

## RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

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The following is a review of selected decisions rendered over the past year with particularly meaningful impact on U.S. patent, trademark and copyright laws.

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## I. PATENTS

A. *Supreme Court Cases*

In *TC Heartland LLC v. Kraft Foods Group Brands LLC*,<sup>1</sup> the issue was one of statutory interpretation. Petitioner-corporation was organized under Indiana law and maintained its corporate headquarters in Indiana.<sup>2</sup> Respondent sued petitioner in Delaware federal court, alleging petitioner's products infringed one of respondent's patents.<sup>3</sup> Although petitioner was not registered to conduct business in Delaware and did not possess a meaningful local presence, it shipped the allegedly infringing products into Delaware.<sup>4</sup>

The general venue statute, 28 U.S.C. § 1391, more broadly defines corporate residence than does the patent venue statute, 28 U.S.C. § 1400(b).<sup>5</sup> *TC Heartland* addressed the question of whether, when filing a patent infringement lawsuit against a domestic corporation, 28 U.S.C. § 1400(b) incorporates the broader definition of corporate "residence" contained in the general venue provisions of 28 U.S.C. § 1391.<sup>6</sup>

The patent venue statute, which Congress enacted in 1897,<sup>7</sup> and last amended in 1948,<sup>8</sup> states that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."<sup>9</sup>

In 1988, Congress amended Section 1391, the general venue statute, to state that "for purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced."<sup>10</sup> In 2011, Congress amended Section 1391(a) to add the clause "except as otherwise provided by law."<sup>11</sup>

Petitioner moved to dismiss the case or, alternatively, to transfer venue to Indiana federal court on the ground that venue in Delaware was improper, arguing that a corporation resides, for patent infringement suit purposes, only in its state of incorporation.<sup>12</sup> Petitioner noted that it neither resided in Delaware under the first clause of Section 1400(b) nor possessed a "regular and established place of business" in Delaware under the

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1. 137 S. Ct. 1514 (2017).

2. *Id.* at 1517.

3. *Id.*

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.* at 1518.

8. *Id.* at 1518–19.

9. *Id.* at 1516 (quoting 28 U.S.C. § 1400(b)).

10. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1519 (2017).

11. *Id.* at 1520 (citation omitted).

12. *Id.* at 1517.

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second clause of Section 1400(b).<sup>13</sup> Both the district court and Federal Circuit rejected these arguments.<sup>14</sup> The latter concluded that Section 1391(c), as amended, “supplie[d] the definition of ‘resides’ in § 1400(b).”<sup>15</sup> Therefore, if “the District of Delaware could exercise personal jurisdiction over petitioner,” then petitioner “resided” in Delaware under both Section 1391(c) and Section 1400(b).<sup>16</sup>

The Supreme Court reversed, holding that the patent venue statute should be construed in the same manner that the Court construed the patent venue statute in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), to mean that a domestic corporation “resides” only in its state of incorporation.<sup>17</sup> The Court reasoned that Congress had not amended Section 1400(b) at any time after *Fourco*, and, by enacting a separate venue statute for patents, Congress “placed patent infringement cases in a class by themselves, outside the scope of general venue legislation.”<sup>18</sup> The Court also interpreted the clause “except as otherwise provided by law” in Section 1391(a) to mean that Section 1400(b) provides an exception to Section 1391(c).<sup>19</sup> Therefore, the narrower provisions of Section 1400(b) will apparently govern venue determinations for future patent infringement litigation. However, the decision only interpreted the definition of “resides” for venue purposes; the other part of Section 1400(b), “where the defendant has committed acts of infringement and has a regular and established place of business,”<sup>20</sup> was not addressed.

In *Life Technologies Corp. v. Promega Corp.*, the Supreme Court answered in the negative the question of “whether a party that supplies a single component of a multicomponent invention for manufacture abroad” can face liability for infringement under 35 U.S.C. § 271(f)(1), which “prohibits the supply from the United States of ‘all or a substantial portion’ of the components of a patented invention for combination abroad.”<sup>21</sup>

Respondent Promega, the exclusive licensee to a patent claiming a genetic testing toolkit comprised of five components,<sup>22</sup> sublicensed the patent to petitioner Life Technologies for certain, specified uses.<sup>23</sup> Life Technologies manufactured only one of the toolkit’s five components

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13. *Id.*

14. *Id.*

15. *Id.* (citation omitted).

16. *Id.* at 1517–18.

17. *Id.* at 1517.

18. *Id.* at 1518, 1520.

19. *Id.* at 1520.

20. *Id.* at 1514 (quoting 28 U.S.C. § 1400(b)).

21. 137 S. Ct. 734, 737 (2017).

22. *Id.* at 738.

23. *Id.*

in the United States, which it shipped to the United Kingdom to be combined with the kit's other four components.<sup>24</sup>

Promega sued Life Technologies for infringing the patent by selling the toolkits for an unauthorized use.<sup>25</sup> Promega alleged that Life Technologies' supply of the United States-manufactured component triggered liability under 35 U.S.C. § 271(f)(1).<sup>26</sup>

The Court analyzed whether Section 271(f)(1)'s requirement of "a substantial portion" constitutes a quantitative or qualitative requirement by examining the phrase's context within the statute and how the statute's other terms modify the phrase.<sup>27</sup> The Court concluded the phrase "a substantial portion" constitutes a quantitative requirement.<sup>28</sup>

The Court also concluded a single component cannot constitute "a substantial portion" to trigger liability under Section 271(f)(1).<sup>29</sup> The Court, in reaching its conclusion, analyzed 35 U.S.C. § 271(f)(2), which refers to "any component" supplied in or from the United States.<sup>30</sup> The Court concluded that construing Sections 271(f)(1) and 271(f)(2) together, and assigning meaning to both subsections, demonstrates that the phrase "a substantial portion" in Section 271(f)(1) cannot refer to only one component of a multicomponent invention because Section 271(f)(2) refers to single components.<sup>31</sup>

The *Life Technologies* Court noted that a number of questions were not before it, which were not addressed.<sup>32</sup> In particular, the Court confirmed that it had addressed only whether one component can constitute "all or a substantial portion" of a multicomponent invention under Section 271(f)(1),<sup>33</sup> noting that "how close to 'all' of the components 'a substantial portion' must be"<sup>34</sup> remains unanswered. The concurrence observed that the Court's decision established that a violation of Section 271(f)(1) requires "more than one component . . . but does not address how much more."<sup>35</sup>

*Impression Products, Inc. v. Lexmark International, Inc.* addressed two patent exhaustion questions.<sup>36</sup> The first question addressed was "whether a patentee that sells an item under an express restriction on the purchaser's right to reuse or resell the product may enforce that restriction through

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24. *Id.*

25. *Id.*

26. *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 738 (2017).

27. *Id.* at 739–40.

28. *Id.* at 741.

29. *Id.* at 737.

30. *Id.* at 741.

31. *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 742 (2017).

32. *Id.*

33. *Id.*

34. *Id.*

35. *Id.* at 743 (Alito, J., concurring).

36. 137 S. Ct. 1523 (2017).

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an infringement lawsuit.<sup>37</sup> The Court then addressed “whether a patentee exhausts its patent rights by selling its product outside the United States, where American patent laws do not apply.”<sup>38</sup>

The dispute before the Court involved computer printer toner cartridge technology.<sup>39</sup> Respondent Lexmark, which designs, manufactures, and sells toner cartridges, and owns numerous patents covering those cartridges, contracted with certain purchasers of its toner cartridges, requiring them to return their empty cartridges (“Return Program cartridges”) only to Lexmark in exchange for a discounted cartridge purchase price.<sup>40</sup> To enforce the contract, Lexmark installed a microchip in each Return Program cartridge to prevent competitors from reusing or refilling the empty cartridges.<sup>41</sup>

Various cartridge remanufacturers, including petitioner Impression Products, developed methods to counteract the effect of Lexmark’s microchips, allowing the remanufacturers to obtain, refill, and sell the Return Program cartridges.<sup>42</sup> Lexmark sued the cartridge remanufacturers, including Impression Products, on the ground that such practices infringed Lexmark’s cartridge-related patents.<sup>43</sup>

Eventually, only one defendant, Impression Products, remained in the lawsuit.<sup>44</sup> Impression Products’ defense was that patent exhaustion applies to the Return Program cartridges,<sup>45</sup> so Lexmark’s domestic and foreign sales exhausted its cartridge-related patent rights such that Impression Products could refurbish, resell and, when acquired abroad, import such cartridges.<sup>46</sup> The Federal Circuit ruled in Lexmark’s favor, holding that (1) its domestic sales did not exhaust its patent rights, meaning that Lexmark could sue for infringement when Impression Products refurbished and resold Return Program cartridges; and (2) a patentee’s decision to sell a product abroad does not terminate its ability to bring an infringement suit against a purchaser that imports the product and sells it in the United States.<sup>47</sup>

The Supreme Court granted certiorari to review the Federal Circuit’s rulings regarding domestic and international patent exhaustion.<sup>48</sup> The Court held that Lexmark exhausted its domestic patent rights in the Re-

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37. *Id.* at 1529.

