to develop a dry paper copier that would help him avoid arduous hand-copying of documents. His wife motivated him to abandon his kitchen experiments in favor of experiments in a rented room in Astoria, Queens—far enough away that if he blew up the room, their apartment might nonetheless be spared.

On October 18, 1937, Chester filed his first preliminary patent application relating to his electrophotography concept. Later, in the rented room in Astoria, Queens, Chester and an out-of-work Austrian physicist named Otto Kornei managed to conduct their first successful experiment via transfer of the world's first xerographic image. The image read "10.-22.-38 ASTORIA."

Although personally gratified by this success, Chester was hard-pressed to market the invention to any company capable of bringing it to commercialization. At least twenty such companies turned it down between 1939 and 1944, including the likes of IBM.[2]

Battelle Memorial Institute saved the day by agreeing to develop and help market the invention. Commercialization came from collaboration with the Haloid Company, a Rochester, N.Y. competitor of Eastman Kodak. The Haloid Company later became Xerox Corporation.

In the end, Chester made many millions from this invention. He gave most of it away to various charitable and educational causes, including the Chester F. Carlson Center for Imaging Science at the Rochester Institute of Technology and the Carlson Science and Engineering Library at the University of Rochester.[3]

You may wonder if a latter-day "Horatio Alger" story like that of Chester could be replicated in today's environment. Perhaps the answer is "maybe." Nonetheless, the cards appear stacked against today's "garage inventors." For one thing, they are more likely to be branded as patent trolls, NPEs, PAEs, or some other nefarious-sounding moniker, for their lack of a commercialized product, than would have been the case in earlier decades. For another, recent patent reform initiatives appear to make it less likely that someone of Chester's stature starting out will win the race to the Patent Office. Only time will tell for sure!

With kind regards,
Dale Carlson

Dale Carlson, a retired partner at Wiggin and Dana, is "distinguished practitioner-in-residence" at Quinnipiac University School of Law, NYIPLA historian, and a Past President. His email is dlcarlson007@gmail.com.

(Endnotes)

1 *See* Wikipedia online at https://en.wikipedia.org/wiki/Chester_Carlson.

2 *Id.*

3 *Id.*

2015 U.S. Bar—JPO Liaison Council Report

*By John B. Pegram and Raymond E. Farrell**

A ten-member delegation of the U.S. Bar–JPO Liaison Council travelled to Tokyo to meet with the IP High Court on June 24, 2015 and the JPO on June 25, 2015. In a clear demonstration of the importance of the annual meeting to both the IP High Court and the JPO, the delegation was afforded a half-day of the IP High Court's schedule and a full day of the JPO's leadership team schedule. In each case, presentations were exchanged on topics requested by the other side in the advanced planning leading up to the meetings. Additionally, receptions were also arranged with each of the organizations enabling each side to engage in much deeper discussion of the current topics of concern for both Japan and the U.S.

The session with the IP High Court began with a private meeting for the Liaison Council delegation in Chief Judge Ryuichi Shitara's chambers wherein the Chief Judge and Liaison Council Chair John Osha exchanged welcoming remarks. Afterwards, the delegation met in the Court's cavernous Grand Conference Room for an exchange of presentations attended by 17 judges of the IP High Court, 20 members of the Tokyo District Court, and a delegation of visiting scholars from Stanford University Law School. Members of the IP High Court gave presentations on "Construction of Product-by-Process Claim and its Validity," and "Registration of Extension of Duration of a Patent Right: Grand Panel Judgment of IP High Court, May 30, 2014." The U.S. delegation presented explanations of recent significant cases in the area of claim construction, and Raymond Farrell, the Council Vice-Chair, presented on the background of the *Lexmark Int'l. v. Impression Products* patent exhaustion case awaiting rehearing en banc by the CAFC. In a timely sequence of events, the NYIPLA's amicus brief was finalized just in time to have its essence included in the presentation. Chief Judge Shitara had a particular interest in the international patent exhaustion-related issue in this case as demonstrated by his line of questioning. Following the presentations, the IP High Court hosted the Council's delegation at a private reception which resulted in a highly beneficial free-form exchange of ideas and follow-on discussion of the day's presentation topics.

The full-day meeting with the JPO included a meeting with Commissioner Ito, who updated the delegation on the current developments at the JPO with a particular discussion on inventor remuneration. Deputy Commissioner Yoshitake Kihara then presided over the balance of the day's meetings. The 15-member JPO contingent also included representatives at the Deputy Director and/or Assistant Director level from the International Policy Division, the International Cooperation Division, the Examination Policy Planning Office, the Administrative Affairs Division, the Examination Standards Office, and the Trial and Appeal Policy Planning Office.

The U.S. delegation gave presentations on topics including recent CAFC decisions and Patent Prosecution Highway experiences, as well as a presentation focused on questions and comments on JPO practice from the U.S. perspective. After a luncheon hosted by the JPO, the meetings continued with the JPO presenting on several current issues of interest to U.S. applicants. Yoichi Kaneki, Assistant Director, Examination Standard Office, presented on how to avoid written description issues at the JPO for U.S. origin applications. Masatoki Toyama, Deputy Director, International Cooperation Division, discussed the implementation of the Hague Convention in Japan. Mayuko Ando from the Trial and Appeal Policy Planning Office presented on the first experiences with the new Japanese opposition procedure. Manabu Niki, Deputy Director, Examination Policy Planning Office, provided an update on the recent progress of work-sharing between the JPO and the USPTO with a particular focus on the Patent Prosecution Highway and the new U.S.—JP Collaborative Search Pilot Program. Finally, Kenji Kainuma, Deputy Director of the Administrative Affairs Division, discussed a study by the JPO for improving the stability of patent rights in Japan. Following the meetings, the Liaison Council hosted a reception for the JPO to continue discussion of the day's topics and deepen the bonds of the now 19-year-old bond between the JPO and the Liaison Council in the interest of fostering international harmonization of patent law and practice.

Next year, the U.S. Bar—JPO Liaison Council will host the JPO officials in the United States to continue the longstanding collaboration between Japan and the U.S. to continually improve the patent laws of the two countries as well as to continue their partnership in leading the international harmonization of patent law.

*John B. Pegram is a Senior Principal at Fish & Richardson P.C., a Past President of the NYIPLA, and a long-time NYIPLA delegate to the U.S. Bar—JPO Liaison Council. Raymond E. Farrell is a partner at Carter, DeLuca, Farrell & Schmidt, LLP and a member of the NYIPLA Board of Directors. He currently serves as the Vice-Chair of the U.S. Bar—JPO Liaison Council.

"The Shape of the Future: 3D Printing and Intellectual Property Rights" CLE Workshop

By Lauren Emerson

On May 19, 2015, I had the pleasure of moderating a panel discussion entitled, "The Shape of the Future: 3D Printing and Intellectual Property Rights." The presentation was co-hosted by the Copyright Law & Practice and the Trademark Law & Practice Committees as part of the NYIPLA's Annual Meeting program held at the Princeton Club. The panel featured three distinguished speakers: Jim Klaiber, Charlene Flick, and Natalia Krasnodebska.

Jim Klaiber, a partner in Pryor Cashman LLP's Intellectual Property Group, brought an engineer's perspective to the discussion. He explained the various ways that 3D printing, or additive manufacturing, can be accomplished including 3D scanning, extrusion, stereolithography, laser sintering, and subtractive manufacturing. He also provided exciting real-world examples of the diverse industrial applications for 3D printing technology in medicine, engineering, criminal law, and archeology.

Charlene Flick is the principal and founder of Transcend 3D, a consulting firm focused on 3D printing technology. Ms. Flick shared statistics on the state of the industry and discussed the relatively recent rise of consumer 3D printing. Her presentation also touched on the myriad of interesting legal questions raised by 3D printing, including who can be held liable when someone is harmed by a 3D printed product, and when 3D printed objects are protected by copyright.

Natalia Krasnodebska currently serves as the head of communications at Sketchfab, an online platform for publishing and finding 3D content. Ms. Krasnodebska's presentation focused on the ways in which businesses and brands can embrace 3D printing technology. She also shared anecdotes and insight from her time as community manager at Shapeways, a 3D printing marketplace, and offered attendees an insider's perspective on the Katy Perry "left shark" takedown.

The Committees wish to thank our three wonderful panelists as well as Annemarie Hassett and Lisa Lu, who were instrumental in organizing the event.

Hot Topics in Trademarks, Advertising, Copyrights & Design Patents

By Pina Campagna and Dyan Finguerra-DuCharme

On July 15, 2015, the NYIPLA Trademark Law & Practice Committee hosted the 2015 Half-Day CLE seminar, co-sponsored by the NYIPLA Programs Committee. The program, which was held at The Union League Club, is an annual event presented by the NYIPLA. This year's program included advertising, trade secret/IP theft, design patent, and copyright topics, in addition to trademark topics.