38. *Id.*

39. *Id.*

40. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1529–30 (2017).

41. *Id.* at 1530.

42. *Id.*

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.*

47. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1530–31 (2017).

48. *Id.* at 1531.

turn Program cartridges the moment it sold them, stating that “a patentee’s decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose or the location of the sale.”<sup>49</sup> The Court, relying on 35 U.S.C. § 154(a), reasoned that, “even when a patentee sells an item under an express restriction, the patentee does not retain patent rights in that product.”<sup>50</sup>

As the Court explained, “Lexmark cannot bring a patent infringement suit against Impression Products to enforce the single-use/no-resale provision accompanying its Return Program cartridges” because “[o]nce sold, the Return Program cartridges passed outside of the patent monopoly, and whatever rights Lexmark retained [became] a matter of the contracts with its purchasers, not the patent law.”<sup>51</sup> In other words, once a patentee sells its product domestically, “that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose.”<sup>52</sup>

The Court also held that sales outside the United States, like those within the United States, exhaust all rights in a patent.<sup>53</sup> Recognizing an “historic kinship between patent law and copyright law,” the Court relied heavily on the “first sale doctrine” of copyright law, codified at 17 U.S.C. § 109(a), which provides that “when a copyright owner sells a lawfully made copy of its work, it loses the power to restrict the purchaser’s freedom ‘to sell or otherwise dispose of . . . that copy.’”<sup>54</sup> The Court stated that, similarly, a patentee loses patent protection on items sold abroad when the patentee receives “satisfactory compensation,”<sup>55</sup> relying on its decision in *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>56</sup> which held that the copyright “first sale doctrine” applies to copies of a work lawfully made and sold abroad.<sup>57</sup>

Justice Ginsberg concurred with the majority’s ruling on patent exhaustion within the United States, but dissented as to patent exhaustion for sales abroad.<sup>58</sup> Justice Ginsburg explained that copyright law, unlike patent law, is harmonized between countries, and there exists no provision in patent law analogous to the “first sale doctrine” of copyright law.<sup>59</sup>

*SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC* revisited an issue addressed previously in *Petrella v. Metro-Goldwyn-Mayer*,

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49. *Id.*

50. *Id.* at 1532–33.

51. *Id.* at 1533.

52. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1535 (2017).

53. *Id.*

54. *Id.* at 1535–36.

55. *Id.* at 1537.

56. 133 S. Ct. 1351 (2013).

57. *Impression Prod., Inc. v. Lexmark Int’l, Inc.*, 137 S. Ct. 1523, 1536 (2017).

58. *Id.* at 1538 (Ginsburg, J., concurring in part and dissenting in part).

59. *Id.* at 1539 (same).

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*Inc.*,<sup>60</sup> specifically the relationship between the equitable defense of laches and claims for damages brought within a statute of limitations.<sup>61</sup> *Petrella* had held that laches cannot bar a damages claim incurred within the Copyright Act's three-year limitation period because parties cannot invoke laches "[i]n the face of a statute of limitations enacted by Congress."<sup>62</sup> The statute in the present case, 35 U.S.C. § 286, bars recovery for patent infringement committed more than six years prior to the filing of the complaint.<sup>63</sup>

In October 2003, petitioners (collectively, SCA) sent a letter to respondents (collectively, First Quality), alleging that First Quality's products infringed SCA's rights in a certain patent.<sup>64</sup> First Quality responded that because one of its patents antedated SCA's patent and disclosed the same product construction, SCA's patent was invalid and could not support an infringement claim.<sup>65</sup> In July 2004, SCA asked the U.S. Patent and Trademark Office (USPTO) to re-determine the validity of its patent in light of First Quality's patent.<sup>66</sup> The USPTO confirmed the validity of SCA's patent's three years later in March 2007.<sup>67</sup> No communication occurred between SCA and First Quality after the initial exchange in 2003.<sup>68</sup>

More than three years later and a total of more than six years after 2003 letter alleging infringement, in August 2010, SCA filed a patent infringement lawsuit against First Quality.<sup>69</sup> First Quality moved for summary judgment on the grounds that the equitable doctrines of laches and estoppel barred SCA's claims; the district court granted First Quality's motion.<sup>70</sup> The Federal Circuit affirmed on the ground that the equitable doctrine of laches barred SCA's claims.<sup>71</sup> The Supreme Court granted certiorari to consider whether "laches can be asserted to defeat a claim for damages incurred within the 6-year period set out in the Patent Act."<sup>72</sup>

The Court rejected First Quality's arguments that Section 286 does not constitute a *true* statute of limitations<sup>73</sup> and that Section 282 of the

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60. 134 S. Ct. 1962 (2014).

61. 137 S. Ct. 954, 959 (2017).

62. *Id.* (citations omitted).

63. *Id.* at 961.

64. *Id.* at 959.

65. SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954, 959 (2017).

66. *Id.*

67. *Id.*

68. *Id.*

69. *Id.*

70. *Id.* (citation omitted).

71. *Id.*

72. SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954, 959 (2017).

73. *Id.* at 961 (emphasis in original).

Patent Act creates a special laches rule in the patent context that bars SCA's claims,<sup>74</sup> holding that "laches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by § 286."<sup>75</sup>

*SCA Hygiene Products Aktiebolag* answered affirmatively that *Petrella's* reasoning applies equally to a Patent Act provision, 35 U.S.C. § 286.<sup>76</sup> The Court reiterated its *Petrella* holding that "laches cannot defeat a damages claim brought within the period prescribed by the Copyright Act's [three year] statute of limitations."<sup>77</sup> The Court explained that while the statutory provision before it, Section 286, contained language different than that at issue in *Petrella*, the reasoning in *Petrella* nevertheless applied.<sup>78</sup> The Court construed Section 286's language that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action" to constitute "a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim."<sup>79</sup>

Justice Breyer dissented, reasoning that Section 286 "permits a patentee to sue at any time after an infringement takes place" and "simply limits damages to those caused within the preceding six years."<sup>80</sup> The dissent explained that "[laches works to fill [a] gap by barring recovery when the patentee unreasonably and prejudicially delays suit"<sup>81</sup> and noted that Section 282 of the Patent Act was intended "to codify 'equitable defenses such as laches.'"<sup>82</sup> The dissent also observed that there exist "relevant differences . . . between patent law and copyright law," including that "the Copyright Act, unlike the Patent Act, has express provisions that mitigate the unfairness of a copyright holder waiting for decades to bring his lawsuit."<sup>83</sup> The dissent recognized that a patentee possesses "considerable incentive to delay suit until the costs [to the alleged infringer] of switching [from an infringing to a noninfringing activity]—and accordingly the settlement value of a claim—are high."<sup>84</sup> As an example, the dissent pointed out that "[t]he practical consequences of such delay can be significant, as

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74. *Id.* at 963.

75. *Id.* at 967.

76. *Id.* at 959.

77. *Id.* at 960.

78. *Id.*

79. *Id.* at 961.

80. *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 137 S. Ct. 954, 967–68 (2017) (Breyer, J., dissenting).

81. *Id.* at 968 (same).

82. *Id.* (same).

83. *Id.* at 971–72 (same).

84. *Id.* at 972 (same).

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the facts of this case illustrate: First Quality invested hundreds of millions of dollars in its allegedly infringing technologies during the years that SCA waited to bring its suit.”<sup>85</sup>

### B. Federal Circuit Cases

A patent applicant dissatisfied with a decision by the Patent Trial and Appeals Board (PTAB) may appeal a PTAB decision by suing the Director of the U.S. Patent and Trademark Office (USPTO) in the U.S. District Court for the Eastern District of Virginia.<sup>86</sup> In *NantKwest, Inc. v. Matal*, the Federal Circuit *sua sponte* vacated its earlier opinion and ordered briefing to reconsider its opinion *en banc*.<sup>87</sup> In the now-vacated decision, the Federal Circuit recognized that litigation pursuant to Section 145 diverts USPTO resources to litigation and away from other matters to which the USPTO could have applied such resources.<sup>88</sup> The court directed the parties to brief the question of whether its earlier decision correctly determined that 35 U.S.C. § 145’s “all the expenses of the proceedings” provision authorizes an award of attorneys’ fees to the USPTO.<sup>89</sup> The *en banc* court has not yet issued its ruling in this case.

In *Personal Audio, LLC v. Electronic Frontier Foundation*,<sup>90</sup> the Federal Circuit addressed standing to appeal PTAB rulings in *inter partes* reviews. The Electronic Frontier Foundation (EFF), a non-profit organization, filed a petition for *inter partes* review (IPR) of a patent owned by Personal Audio covering “a system and apparatus for storing and distributing episodic media files.”<sup>91</sup> The PTAB found certain claims of the patent “unpatentable as anticipated under 35 U.S.C. § 102 and/or obvious under 35 U.S.C. § 103.”<sup>92</sup> The patentee, Personal Audio, dissatisfied with the PTAB’s decision, appealed pursuant to 35 U.S.C. § 141(c).<sup>93</sup>

The question raised by the Federal Circuit was whether EFF possessed standing to participate in the appeal of the PTAB’s decision in light of the court’s decision in *Consumer Watchdog v. Wisconsin Alumni Research Foundation*,<sup>94</sup> which held that a PTAB petitioner that does not meet the Article III case-or-controversy requirement does not possess standing “to invoke judicial power, and thus does not have standing to appeal to this

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85. *Id.* (same).