Trademark Law & Practice Committee Co-Chair Dyan Finguerra-DuCharme of Pryor Cashman LLP provided the opening remarks, which included a summary of trending topics in trademark law and a discussion about how it has been a dramatic year for the practice of trademark law in the United States.

Chief Judge Gerard F. Rogers, of the Trademark Trial and Appeal Board (TTAB), delivered the keynote address. Pina Campagna of Carter, DeLuca, Farrell & Schmidt, LLP and Co-Chair of the Trademark Law & Practice Committee, introduced Chief Judge Rogers. Chief Judge Rogers spoke about recent trends at the Board focusing on the TTAB Performance Measures for fiscal year 2015, the recent Supreme Court decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, and changes at the TTAB as a result of that decision. Chief Judge Rogers also discussed how the USPTO has been working to keep procedures efficient and continuously improving.

Trademark Law & Practice Committee Co-Chairs, Pina Campagna and Dyan Finguerra-DuCharme, as well as Robert Rando of The Rando Law Firm P.C., Board Liaison for the Programs Committee, served as moderators. In addition, Lisa Lu and Feikje van Rein of Robin Rolfe Resources were instrumental in developing the program.

Sandra Edelman, a partner at Dorsey & Whitney LLP, discussed cancellation of Lanham Act Section 44(e) and 66(a) registrations based on non-use prior to the three-year statutory period for presumption of abandonment based on her recently published article.

Teresa Lee, a partner at Pryor Cashman LLP, provided insightful tips on U.S. trademark prosecution based on her experience as a former Trademark Examiner.

Seth DuCharme, Deputy Chief, Terrorism and Cybercrimes Unit, at the U.S. Attorney's Office for the Eastern District of New York, discussed cyber intrusions and theft of IP. Mr. DuCharme spoke about the actions taken by the U.S. Attorney's office in relation to crimes such as conspiracy, espionage, terrorism, trade secret theft, hacking, and conspiracy.

Michael Graif, Social Media Law Adjunct Professor at Benjamin N. Cardozo School of Law, discussed attorney advertising in social media and its ethical implications. Mr. Graif specifically discussed counseling clients on social media use and ethical obligations for law firms and practitioners.

Joe Salvo, former head of Sony Music Legal and current General Counsel for Hit Entertainment, spoke about recent developments in copyright law and specifically discussed trending cases such as *American Broadcasting Companies v. Aereo, Inc.*, *Fox Broadcasting Co. v. Dish Network, LCC*, *Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, and *Marvin Gaye v. Robin Thicke*, among others.

David Gerk, a patent attorney in the Office of Policy and International Affairs (OPIA) at the USPTO, provided an update on the Hague System for the International Registration of Industrial Designs and the recent changes at the USPTO based on the USPTO ratification and accession to the Hague Agreement.

Trademark Law & Practice Committee Co-Chair Pina M. Campagna provided the closing remarks.

The NYIPLA would like to express its gratitude to the speakers for their effort preparing and presenting their interesting and lively perspectives on some of today's hot topics, and to the attendees of the program. The NYIPLA Trademark Law & Practice Committee continues to welcome any and all comments, requests and recommendations regarding the content and timing of this annual program. In addition, the NYIPLA Trademark Law & Practice Committee will continue to accept members for the 2015-2016 year for those still interested in participating. Please contact Lisa Lu at admin@nypipla.org for committee membership details.

Second Circuit Moot Court Argument CLE Program

By Heather Schneider

On July 16, 2015, the NYIPLA, in conjunction with the U.S. Court of Appeals for the Second Circuit, hosted the 2nd Annual Second Circuit Moot Court Argument CLE Program at the Thurgood Marshall U.S. Courthouse. This year's hypothetical fact pattern addressed copyright issues surrounding a company's promotional materials and video recording of a new product launch. NYIPLA President Dorothy Auth gave opening remarks welcoming the audience, and NYIPLA Treasurer Robert Rando acted as moderator.