86. *See* 35 U.S.C. § 145.

87. 869 F.3d 1327, 1327 (Fed. Cir. 2017).

88. *Nantkwest, Inc. v. Matal*, 860 F.3d 1352, 1359–60 (Fed. Cir.), *reh’g en banc granted, opinion vacated*, 869 F.3d 1327 (Fed. Cir. 2017).

89. *Nantkwest, Inc. v. Matal*, 869 F.3d 1327, 1327 (Fed. Cir. 2017).

90. 867 F.3d 1246 (Fed. Cir. 2017).

91. *Id.* at 1248.

92. *Id.* at 1248–49.

93. *Id.* at 1249.

94. 753 F.3d 1258 (Fed. Cir. 2014).

court from a PTAB decision on *inter partes* reexamination.<sup>95</sup> The court held that the *Consumer Watchdog* decision raised no question regarding whether EFF possessed standing to defend the PTAB's decision.<sup>96</sup> The court reasoned that although EFF requested the IPR, it had not sought judicial review of the PTAB's decision,<sup>97</sup> and, because Personal Audio invoked judicial review of the PTAB's decision, EFF was "not constitutionally excluded from appearing in court to defend the PTAB decision in its favor."<sup>98</sup>

*Phigenix, Inc. v. Immunogen, Inc.* also involved an appeal from an IPR.<sup>99</sup> The appellant, Phigenix, a for-profit company, sought IPR of a patent owned by Immunogen on the ground that Claims 1 through 8 were unpatentable for obviousness.<sup>100</sup> The PTAB found the claims nonobvious and thus patentable. Phigenix appealed.<sup>101</sup>

The Federal Circuit held that Phigenix, which neither manufactures products nor owns the relevant patent, lacked standing to appeal the PTAB's decision in federal court because Phigenix offered insufficient proof that it had suffered an injury in fact.<sup>102</sup> The court explained that Phigenix did not assert that it faced "risk of infringing the patent," operated as "an actual or prospective licensee of the patent," or "otherwise plans to take any action that would implicate the patent."<sup>103</sup> Phigenix instead alleged essentially that it "suffered an actual economic injury because the . . . patent increase[d] competition between itself" and the assignee of the patent, and "[i]ncreased competition represents a cognizable Article III injury."<sup>104</sup> The court found that the arguments did not substantiate an injury in fact and that Phigenix lacked standing to appeal the PTAB's decision.<sup>105</sup>

The Supreme Court's decision in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, for which certiorari was granted in part, will determine the significance of the above IPR cases going forward.<sup>106</sup> The dispute in *Oil States* involves an IPR.<sup>107</sup> The Supreme Court granted cer-

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95. *Personal Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1249 (Fed. Cir. 2017).

96. *Id.*

97. *Id.*

98. *Id.* at 1250.

99. 845 F.3d 1168 (Fed. Cir. 2017).

100. *Id.* at 1170.

101. *Id.*

102. *Id.* at 1170, 1174.

103. *Id.* at 1173–74.

104. *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1174 (Fed. Cir. 2017).

105. *Id.* at 1176.

106. *See Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 137 S. Ct. 2239 (2017).

107. *See Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 639 F. App'x 639 (Fed. Cir. 2016); *Greene's Energy Grp., LLC v. Oil States Energy Servs., LLC*, IPR2014-00216, 2015 WL 2089371, at \*1 (Patent Tr. & App. Bd. May 1, 2015).

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riorari to address the issue “[w]hether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.”<sup>108</sup> The “non-Article III forum” is the Patent Trial and Appeals Board, an Article I tribunal.

## II. TRADEMARK LAW

It was a big year for the intersection of the First Amendment and trademark law. The Supreme Court issued a blockbuster ruling on the disparagement clause of the Lanham Act, and the Eighth Circuit ruled in favor of speech relating to trademark concerns.

### A. Supreme Court Case

The principal Supreme Court trademark case of 2017 was *Matal v. Tam*, in which the Court affirmed the Federal Circuit’s *en banc* ruling that 15 U.S.C. § 1052(a)’s prohibition on the registration of trademarks that may “disparage . . . or bring . . . into contemp[t] or disrepute” any “persons, living or dead” violates the Free Speech Clause of the First Amendment.<sup>109</sup> The Court held the provision, known as the “disparagement clause,” offends the bedrock First Amendment principle that “[s]peech may not be banned on the ground that it expresses ideas that offend.”<sup>110</sup> The “Disparagement Clause,” as the Court called it, had been law since the Lanham Act’s passage in 1946. Looming over this decision was the longstanding controversy over the registered trademark of the Washington Redskins football team, and this decision ended that debate in favor of the Redskins. All eight participating Justices agreed that the ban on disparaging marks is unconstitutional viewpoint discrimination.

Simon Tam, an Asian-American, founded a rock group called “The Slants,” a derogatory term for persons of Asian descent.<sup>111</sup> Tam believed

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108. *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, [https://www.supremecourt.gov/oral\\_arguments/calendars/MonthlyArgumentCalDecember2017.html](https://www.supremecourt.gov/oral_arguments/calendars/MonthlyArgumentCalDecember2017.html), (last visited Jan. 27, 2018); *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, SCOTUSBLOG, <http://www.scotusblog.com/case-files/cases/oil-states-energy-services-llc-v-greenes-energy-group-llc/> (last visited Jan. 18, 2018). Oral argument occurred before the Court on November 27, 2017. *Id.* The Court has not yet issued a ruling. *Id.*

109. 137 S. Ct. 1744, 1751 (2017).

110. *Id.* at 1751, 1753. The Court’s ruling is significant because it resolved not only the *Tam* parties’ dispute, but also potentially the longstanding controversy regarding the registered trademark of the National Football League’s Washington Redskins, which remained on hold in a federal appellate court while the Court decided *Tam*. See *Justice Department Gives Up Washington Redskins Name Fight*, ASSOCIATED PRESS, June 29, 2017, available at <http://www.nbcsports.com/boston/new-england-patriots/justice-department-gives-washington-redskins-name-fight>.

111. *Tam*, 137 S. Ct. at 1751, 1754.

naming the band, comprised of Asian-Americans, the derogatory term would allow it to “reclaim” and “take ownership of stereotypes regarding people of Asian ethnicity.”<sup>112</sup> Tam sought federal registration of the band name, but an examining attorney at the USPTO rejected the request on the ground there existed “a substantial composite of persons who find the term in the applied-for mark offensive.”<sup>113</sup> Tam appealed the denial before the examining attorney and before the PTO’s Trademark Trial and Appeal Board, but lost both appeals.<sup>114</sup> Tam thereafter took the matter to federal court, where the Federal Circuit, sitting *en banc*, found the “disparagement clause” facially unconstitutional under the First Amendment’s Free Speech Clause.<sup>115</sup> The government subsequently filed a petition for certiorari, which the Supreme Court granted.<sup>116</sup>

The government made three primary arguments in favor of upholding the constitutionality of the “disparagement clause”: (1) trademarks constitute “government speech,” not private speech; (2) trademarks constitute a form of government subsidy that allows the government to regulate speech; and (3) the “disparagement clause” was constitutional under a new “government program” doctrine.<sup>117</sup>

The Court rejected as “far-fetched” the government’s first argument, holding the content of a registered mark does not constitute government speech.<sup>118</sup> The Court reasoned a contrary conclusion would mean the federal government is (1) “babbling prodigiously and incoherently,” (2) “saying many unseemly things,” (3) “expressing contradictory views,” (4) “unashamedly endorsing a vast array of commercial products and services,” and (5) “providing Delphic advice to the consuming public.”<sup>119</sup> A contrary conclusion, moreover, “would constitute a huge and dangerous extension of the government-speech doctrine” because “other systems of government registration,” like copyrights, “could easily be characterized in the same way.”<sup>120</sup>

The Court distinguished from the case before it three of its earlier opinions, wherein it held certain actions constituted government speech.<sup>121</sup> The earlier opinions involved government advertisements for the sale of beef (*Johanns*),<sup>122</sup> government decisions regarding which monuments to include

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112. *Id.* at 1751, 1754.

113. *Id.* at 1754.

114. *Matal v. Tam*, 137 S. Ct. 1744, 1754 (2017).

115. *Id.*

116. *Id.* at 1755.

117. *Id.* at 1757.

118. *Id.* at 1758.

119. *Matal v. Tam*, 137 S. Ct. 1744, 1758 (2017).

120. *Id.* at 1759.

121. *Id.* at 1759–60.

122. *See Johanns v. Livestock Mktg. Ass’n*, 544 U.S. 550 (2005).