The fact pattern, described in a bench memorandum for the Court by the participants, addressed fair use under the copyright laws regarding materials presented by the fictional Edison Motors Co. at the product launch of its new "Model X" electric car, which materials were published by the fictional Nikola News Corp. Four firms participated and each firm presented an oral argument on behalf of a different interested party, answering the following two questions: (1) Does the publication of portions of the Edison Motors Co. promotional material booklet by Nikola News constitute a fair use under the Copyright Act? (2) Does the creation and posting of a transcript of the video recording of Edison's Model X product launch constitute a fair use?

Each team comprised one full-time associate and one summer associate. Patrick Hines and Nicholas Vozzo from Hodgson Russ LLP argued on behalf of Edison Motors Co., along with Alexandra Awai and Sabrina Hasan from Willkie Farr & Gallagher LLP as counsel for fictional amicus curiae the Corporate Communications Association of America. Wade Perrin and Carolina Veltri from Alston & Bird LLP argued on behalf of Nikola News Corp., along with Naomi Birbach and Jacqueline Genovese of Goodwin Procter LLP as counsel for fictional amicus curiae the Technology Forward Institute.

The case was heard by four judges, the Hon. Pierre N. Leval of the United States Court of Appeals for the Second Circuit, the Hon. Katherine Polk Failla, the Hon. J. Paul Oetken, and the Hon. Edgardo Ramos of the United States District Court for the Southern District of New York. All four judges had reviewed the bench memorandum submitted by the participants and asked probing questions about the fact pattern, copyright law, and fair use. After hearing the oral argument, the judges provided useful comments on appellate advocacy to the audience and all participants. The argument was followed by a cocktail reception attended by the judges, participants, and members of the audience. ■

MINUTES OF MAY 19, 2015

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

The Board meeting was held at The Princeton Club, 15 West 43rd Street, New York, NY. President Dorothy Auth called the meeting to order at 6:05 p.m. In attendance were:

Garrett Brown	Kathleen McCarthy
Jessica Copeland	Matthew McFarlane
Frank DeLucia	Colman Ragan
Walter Hanley	Robert Rando
Annemarie Hassett	Peter Thurlow
Robert Isackson	Jeanna Wacker
Anthony Lo Cicero	

Denise Loring and Raymond Farrell were absent and excused from the meeting. Feikje van Rein was in attendance from the Association's executive office. Also in attendance were past Presidents of the Association: Dale Carlson, Mel Garner, Charles Hoffmann and Christopher Hughes.

The Board approved the minutes of the April 22, 2015 Board meeting.

President Auth welcomed newly elected Board members and Officers to the Association, and thanked past Board members and Officers for their dedicated service.

President Auth delivered remarks outlining several initiatives and points of focus for the upcoming year, each intended to continue to enhance the visibility and prestige of the Association consistent with the existing Strategic Plan.

President Auth called for revising the strategic plan document, and she nominated three people to serve with her on the Strategic Planning Committee: Matt McFarlane, John Moehringer and Colman Ragan. President Auth also called for one or two installations of the Presidents' Forum in the upcoming year, and she nominated Garrett Brown, Walter Hanley and John Moehringer to organize those events. She also suggested organizing a smaller event focused on local members of congress to expose them to issues of concern to the Intellectual Property law community and society at large. Finally, President Auth recommended continuing to build a vibrant collaborative relationship with the New Jersey Intellectual Property Law Association, noting that successful events in the past year have greatly enhanced exposure to the Association.

With regard to committees of the Association, President Auth reported that she personally contacted all newly appointed committee chairpersons and Board liaisons, and that all have accepted their respective appointments.

Matt McFarlane briefly reported on the activities of the Amicus Brief Committee, alerting the Board to potential briefs in several cases, including *In re Tam*, involving the constitutionality of the prohibition on registration of disparaging marks under Section 2(a) of the Lanham Act (with the Trademark Law & Practice Committee), *Lexmark Int'l, Inc. v. Impression Products, Inc.*, involving patent exhaustion, *Oracle America, Inc. v. Google, Inc.*, dealing with the copyrightability of application program interfaces (APIs), the fair use defense and the scope of de minimus copying (with the Copyright Law & Practice Committee), and *I/P Engine, Inc. v. AOL, Inc.*, concerning whether the de novo standard of review can be applied to a jury's factual findings underlying a determination of obviousness. As proposals emerge from the Committee, Board members will be asked to review submissions and submit votes to approve drafting and filing of briefs.

President Auth also sought Board approval for a donation to honor the memory of our recently departed Board member, Stephen Quigley. Tony Lo Cicero and Anne Hassett suggested dedicating the next issue of the NYIPLA Bulletin as a tribute to Steve, noting his keen interest in that publication over the years. The Board unanimously approved both motions.