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in a city park (*Summum*),<sup>123</sup> and slogans on government-issued license plates (*Walker*).<sup>124</sup>

The Court distinguished *Summum* on the grounds that (1) “[g]overnments have used monuments to speak to the public since ancient times”; (2) governments traditionally have been selective “in accepting and displaying monuments”; (3) if governments were obligated to accept all monuments donated by private groups, then parks would become overrun with monuments; and (4) the public closely identifies public parks with the government unit that owns the land.<sup>125</sup> Trademarks, in contrast, share none of these characteristics.<sup>126</sup>

The Court also distinguished the matter before it from *Walker*, which the Court recognized “likely marks the outer bounds of the government-speech doctrine.”<sup>127</sup> *Walker* involved limits on messages that could be placed on license plates.<sup>128</sup> The Court there found license plate messages constituted government speech because the plates (1) long had been used by states to convey a government message, (2) were closely identified, in the public mind, with the state, and (3) were manufactured and owned by the state.<sup>129</sup> The *Tam* Court, once again, found trademarks share none of these characteristics.<sup>130</sup>

Only four Justices joined the portion of the opinion addressing the government’s subsidy-related argument, which they rejected.<sup>131</sup> The Justices reasoned that almost all of the cases involving government programs that subsidized speech expressing a particular viewpoint involved the government making cash payments or their equivalent to the public.<sup>132</sup> The federal registration of trademarks, the Justices explained, bears no similarity to the programs at issue in the subsidy cases because, among other reasons, “[t]he PTO does not pay money to parties seeking registration of a mark. Quite the contrary is true: An applicant for registration must pay the PTO a filing fee of \$225–\$600.”<sup>133</sup> The Justices, therefore, found the government subsidy cases relied upon by the government did not apply.<sup>134</sup>

The same four Justices who rejected the government’s subsidy-related argument also rejected its argument that the “disparagement clause” already

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123. See *Pleasant Grove City v. Summum*, 555 U.S. 460 (2009).

124. See *Walker v. Sons of Confederate Veterans, Inc.*, 135 S. Ct. 2239 (2015).

125. *Matal v. Tam*, 137 S. Ct. 1744, 1759–60 (2017).

126. *Id.* at 1760.

127. *Id.*

128. *Id.*

129. *Id.*

130. *Matal v. Tam*, 137 S. Ct. 1744, 1760 (2017).

131. *Id.*

132. *Id.* at 1760–61.

133. *Id.* at 1761.

134. *Id.*

was found constitutional under a new “government program” doctrine.<sup>135</sup> The Justices found the “government program” doctrine cases akin to subsidy cases, which the Justices already found inapplicable, and “cases in which a unit of government creates a limited public forum for private speech.”<sup>136</sup> The Justices found the latter inapplicable, holding the “disparagement clause” discriminates on the basis of “viewpoint” and, therefore, “cannot be saved by analyzing it as a type of government program in which some content- and speaker-based restrictions are permitted.”<sup>137</sup>

The government also argued the Court should review the “disparagement clause” under a lesser standard of scrutiny because trademarks constitute commercial speech.<sup>138</sup> The same four Justices that rejected the government’s subsidy- and “government program” doctrine-related arguments, however, held the “disparagement clause” cannot withstand even the lesser review standard applicable to commercial speech because the clause is “far too broad” in that it bans disparagement of “any persons.”<sup>139</sup> The Justices recognized the entire purpose of federal trademark registration is to permit the use of marks in commerce, but the Justices refused to accept that trademarks are wholly commercial speech, especially since many marks reflect expressive content despite their commercial use.<sup>140</sup>

Although Section 2(a) of the Lanham Act, i.e., 15 U.S.C. § 1052(a), prohibits not just “disparaging,” but also “scandalous” or “immoral” marks, the Tam case deals directly only with the disparagement provision. Nonetheless, given the reasoning of the opinion, it appears likely that the “scandalous or immoral” limitations cannot survive Tam.

### B. *Federal Circuit Cases*

A question regarding the First Amendment and government speech arose again in *Gerlich v. Leath*, wherein the Eighth Circuit affirmed the district court’s holding that Iowa State University (ISU) had violated the free speech rights of members of an ISU student marijuana law advocacy group (NORML ISU) by denying its requests to license ISU school trademarks for group merchandise.<sup>141</sup> ISU, a state school with approximately 800 officially recognized student groups, routinely grants trademark licenses, including use of the ISU insignia and mascot and words like “ISU” and “Iowa State,” to student organizations for use on group merchandise, which promotes awareness of the group’s cause and attracts

135. *Matal v. Tam*, 137 S. Ct. 1744, 1761–62 (2017).

136. *Id.* at 1762–63.

137. *Id.* at 1763.

138. *Id.* at 1763–64.

139. *Id.* at 1764–65.

140. *Matal v. Tam*, 137 S. Ct. 1744, 1764–65 (2017).

141. 861 F.3d 697, 700–01 (8th Cir. 2017).

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new members.<sup>142</sup> ISU student organizations may use the school's trademarks on merchandise only if ISU's Trademark Licensing Office determines such use complies with the school's trademark guidelines.<sup>143</sup>

NORML ISU is an officially recognized student group that operates with the stated purpose of reforming state and federal marijuana laws to permit medical and recreational marijuana use.<sup>144</sup> In October 2012, the group submitted to the Trademark Office a design (Design No. 1) that depicted "NORML ISU" on the front with the "O" represented by the ISU mascot, a registered ISU mark.<sup>145</sup> The back of the shirt read "Freedom is NORML at ISU" and depicted a small cannabis leaf above the word "NORML."<sup>146</sup> The Trademark Office approved Design No. 1.<sup>147</sup>

Shortly thereafter, the *Des Moines Register* published an article about the marijuana legalization referenda in Colorado and Washington and pending legislative efforts in Iowa to legalize marijuana use.<sup>148</sup> The article quoted NORML ISU's president regarding the organization's efforts to change Iowa's marijuana laws and noted the organization had "gotten nothing but support from the university" and had "even got[ten] approval from the licensing office to make a NORML T-shirt with the ISU logo; the red shirt features Cy the Cardinal on the front, and a pot leaf on the back."<sup>149</sup> The article contained a photograph of Design No. 1.<sup>150</sup>

Later that day, an Iowa House Republican caucus staff person sent a formal legislative inquiry to ISU asking whether the Trademark Office had approved Design No. 1.<sup>151</sup> The inquiry got forwarded to ISU's president, who asked the Trademark Office whether it could revoke the approval of the t-shirt.<sup>152</sup> Following the article's publication, NORML ISU requested permission from the Trademark Office to use Design No. 1 on another order.<sup>153</sup> The Trademark Office, however, put the permission decision "on hold."<sup>154</sup>

After discussing the article and NORML ISU's reorder request, ISU's president's cabinet informed NORML ISU that the Trademark Office no longer would approve student group merchandise depicting ISU's trade-

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142. *Id.* at 701.

143. *Id.*

144. *Id.*

145. *Id.*

146. *Gerlich v. Leath*, 861 F.3d 697, 701 (8th Cir. 2017).

147. *Id.*

148. *Id.*

149. *Id.*

150. *Id.*

151. *Gerlich v. Leath*, 861 F.3d 697, 702 (8th Cir. 2017).

152. *Id.*

153. *Id.*

154. *Id.*



The court held further that the defendants' rejection of NORML ISU's designs discriminated against the organization on the basis of its viewpoint.<sup>168</sup> The court, citing the testimony and electronic mail messages of ISU's administrative personnel, reasoned the "unique scrutiny" that the defendants imposed on NORML ISU following the article's publication evidenced the defendants' discriminatory motive.<sup>169</sup> Such scrutiny included, among other things, putting "on hold" the decision whether to grant NORML ISU's reorder request and requiring NORML ISU to obtain pre-approval from certain ISU administrative personnel before submitting additional designs to the Trademark Office.<sup>170</sup> The defendants' discriminatory motive also was evidenced by their consistent clarification that the use of ISU's marks through the licensing program did not indicate university approval of the group's beliefs.<sup>171</sup>

As in *Matal v. Tam*, the defendants argued their licensing regime constituted government speech and, therefore, did not fall within the First Amendment's protection.<sup>172</sup> The court, however, rejected the defendants' argument, holding the administration of ISU's licensing regime did not constitute government speech.<sup>173</sup> The court reasoned "[t]he government speech doctrine does not apply if a government entity has created a limited public forum for speech," and ISU had "created a limited public forum when it made its trademarks available for student organizations to use if they abided by certain conditions."<sup>174</sup> The court held further that, even if ISU's trademark licensing regime did not amount to a limited public forum, the balance of the factors for determining whether certain speech constitutes government speech did not support the conclusion that the speech at issue constituted government speech.<sup>175</sup> The court explained that ISU licenses trademarks to student groups expressing opposing views, such as the Iowa State Democrats and the ISU College Republicans, indicating ISU does not communicate any message to the public through its trademark licensing regime.<sup>176</sup>

In *Elliott v. Google, Inc.*, the Ninth Circuit held the term "google" does not constitute a generic name for Internet searches.<sup>177</sup> The plaintiff-appellant (Elliott) used a domain name registrar to acquire several hun-

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168. *Id.*

169. *Id.*

170. *Id.*

171. *Gerlich v. Leath*, 861 F.3d 697, 706–07 (8th Cir. 2017).

172. *Id.* at 707.