The meeting adjourned at 6:20 p.m.

The next Board meeting will take place on June 10, 2015.

Minutes of June 10, 2015

Meeting of The Board of Directors of The New York Intellectual Property Law Association

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

Garrett Brown	Kathleen McCarthy
Frank DeLucia	Colman Ragan
Walter Hanley	Robert Rando
Anthony Lo Cicero	Peter Thurlow
Denise Loring	

Jessica Copeland, Robert Isackson, and Jeanna Wacker participated by telephone. Raymond Farrell, Annemarie Hassett, and Matthew McFarlane 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 May 19, 2015 Board meeting.

Treasurer Rob Rando reported that the Association's finances continue to be sound.

Rob Rando reported that the Association continues to do well in attracting student members. After a discussion about membership categories under Association bylaws, the Board approved admission of new members to the Association.

Rob Isackson reported on the activities of the Amicus Brief Committee. Rob stated that the Committee recommends filing an informational brief in *Maling v. Finnegan Henderson Farabow Garrett & Dunner LLP*, pending before the Massachusetts Supreme Judicial Court, and is looking for a volunteer to write the draft brief. The Board discussed potential candidates for the task. The Committee continues to monitor the *Oracle America, Inc. v. Google, Inc.* case, and to consider whether to recommend filing a brief. The Board approved filing a brief in *Lexmark Int'l, Inc. v. Impression Products, Inc.*, relating to patent exhaustion, on behalf of neither party. The Committee will circulate a draft brief to the Board in advance of the June 19 due date.

President Auth reported on a planned *Markman* hearing program, to be organized by the Programs Committee and Chief Judge Preska of the SDNY. The goal is to hold the program at a law school in the Fall. President Auth also reported on a program planned with the Women in IP Law Committee that will spotlight successful women and organizations that work with women in the fields of law and technology. The Board discussed potential panelists for the program.

Rob Rando reported on plans for the Second Annual Second Circuit Moot Court Argument program, scheduled for July 16. The argument will be modeled on a copyright infringement case. The presiding judge has been identified, and the composition of the remainder of the panel is being finalized.

Denise Loring reported on activities of the Legislative Action Committee. The Committee prepared two white papers on behalf of the Association relating to patent reform bills pending in the Senate. The papers related to the pleading standards set forth in the PATENT Act and the proposed IPR standards of the STRONG Patents Act. The pleadings paper was circulated to members of the Senate Judiciary Committee. Our public policy consultant, ACG, reported that Senator Christopher Coons (Delaware) cited to Association comments several times during the Judiciary Committee hearing on the PATENT Act. The LAC is considering future projects, including pending copyright and trade secret legislation. Colman Ragan was excused from and did not participate in the LAC discussion.

President Auth led a discussion about this year's goals for Association Committees. President Auth is meeting with the co-chairs and Board liaison of each committee to discuss the goals. Board liaisons reported on their committees' plans.

The meeting adjourned at 2:00 p.m.

The next Board meeting will take place on July 15, 2015.

Minutes of July 15, 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 10:05 a.m. In attendance were:

Garrett Brown	Robert Isackson
Jessica Copeland	Anthony Lo Cicero
Raymond Farrell	Denise Loring
Walter Hanley	Robert Rando
Annemarie Hassett	Jeanna Wacker

Kathleen McCarthy, Colman Ragan and Peter Thurlow participated by telephone. Frank DeLucia and Matthew McFarlane were absent and excused from the meeting. Feikje van Rein was in attendance from the Association's executive office.

The Association's auditors, Allan Blum and Anna Shaverofa of Loeb and Troper LLP, reported on their annual audit of the Association's finances. Anne Hassett commended the Association's Executive Administrator, Feikje van Rein and RRR Associations, for their skilled management of Association expenses.

The Board approved the Minutes of the June 10, 2015 Board meeting.

Treasurer Rob Rando reported that the Association's finances continue to be sound.

Rob Rando reported that the Association added 30 new members, including five new student members. The Board discussed ways of continuing to attract new members and keep existing members, and approved admission of the new members to the Association.