173. *Id.*

174. *Id.*

175. *Id.* at 707–08.

176. *Gerlich v. Leath*, 861 F.3d 697, 708 (8th Cir. 2017).

177. 860 F.3d 1151, 1155 (9th Cir. 2017).

dred domain names that included the term “google.”<sup>178</sup> Google filed and won a dispute before the National Arbitration Forum (NAF), which possesses “authority to decide certain domain name disputes under the registrar’s terms of use,” on the grounds the registrations violated the registrar’s terms of use and amounted to domain name infringement.<sup>179</sup>

Elliott thereafter petitioned the district court to cancel the “Google” trademark pursuant to the Lanham Act, which permits cancellation of a registered trademark understood primarily as a “generic name for the goods or services, or a portion thereof, for which it is registered.”<sup>180</sup> Elliott moved for summary judgment on the grounds that (1) a majority of the relevant public uses the term “google” as a verb, and (2) verb use constitutes generic use as a matter of law.<sup>181</sup> Google opposed on the grounds that (1) “verb use does not automatically constitute generic use,” and (2) Elliott failed to demonstrate the relevant public considers the term “google” a generic name for Internet searches.<sup>182</sup> The district court ruled in Google’s favor, and the Ninth Circuit affirmed.<sup>183</sup>

On appeal, Elliott argued the district court misapplied the primary significance test by failing to appreciate the importance of verb use and impermissibly weighed the evidence.<sup>184</sup> The Ninth Circuit rejected both arguments, affirming summary judgment for Google.<sup>185</sup> The court explained there exist four categories of terms to consider when analyzing trademark protection: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.<sup>186</sup> On one end of the spectrum sit generic terms, which cannot receive trademark protection “because they do not identify the source of a product.”<sup>187</sup> Arbitrary or fanciful terms, in contrast, receive automatic trademark protection “because they naturally serve to identify a particular source of a product.”<sup>188</sup> The court explained further that a valid trademark holder, over time, may become a “victim of genericide,” which “occurs when the public appropriates a trademark and uses it as a generic name for particular types of goods or services irrespective of its source.”<sup>189</sup>

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178. *Id.* at 1154.

179. *Id.*

180. *Id.* at 1154–55.

181. *Id.* at 1155.

182. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1155 (9th Cir. 2017).

183. *Id.*

184. *Id.*

185. *Id.*

186. *Id.*

187. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1155 (9th Cir. 2017) (citing *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985)).

188. *Id.* (quoting *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 602 (9th Cir. 2005)).

189. *Id.* at 1155–56.

The court thereafter addressed, and answered negatively, the question whether the term “google” has become a “victim of genericide” by inquiring “whether ‘the primary significance of the term in the minds of the consuming public is [now] the product [and not] the producer.’”<sup>190</sup> The court acknowledged the public often uses the word “google” as a verb to conduct an Internet search.<sup>191</sup> The court, however, made clear the “mere fact that the public sometimes uses a trademark as the name for a unique product does not immediately render the mark generic.”<sup>192</sup> A mark, instead, becomes generic only when the “‘primary significance of the registered mark to the relevant public’ is as the name for a particular type of good or service irrespective of its source.”<sup>193</sup> The court referred to these principles as the “who-are-you-what-are-you” test.<sup>194</sup> The mark, in other words, remains valid “[i]f the relevant public primarily understands [it] as describing ‘who’ a particular good or service is, or where it comes from.”<sup>195</sup> If, however, “the relevant public primarily understands a mark as describing ‘what’ the particular good or service is, then the mark has become generic” and invalid.<sup>196</sup>

The court rejected Elliott’s contention that the public’s use of the term “google” as a verb automatically rendered it generic, reasoning (1) verb use does not necessarily constitute generic use, and (2) “a claim of genericide must relate to a particular type of good or service.”<sup>197</sup> On the latter point, the court recognized a person could use the verb “google” indiscriminately to refer to searching, but also discriminately to refer to using only the Google search engine.<sup>198</sup> The court, in short, held the district court “correctly framed its inquiry as whether the primary significance of the word ‘google’ to the relevant public is as a generic name for internet search engines or as a mark identifying the Google search engine in particular.”<sup>199</sup>

The court rejected as insufficient and irrelevant the evidence Elliott submitted in support of its genericide claim, reasoning such evidence “ignore[d] the fact that a claim of genericide must relate to a particular type of good or service.”<sup>200</sup> The court explained Elliott bore the burden of identifying evidence sufficient to support a jury finding that the relevant

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190. *Id.* at 1156.

191. *Id.* at 1158.

192. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1156 (9th Cir. 2017).

193. *Id.* (citing 15 U.S.C. § 1064).

194. *Id.*

195. *Id.*

196. *Id.*

197. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1158–59 (9th Cir. 2017).

198. *Id.* at 1158.

199. *Id.* at 1159.

200. *Id.*

public understands the term “google” to mean a name for internet search engines generally and not a mark identifying the Google search engine in particular, and that Elliott failed to satisfy that burden.<sup>201</sup>

Elliott submitted three consumer surveys and claimed the evidence sufficed to get past summary judgment and create a jury issue regarding genericide.<sup>202</sup> The court disagreed on the ground that two of the surveys did not meet applicable standards for reliability and admissibility.<sup>203</sup> The third survey directed respondents to describe how they would ask someone to conduct an internet search, and more than half the respondents answered they would ask the friend to “google” the issue.<sup>204</sup> The court, however, held the survey did nothing more than support the inference the trial court had already made; i.e., that the public uses the term “google” to refer generally to the act of searching the internet.<sup>205</sup> Elliott offered additional evidence, none of which demonstrated there exists “no way to describe ‘internet search engines’ without calling them ‘googles.’” However, the court found that the key what is in the mind of the public when they use the verb and whether they are primarily referring to general internet searching when they use “GOOGLE” in verb form, or whether they have in mind the Google search engine in particular.<sup>206</sup> Because the plaintiff failed to present admissible evidence that the public is, primarily, not thinking of Google’s search engine when using the term “Google” as a verb, the court found summary judgment appropriate.<sup>207</sup> The court, therefore, affirmed summary judgment for Google.<sup>208</sup>

In *Slep-Tone Entertainment Corp. v. Wired for Sound Karaoke & DJ Services, LLC*, the Ninth Circuit affirmed dismissal of a karaoke accompaniment track maker’s trademark and unfair competition claims under the Lanham Act, reasoning such claims constituted an improper effort to “stuff copyright claims into a trademark container.”<sup>209</sup> Plaintiff-appellant (Slep-Tone) released karaoke tracks on “CD-G”-format encoded compact discs, the contents of which computer users often copy on to computer hard drives as digital files through a process called “media-shifting” or “ripping.”<sup>210</sup> Recognizing “the convenience of digital files for karaoke operators (who need not use numerous CD-Gs during a performance),” Slep-Tone permitted commercial media-shifting as long as users abided

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201. *Id.*

202. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1159–60 (9th Cir. 2017).

203. *Id.* at 1160.

204. *Id.*

205. *Id.*

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207. *Id.* at 1160–62.

208. *Elliott v. Google, Inc.*, 860 F.3d 1151, 1162 (9th Cir. 2017).

209. 845 F.3d 1246, 1247–48 (9th Cir. 2017).

210. *Id.* at 1248.

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strictly by Slep-Tone's "media-shifting policy."<sup>211</sup> Slep-Tone accused defendant-appellee (Wired for Sound) of violating its media-shifting policy by using unauthorized, media-shifted karaoke track files for Wired for Sound's karaoke performances.<sup>212</sup> Slep-Tone alleged, among other things, that Wired for Sound's actions constituted trademark infringement and unfair competition under the Lanham Act.<sup>213</sup> The district court dismissed both claims, and the Ninth Circuit affirmed.<sup>214</sup>

The Ninth Circuit reasoned that whether a Lanham Act violation gets characterized as trademark infringement or unfair competition, the inquiry remains the same, i.e., whether there exists "a likelihood of confusion" regarding the "origin of goods."<sup>215</sup> The court, applying these principles, rejected Slep-Tone's argument that because the media-shifted karaoke track files display Slep-Tone's trademarks—including its company name—when performed, consumers will express confusion regarding the tracks' origin.<sup>216</sup> The court explained Slep-Tone's theory did not allege consumer confusion regarding the source of a "good," as required by the Lanham Act, but rather potential confusion regarding the source of content.<sup>217</sup>

The court also rejected Slep-Tone's theory that the digital files Wired for Sound media-shifted from Slep-Tone's CD-Gs constituted new "goods," the origin of which consumers might find confusing.<sup>218</sup> The court explained that even if Wired for Sound created new "goods" by media-shifting Slep-Tone's CD-Gs, such "goods" did not constitute relevant "goods" under the Lanham Act because "the 'good' whose 'origin' is material for purposes of a trademark infringement claim is the 'tangible product sold in the marketplace' rather than the creative content of that product."<sup>219</sup> The court held karaoke patrons who see Wired for Sound's performances of Slep-Tone's karaoke tracks will not be confused about "the source of the tangible good sold in the marketplace" because such patrons remain unaware of the new, media-shifted digital files.<sup>220</sup> The court acknowledged the patrons, if anything, might express confusion re-

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211. *Id.*

212. *Id.*

213. *Id.*

214. *Slep-Tone Entm't Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246, 1248 (9th Cir. 2017).