Rob Isackson reported on the activities of the Amicus Brief Committee. On June 19, 2015, the Committee filed a brief in *Lexmark International, Inc. v. Impression Products, Inc.*, relating to patent exhaustion, on behalf of neither party. Rob stated that the Committee is working on an informational brief in the *Maling v. Finnegan, Henderson, Farabow, Garrett, Dunner, LLP* case, pending before the Massachusetts Supreme Judicial Court. The brief would be due August 24, 2015. Rob reported that Scott Howard is stepping down as Co-Chair of the Committee. Rob thanked Scott for his service. Irena Royzman will replace Scott as Co-Chair.

Anne Hassett and Denise Loring reported on activities of the Legislative Action Committee. The Committee, in conjunction with President Auth, is working with the ABA to sponsor a joint briefing program to educate senators and their staff on provisions of the PATENT Act, directed to patent litigation reform. The current plan is to hold the briefing in September, when Congress returns from its summer break. The Board discussed outreach to local legislators about the briefing. The LAC is also working with the Copyright Law & Practice, Corporate and Internet & Privacy Law Committees on the CODE Act, directed to copyrights.

Anne Hassett reported on the contract with the Association's public policy advocate, ACG, which contract is up for renewal. ACG has informed the Board that they do not intend to increase their fees. The Board approved renewal of the contract.

President Auth reported on plans for the *Markman* hearing program organized by the Programs Committee and Chief Judge Preska of the SDNY. The program will be held on September 30 during an actual hearing before Judge Rakoff. President Auth also reported on progress of a program with the Women in IP Law Committee that will spotlight successful women and organizations that work with women in the fields of law and technology. The program is planned for January, and will be open to all, followed by a networking event for women.

Rob Rando reported that attendance will be high for the Second Annual Second Circuit Moot Court Argument CLE Program on July 16.

Walt Hanley reported on plans for the next Presidents' Forum, to be held on September 24. The forum will be moderated by Past President Tony Lo Cicero and Marian Underweiser. Selection of panelists and attendees is underway. The topic will be patentability under Section 101.

President Auth reported on activities of the Strategic Planning Committee. The Association is in the third year of its three-year plan. The Board discussed issues to be addressed by the Committee as the plan is extended into the future.

Walt Hanley reported on progress with organizing and funding the NYIPLA Educational Foundation. This is being spearheaded by Tom Meloro.

Jessica Copeland reported on efforts to extend Association membership outside of the New York metropolitan area. She reported that a major roadblock to increasing membership among this group is the cost of dues for these members, who are unable to participate in many of the Association's activities because of their distance from NYC. The Board discussed possible ways to make membership more attractive to these practitioners.

Board liaisons reported on activities of other Association committees.

The meeting adjourned at 12:18 p.m.

The next Board meeting will take place the evening of September 16, 2015, and will be preceded by reports from Committee chairs.

NEW MEMBERS

Last Name	First Name	Company/ Firm /School	State	Membership Type
Ahmed	Tauseef	Maurice A. Deane School of Law at Hofstra University	New York	Student
Akalski	Joseph	Baker Botts LLP	New York	Active 3+
Anand	Nitya	Kenyon & Kenyon LLP	New York	Active 3-
Arenare	Debra	Cold Spring Harbor Laboratory	New York	Corporate
Arora	Gaurav	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Bahar	Rikki	Pace Law School	New York	Student
Boardman	Albert	Baker Botts LLP	New York	Active 3+
Bova	Justin	Brooklyn Law School	New York	Student
Brosemer	Jeffery	The Nielsen Company	New Jersey	Corporate
Caramenico	Dennis Gregory	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Chiarini	Lisa	Fish & Richardson, P.C.	New York	Active 3+
Chiu	Johnny	Cadwalader, Wickersham & Taft LLP	New York	Active 3+
Cho	Joong Youn (Jay)	Cooper & Dunham LLP	New York	Active 3-
Conteh	Fatmata	New York Law School	New York	Student
Davis	Govinda	Collen IP	New York	Active 3+
de la Rosa	Adrienne	Wiggin and Dana LLP	Connecticut	Active 3-
Dereka	Jennifer	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.	New York	Active 3+
Desai	Priyanka	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Diamond	Ariel	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Duffield	Carl	Kramer Levin Naftalis & Frankel LLP	New York	Active 3+
Fan	Hanting	Fordham University School of Law	New York	Student
Farrelly	Catherine	Frankfurt Kurnit Klein & Selz PC	New York	Active 3+
Felzer	Brian	Quinnipiac University School of Law	Connecticut	Student
Forman	Frank	Cooper & Dunham LLP	New York	Active 3+
French	James		New York	Active 3-
Fujimori	Suzue	Amster, Rothstein & Ebenstein LLP	New York	Active 3+
Garfield	Heidi	Shutterstock, Inc.	New York	Corporate
Gozzi	Justine	Baker Botts LLP	New York	Active 3+
Grunig	Herve	G.P.I. & Associès		Associate
Haber	Darren	Cooper & Dunham LLP	New York	Active 3-
Hadjis	Alexander	Cadwalader, Wickersham & Taft LLP	District of Columbia	Associate
Han	Yi	Baker Botts LLP	New York	Active 3+
Hemendinger	Ashtyn	Maurice A. Deane School of Law at Hofstra University	New York	Student
Himelstein	Laura	EXL Service	New York	Corporate
Jacob	Daniel	Jacob Law Services LLC	New York	Active 3+
Jayaraman	Vino	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Jin	Jay	Baker Botts LLP	New York	Active 3+
Kapoor	Sid	United States Patent and Trademark Office	Virginia	Associate
Katz	Clifford	Kelley Drye & Warren LLP	New York	Active 3+
Kim	Linda	St. John's University School of Law	New York	Student
Knierim	Mike	Baker Botts LLP	New York	Active 3+
Koehl	Richard	Hughes Hubbard & Reed LLP	New York	Active 3+
Landivar	Jose	Brooklyn Law School	New York	Student
Li	Linsheng	Cooper & Dunham LLP	New York	Active 3-