215. *Id.* at 1249.

216. *Id.*

217. *Id.*

218. *Id.* at 1250.

219. *Slep-Tone Entm't Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246, 1250 (9th Cir. 2017) (quoting *Phoenix Entm't Partners v. Rumsey*, 829 F.3d 817, 828 (7th Cir. 2016)).

220. *Id.*

garding the *content* of the karaoke tracks, which the Lanham Act precludes as a trademark claim (but which may constitute a copyright claim).<sup>221</sup>

### C. Federal District Courts

In *Deere & Co. v. FIMCO Inc.*, the Western District of Kentucky prevented the defendant from using plaintiff Deere & Company's distinctive John Deere green and yellow color scheme on its agricultural sprayers and applicators.<sup>222</sup> Deere had utilized its well-known yellow and green color scheme for many decades, although the company only recently had begun manufacturing agricultural sprayers and applicators.<sup>223</sup> FIMCO admittedly used green and yellow colors indistinguishable from those used by Deere.<sup>224</sup> Deere asserted FIMCO's actions constituted, among other things, federal trademark infringement and sought an injunction prohibiting FIMCO from using Deere's green and yellow color scheme on its sprayers and wheeled agricultural equipment.<sup>225</sup>

FIMCO asserted affirmative defenses of acquiescence and estoppel, arguing it continuously had used the green and yellow color scheme on its agricultural sprayers and applicators since it bought the assets of another company in the 1970s.<sup>226</sup> The court rejected these defenses, finding (1) FIMCO had used the colors since only 1998, (2) FIMCO had only recently expanded rapidly, and (3) Deere discovered FIMCO's use of the yellow and green color scheme only in approximately 2011, i.e., immediately before Deere launched its 2012 campaign to convince FIMCO to cease and desist using the yellow and green color scheme.<sup>227</sup> The court found reasonable Deere's 2011 discovery of FIMCO's use of the green and yellow color scheme.<sup>228</sup> The court also found Deere had used its green and yellow color scheme continuously and consistently since at least 1921.<sup>229</sup> The court ultimately granted Deere's request for an injunction.<sup>230</sup>

Before addressing the injunction issue, the court found FIMCO's actions constituted trademark infringement.<sup>231</sup> The court, in reaching its conclusion, analyzed (among other things) whether there existed "a likelihood of confusion" between Deere's products and FIMCO's products

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221. *Id.*

222. No. 5:15-CV-105-TBR, 2017 WL 4582805, at \*2 (W.D. Ky. Oct. 13, 2017).

223. *Id.* at \*3–5.

224. *Id.* at \*1 n.1.

225. *Id.* at \*1.

226. *Id.* at \*2, \*31, \*48.

227. *Deere & Co. v. FIMCO Inc.*, No. 5:15-CV-105-TBR, 2017 WL 4582805, at \*18, \*44–45, \*49 (W.D. Ky. Oct. 13, 2017).

228. *Id.* at \*49.

229. *Id.* at \*5.

230. *Id.* at \*51–52.

231. *Id.* at \*42.

by weighing eight factors, known commonly as the “*Frisch* factors.”<sup>232</sup> The balance of the *Frisch* factors weighed heavily in Deere’s favor.<sup>233</sup> The court, for example, found credible evidence of actual confusion between Deere sprayers and FIMCO sprayers.<sup>234</sup> The court acknowledged such evidence constitutes “undoubtedly the best evidence of likelihood of confusion.”<sup>235</sup> The court, therefore, ruled in Deere’s favor, finding FIMCO liable for trademark infringement, false designation of origin, and trademark dilution, and granting an injunction against FIMCO’s use of Deere’s green and yellow color scheme.<sup>236</sup>

In *Viacom International Inc. v. IJR Capital Investments, LLC*, a Texas district court addressed a trademark infringement dispute between plaintiff Viacom International Inc. and defendant IJR Capital Investments, LLC regarding the name of IJR’s proposed eatery, “The Krusty Krab,” and the animated television show, “SpongeBob Squarepants,” which airs on a Viacom-owned television network.<sup>237</sup> Viacom alleged IJR’s use of the “Krusty Krab” name infringed its trademarks because, among other reasons, a fictional restaurant bearing the name “The Krusty Krab” appeared in 166 of 203 episodes of *SpongeBob Squarepants*.<sup>238</sup> The court ultimately agreed, granting summary judgment in Viacom’s favor.<sup>239</sup>

The court recognized Viacom’s “Krusty Krab” restaurant exists only in the fictional, television world of *SpongeBob Squarepants* and that Viacom never registered the “Krusty Krab” mark.<sup>240</sup> The court nevertheless found “The Krusty Krab” constituted a valid mark because “trademark protection extends to the ‘specific ingredients of a successful T.V. series,’ including symbols, design elements, and characters which the public directly associates with the plaintiff or its product,” and “The Krusty Krab” constitutes a key element of the *SpongeBob Squarepants* television show.<sup>241</sup> The court explained “The Krusty Krab” has been a key element of the *SpongeBob Squarepants* television show, remains a recurring element of the show, has been included in two *SpongeBob Squarepants* feature films and remains a part of licensed consumer merchandise.<sup>242</sup> The court also found “The Krusty

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232. *Deere & Co. v. FIMCO Inc.*, No. 5:15-CV-105-TBR, 2017 WL 4582805, at \*31 (W.D. Ky. Oct. 13, 2017).

233. *Id.* at \*31–42.

234. *Id.* at \*35–38.

235. *Id.* at \*35 (citation omitted).

236. *Id.* at \*52.

237. 242 F. Supp. 3d 563, 566 (S.D. Tex. 2017).

238. *Id.* at 566–67.

239. *Id.* at 572.

240. *Id.* at 568–69.

241. *Id.* at 569.

242. *Viacom Int’l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563, 569 (S.D. Tex. 2017).

Krab” constitutes a valid mark because Viacom demonstrated, by a preponderance of the evidence, that the term has acquired distinctiveness.<sup>243</sup>

The court also held there exists a “likelihood of confusion” between Viacom’s and IJR’s use of the “Krusty Krab” mark.<sup>244</sup> The court, in reaching its conclusion, relied on (1) the strength of the mark based on Viacom’s continued use thereof, including in its television series, films, web and mobile applications, and licensed merchandise; and (2) “the identical spelling and pronunciation of the two marks, including the unconventional way of spelling the words with a ‘K’ instead of a ‘C.’”<sup>245</sup> The court also found persuasive the facts that both Viacom and IJR use the “Krusty Krab” mark to describe a restaurant and that Viacom’s advertisements may overlap with IJR’s “target geographic areas and customer base.”<sup>246</sup>

Finally, the court found persuasive the fact that a national survey conducted by Viacom’s expert indicated that thirty percent of respondents identified Viacom “as the entity that operates, affiliates, connects, approves, or sponsors a restaurant named ‘The Krusty Krab.’”<sup>247</sup> Finding the balance of the factors supporting a likelihood of confusion weighed heavily in Viacom’s favor, the court granted Viacom summary judgment on its trademark infringement claim.<sup>248</sup>

### III. COPYRIGHT LAW

In 2017, the U.S. Supreme Court addressed the protection of useful articles under the Copyright Act. The federal circuits were also active on the copyright front, addressing issues such as safe harbor protection under the Digital Millennium Copyright Act (DMCA), the volitional requirement for direct copyright infringement, exemption from copyright infringement liability under the Family Movie Act of 2005, and preemption under the Copyright Act.

#### A. *Supreme Court Case*

In *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, the Supreme Court clarified federal copyright law by articulating the proper test for determining whether artistic elements incorporated into the design of useful articles are eligible for copyright protection.<sup>249</sup> Respondents (collectively, “Varsity”) designed, made, and sold cheerleading uniforms and “obtained or acquired more

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243. *Id.* at 570.

244. *Id.* at 571–72.

245. *Id.* at 571.

246. *Id.*

247. *Id.* at 572.

248. *Id.*

249. 137 S. Ct. 1002, 1007 (2017).

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than 200 U.S. copyright registrations for two-dimensional designs appearing on the surface of their uniforms and other garments.”<sup>250</sup> The designs consisted primarily of “combinations, positionings, and arrangements of elements,” including “chevrons . . . , lines, curves, stripes, angles, diagonals, inverted [chevrons], coloring, and shapes.”<sup>251</sup>

Varsity sued the petitioner (Star), which also marketed and sold cheerleading uniforms, for infringing its copyrights in five designs.<sup>252</sup> The district court granted summary judgment in Star’s favor on the ground the designs “did not qualify as protectable pictorial, graphic, or sculptural works” because they “served the useful, or ‘utilitarian,’ function of identifying the garments as ‘cheerleading uniforms’ and therefore could not be ‘physically or conceptually’ separated under [17 U.S.C.] § 101 ‘from the utilitarian function’ of the uniform.”<sup>253</sup>

The Sixth Circuit reversed the district court’s ruling on the ground that the “graphic designs” remained “separately identifiable” because they could appear alongside a blank cheerleading uniform—“one as a graphic design, and one as a cheerleading uniform.”<sup>254</sup> The appellate court also determined the designs could exist independent of the garments because “they could be incorporated onto the surface of different types of garments, or hung on the wall and framed as art.”<sup>255</sup> The Supreme Court affirmed.<sup>256</sup>

The Court explained 17 U.S.C. § 101 affords limited copyright protection for artistic elements incorporated into useful articles by providing that “pictorial, graphic, or sculptural features” of the “design of a useful article” may receive copyright protection as artistic works if the features “can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”<sup>257</sup> The Court thereafter confirmed the proper test (“Separability Test”) for implementing Section 101’s separate-identification and independent-existence requirements, holding a feature incorporated into useful article’s design remains eligible for copyright protection only if it (1) “can be perceived as a two- or three-dimensional work of art separate from the useful article;” and (2) “would qualify as a protectable pictorial, graphic, or sculptural work—either on its own or fixed in some other tangible medium of expression—if it were imagined separately from the useful article into which it is incor-

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250. *Id.*

251. *Id.*

252. *Id.*

253. *Id.* at 1007–08.

254. *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002, 1008 (2017).

255. *Id.*

256. *Id.* at 1007.

257. *Id.*

porated.”<sup>258</sup> The Court held Varsity’s cheerleading uniform designs must, and did, satisfy the Separability Test.<sup>259</sup>

The Court found first that Varsity’s designs constitute features possessing “pictorial, graphic, or sculptural qualities.”<sup>260</sup> The Court also found that “if the arrangement of colors, shapes, stripes, and chevrons on the surface of the cheerleading uniforms were separated from the uniform and applied in another medium—for example, on a painter’s canvas—they would qualify as ‘two-dimensional . . . works of . . . art.’”<sup>261</sup> The Court, moreover, determined that imaginatively separating Varsity’s designs from its uniforms and applying them to another medium would not replicate the uniforms themselves.<sup>262</sup> The Court, in light of these findings, held Varsity’s designs remain separable from its uniforms and eligible for copyright protection.<sup>263</sup> The Court, however, expressed no opinion regarding whether the designs definitively qualify for copyright protection.<sup>264</sup>

The Court rejected Star’s and the dissent’s argument that Varsity’s designs cannot satisfy the Separability Test because imaginatively separating them from the uniforms and applying them in another medium would merely create “pictures of cheerleader uniforms.”<sup>265</sup> The Court reasoned Section 101 protects two-dimensional works of art, like Varsity’s designs, no matter the shape of the useful article to which they get applied.<sup>266</sup>

The Court also confirmed it matters not whether the useful article remains fully functional without the artistic feature.<sup>267</sup> The Court explained “[t]he focus of the separability inquiry is on the extracted feature and not on any aspects of the useful article that remain after the imaginary extraction.”<sup>268</sup> Section 101, in other words, “does not require the decision-maker to imagine a fully functioning useful article without the artistic feature,” but instead “requires that the separated feature qualify as a non-useful pictorial, graphic, or sculptural work on its own.”<sup>269</sup>

The Court, in short, affirmed the Sixth Circuit’s decision that Varsity’s cheerleading uniform designs satisfy the Separability Test.<sup>270</sup> The Court, however, explicitly confirmed its conclusion “d[id] not render the shape,

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258. *Id.*

259. *Id.* at 1009.

260. *Id.* at 1012.

261. *Id.* (citing 17 U.S.C. § 101).

262. *Id.*

263. *Id.*

264. *Id.* at 1012 n.1.

265. *Id.* at 1012.

266. *Id.*

267. *Id.* at 1013.

268. *Id.*

269. *Id.* at 1013.

270. *Id.* at 1016.

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cut, and physical dimensions of the cheerleading uniforms eligible for copyright protection.”<sup>271</sup>

## B. *Federal Appellate Copyright Cases*

### 1. DMCA Safe Harbor Protection

In *Mavrix Photographs, LLC v. Livejournal, Inc.*, the Ninth Circuit addressed whether the common law of agency applies to a safe harbor defense under the Digital Millennium Copyright Act (DMCA).<sup>272</sup> The plaintiff-appellant (Mavrix), a photography company specializing in photographs depicting celebrities visiting tropical locations, sued the defendant-appellee (LiveJournal), a social media platform, for posting several of its copyrighted photographs online.<sup>273</sup>

LiveJournal allowed users “to create and run thematic ‘communities’ in which they could post and comment on content related to the theme.”<sup>274</sup> One such community (ONTD), which became LiveJournal’s most popular, featured current celebrity news.<sup>275</sup> LiveJournal communities, including ONTD, established their own guidelines for submitting and commenting on users’ posts.<sup>276</sup> “Moderators,” unpaid administrators who ran LiveJournal’s communities, reviewed posts submitted by users and enforced community guidelines.<sup>277</sup>

Volunteer moderators exclusively operated ONTD upon its creation.<sup>278</sup> LiveJournal, in other words, played no role in ONTD’s daily operations.<sup>279</sup> ONTD users would submit proposed celebrity news posts to an internal queue reviewed by moderators, who publicly posted approximately one-third of all ONTD submissions.<sup>280</sup>

In 2010, LiveJournal hired one of ONTD’s active moderators (Delzer) to serve as the community’s full-time moderator leader in an effort to grow the LiveJournal site and generate advertising revenue.<sup>281</sup> Delzer, as moderator leader, continued performing normal moderator tasks, including reviewing and approving ONTD posts, but also instructed other ONTD moderators on the content they should approve for posting and evaluated their performance.<sup>282</sup>

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271. *Id.*

272. 873 F.3d 1045, 1049 (9th Cir. 2017).

273. *Id.* at 1048–51.

274. *Id.* at 1049.

275. *Id.*

276. *Id.*

277. *Id.*

278. *Id.* at 1050.

279. *Id.*

280. *Id.*

281. *Id.*

282. *Id.*

LiveJournal took various steps to protect against copyright infringement in its communities, including in ONTD.<sup>283</sup> LiveJournal, for example, followed “the formal notice and takedown procedures outlined in the DMCA by designating an agent and form to report infringement, and by promptly removing infringing posts and prohibiting repeat abusers from the community.”<sup>284</sup> LiveJournal’s terms of service, moreover, advised users not to “[u]pload, post or otherwise transmit any Content that infringes any patent, trademark, trade secret, copyright or other proprietary rights.”<sup>285</sup>

Mavrix sued LiveJournal, alleging “copyright infringement on the basis of twenty Mavrix photographs posted on ONTD.”<sup>286</sup> LiveJournal moved for summary judgment on the basis of the DMCA’s Section 512(c) safe harbor.<sup>287</sup> The district court granted LiveJournal’s motion, holding the Section 512(c) safe harbor shielded LiveJournal from copyright infringement liability, and Mavrix appealed.<sup>288</sup> The Ninth Circuit disagreed, reversing the district court’s ruling and remanding for further proceedings.<sup>289</sup>

The appellate court explained LiveJournal sought refuge under the DMCA safe harbor provision that provides protection from copyright liability for “information residing on systems or networks at the direction of users.”<sup>290</sup> The court explained further that a service provider becomes eligible for protection under the safe harbor provision only if it demonstrates, as a threshold matter, that the infringing material became stored “at the direction of the user.”<sup>291</sup> If the service provider satisfies its threshold proof burden, it subsequently must show (1) “it lacked actual or red flag knowledge of the infringing material; and (2) it did not receive a ‘financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.’”<sup>292</sup>

The court thereafter analyzed the moderators’ role in screening and posting users’ submissions and whether their acts may be attributable to LiveJournal.<sup>293</sup> The court held the district court erred in rejecting Mavrix’s argument that the moderators acted as LiveJournal’s agents and, therefore, made LiveJournal liable for their acts.<sup>294</sup> The court found gen-

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283. *Id.* at 1049.

284. *Id.*

285. *Id.*

286. *Id.* at 1051.

287. *Id.*

288. *Id.*

289. *Id.* at 1049.

290. *Id.* at 1052 (citation omitted).

291. *Id.* (citing 17 U.S.C. § 512(c)(1)).

292. *Id.*

293. *Id.* at 1053.