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NEW MEMBERS

Last Name	First Name	Company/ Firm /School	State	Membership Type
Luccarelli	Peter	Luccarelli & Musacchio LLP	New Jersey	Active 3+
Mare	Steven	Maurice A. Deane School of Law at Hofstra University	New York	Student
Martinez	Miriam	Wi-LAN Technologies Inc.	Connecticut	Corporate
McDonagh	Sean	Baker Botts LLP	New York	Active 3+
Michelen	Oscar	Cuomo LLC	New York	Active 3+
Morrison	Lori	Northrop Grumman Corporation	Virginia	Corporate
Pagenkopf	Douglas	Widener University School of Law	New Jersey	Student
Passodelis	William	Baker Botts LLP	New York	Active 3+
Patel	Ketan	Fitzpatrick, Cella, Harper & Scinto	New York	Active 3-
Patrick	Christopher	Baker Botts LLP	New York	Active 3+
Perrin	Wade	Alston & Bird LLP	New York	Active 3-
Phillips	George	Jones Day	New York	Active 3+
Pirraglia	Carolyn	Baker Botts LLP	New York	Active 3+
Piston	Robert	Cadwalader, Wickersham & Taft LLP	New York	Active 3+
Reisbaum	Emily	Clarick Gueron Reisbaum LLP	New York	Active 3+
Rishi	Ashwat	Cooper & Dunham LLP	New York	Active 3-
Ritter	Michael	Baker Botts LLP	New York	Active 3+
Rodriguez	Katiana	University of Florida Fredric G. Levin College of Law	Florida	Student
Rush	Andrea	Blaney McMurtry LLP	Ontario	Associate
Ryan	Edward	Tutunjian & Bitetto, P.C.	New York	Active 3+
Saks	Jeremy	Kenyon & Kenyon LLP	New York	Active 3-
Shah	Sumukh	Brooklyn Law School	New York	Student
Shenk	David	Robins Kaplan LLP	New York	Active 3+
Sibble	Joshua	Baker Botts LLP	New York	Active 3+
Stein	Mitchell	Sullivan & Worcester LLP	New York	Active 3+
Sullivan	Nicole	Baker Botts LLP	New York	Active 3+
Terranova	Christopher	Paul, Weiss, Rifkind, Wharton & Garrison LLP	New York	Active 3+
Torres	Alycia	St. John's University School of Law	New York	Student
Vyas	Jaimini	Benjamin N. Cardozo School of Law, Yeshiva University	New York	Student
Weisz	Edward	Cozen O'Connor	New York	Active 3+
Wu	Jessica	George Washington University Law School	Washington, D.C.	Student
Wynne	Shehla	Jones Day	New York	Active 3-
Yohannan	Kristin	Cadwalader, Wickersham & Taft LLP	New York	Active 3+
Zwisler	John	Northeastern University School of Law	Massachusetts	Student

THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION, INC.

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The Report is published bi-monthly for the members of The New York Intellectual Property Law Association.
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