294. *Id.*

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uine issues of material fact existed regarding whether the moderators possessed actual authority to act on LiveJournal's behalf because, among other reasons, LiveJournal gave moderators "explicit and varying levels of authority to screen posts," and "moderators performed a vital function in LiveJournal's business model."<sup>295</sup> The court also found genuine issues of material fact existed regarding whether the moderators possessed apparent authority to act on LiveJournal's behalf because, among other reasons, "LiveJournal selected moderators and provided them with specific directions," and "LiveJournal users may have reasonably believed that the moderators had authority to act for LiveJournal."<sup>296</sup> The court also found material fact issues existed regarding the level of control LiveJournal exerted over moderators.<sup>297</sup> Genuine issues of material fact, in short, existed regarding whether the moderators acted as LiveJournal's agents.<sup>298</sup>

The court also analyzed whether, if the moderators acted as LiveJournal's agents, Mavrix's photographs got stored "at the users' direction."<sup>299</sup> The court explained infringing material gets stored at the users' direction "if the service provider played no role in making that infringing material accessible on its site or if the service provider carried out activities that were 'narrowly directed' towards enhancing the accessibility of the posts."<sup>300</sup> Applying these principles, the court found a material fact question existed regarding "whether the moderators' acts were merely accessibility-enhancing activities or whether instead their extensive, manual, and substantive activities went beyond the automatic and limited manual activities we have approved as accessibility-enhancing."<sup>301</sup> The district court, therefore, erred in granting summary judgment in LiveJournal's favor, according to the court.<sup>302</sup>

To provide guidance to the district court on remand, the Ninth Circuit also discussed the two remaining requirements under the safe harbor provision, i.e., "lack of knowledge of infringements and lack of any financial benefit from infringement that it had the right and ability to control."<sup>303</sup> With respect to the former, the court explained that if LiveJournal successfully demonstrates the photographs got stored at its users' direction,

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295. *Id.* at 1054.

296. *Id.* at 1055.

297. *Id.* at 1055–56.

298. *Id.* at 1056.

299. *Id.*

300. *Id.* (citations omitted).

301. *Id.*

302. *Id.* at 1056–57.

303. *Id.* at 1057.

it also must demonstrate it lacked both actual and “red flag” knowledge of any copyright infringement.<sup>304</sup>

The court recognized “[a]ctual knowledge refers to whether the service provider had subjective knowledge, while red flag knowledge turns on whether a reasonable person would objectively know of the infringements.”<sup>305</sup> The court directed the district court to analyze actual knowledge not only by considering whether Mavrix failed to notify LiveJournal of the infringements, but also by considering whether there exists any evidence of LiveJournal’s subjective knowledge of the infringing nature of the posts.<sup>306</sup> In order to determine whether LiveJournal possessed red flag knowledge of the infringements, the court directed the fact finder to assess whether “it would be objectively obvious to a reasonable person that material bearing a generic watermark or a watermark referring to a service provider’s website” constituted infringement.<sup>307</sup>

Finally, the court directed the district court to analyze, on remand, whether LiveJournal demonstrated it did not benefit financially from infringements it possessed the right and ability to control.<sup>308</sup> The court recognized a service provider’s “right and ability to control” includes “something more than the ability to remove or block access to materials posted on a service provider’s website,” such as exerting “high levels of control over” users’ activities.<sup>309</sup> The court, in light of these principles, instructed the district court to assess, on remand, “whether LiveJournal’s extensive review process constituted high levels of control to show ‘something more.’”<sup>310</sup> The court also instructed the district court to determine whether LiveJournal derived a financial benefit from the infringement.<sup>311</sup>

## 2. Volitional Conduct Requirement for Direct Copyright Infringement

The Ninth Circuit addressed the volitional requirement for direct copyright infringement in *Perfect 10, Inc. v. Giganews, Inc.*<sup>312</sup> The parties’ dispute involved USENET, “an international collection of organizations and individuals (known as ‘peers’) whose computers connect to one another and exchange messages posted by USENET users.”<sup>313</sup> A user accesses USENET only through USENET providers like Giganews, which “own[ed] and operate[d] several Usenet servers and provide[d] its subscribers with fee-based

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304. *Id.* (citation omitted).

305. *Id.* (citation omitted).

306. *Id.*

307. *Id.* at 1058.

308. *Id.*

309. *Id.* (citations omitted).

310. *Id.* at 1059.

311. *Id.* (citation omitted).

312. 847 F.3d 657 (9th Cir. 2017).

313. *Id.*

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access to content that Giganews store[d] on its own servers as well as content stored on the servers of other Usenet providers.”<sup>314</sup> Livewire, unlike Giganews, owned no USENET servers, but provided subscribers access to USENET content maintained on Giganews’ servers.<sup>315</sup>

The USENET content available through Giganews’ servers remained almost exclusively user-driven, meaning USENET users, and not Giganews or Livewire themselves, submitted most content stored on USENET providers’ servers.<sup>316</sup> Each USENET submission received, upon posting, a unique message identification number, which constituted “the only way to accurately identify a specific Usenet message.”<sup>317</sup>

Perfect 10 owned exclusive copyrights to thousands of adult images, some of which were distributed illegally over Giganews’ servers.<sup>318</sup> Perfect 10 filed suit against Giganews and Livewire, alleging, among other things, direct and indirect copyright infringement claims.<sup>319</sup> The district court ruled in favor of Giganews and Livewire on all copyright infringement claims and awarded approximately \$5.6 million in attorney fees and costs.<sup>320</sup> The district court denied Giganews’ and Livewire’s requests to award additional attorney fees and to add the founder and sole shareholder of Perfect 10 as a judgment debtor.<sup>321</sup> Perfect 10 appealed, asserting the district court erred in holding neither Giganews nor Livewire infringed directly on its copyrights.<sup>322</sup> The Ninth Circuit disagreed and affirmed the district court.<sup>323</sup>

The Ninth Circuit stated that “[t]o establish a prima facie case of direct infringement, a plaintiff ‘must show ownership of the allegedly infringed material’ and ‘demonstrate that the alleged infringers violated at least one exclusive right granted to copyright holders under 17 U.S.C. § 106.’”<sup>324</sup> Additionally, the court emphasized that direct infringement requires the plaintiff to demonstrate causation, also known as volitional conduct.<sup>325</sup> The court held Perfect 10 failed to adequately demonstrate Giganews directly infringed its display rights because “the fact that “users may use Giganews’s reader to display infringing images does not constitute volitional conduct by Giganews.”<sup>326</sup> The court reasoned Giganews provided

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314. *Id.*

315. *Id.*

316. *Id.* at 663–64.

317. *Id.* at 663.

318. *Id.* at 663.

319. *Id.* at 664–65.

320. *Id.* at 665.

321. *Id.* at 665.

322. *Id.*

323. *Id.* at 663, 665.

324. *Id.* at 666 (citation omitted).

325. *Id.* (citation omitted).

326. *Id.* at 668.

users with only “a reader, a piece of software that allows a user to view an image,” and therefore, “[t]o the extent [the reader] is used to view infringing images, this is done by the user.”<sup>327</sup> The court also reasoned that “images and thumbnails . . . accessed through the Giganews platform . . . d[id] not demonstrate that Giganews—as opposed to the user who called up the images—caused the images to be displayed.”<sup>328</sup> The court, therefore, affirmed “the district court’s dismissal of Perfect 10’s display rights-based direct infringement claim.”<sup>329</sup>

The Ninth Circuit also rejected Perfect 10’s claims of direct infringement of its distribution and reproduction rights under the Copyright Act.<sup>330</sup> The court found that any distribution or reproduction occurred automatically from the acts of Giganews’ users, and that neither Giganews nor Livewire engaged in any volitional conduct by which it caused the distribution or reproduction of the copyrighted material.<sup>331</sup>

The Ninth Circuit also upheld the district court’s ruling that Giganews did not contributorily infringe Perfect 10’s copyrights, but based its ruling on grounds different than those upon which the district court based its ruling.<sup>332</sup> Although the district court held Giganews did not possess sufficient knowledge of the infringing conduct, the Ninth Circuit did not reach the issue and, instead, found that Perfect 10 failed to establish that Giganews “materially contributed to or induced infringement of” the copyrights.<sup>333</sup> The court recognized it previously had held, in the online context, that a “computer system operator” becomes liable under a material contribution theory of infringement “if it has *actual* knowledge that *specific* infringing material is available using its system, and can take simple measures to prevent further damage to copyrighted works, yet continues to provide access to infringing works.”<sup>334</sup> Finding “onerous and unreasonably complicated” Perfect 10’s proposed method for locating infringing messages, the court held there existed “no simple measures available that Giganews failed to take to remove Perfect 10’s works from its servers.”<sup>335</sup>

The court also held Giganews did not “induce” infringement of Perfect 10’s copyrighted works because no reasonable juror could find Giganews distributed its product “with the object of promoting its use to in-

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327. *Id.*

328. *Id.*

329. *Id.* at 669.

330. *Id.* at 669–70.

331. *Id.*

332. *Id.* at 670–72.

333. *Id.* at 670.

334. *Id.* at 671 (alteration in original) (quoting *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1172 (9th Cir. 2007)).

335. *Id.* at 671.

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fringe copyright.”<sup>336</sup> The court also held Perfect 10 failed to establish vicarious copyright infringement because it did not “demonstrate a causal link between the infringing activities and a financial benefit to Giganews,” i.e., that “customers were drawn to Giganews’s services because of the infringing Perfect 10 material at issue.”<sup>337</sup>

Finally, the Ninth Circuit upheld the district court’s award of approximately \$5.6 million in attorney fees and costs to the defendants and affirmed the district court’s denials of Giganews’ and Livewire’s requests to add Perfect 10’s sole shareholder as a judgment debtor.<sup>338</sup>

### 3. Defenses to Copyright Infringement Liability

In *Disney Enterprises, Inc. v. VidAngel, Inc.*, the Ninth Circuit addressed (1) whether the Family Movie Act of 2005 (FMA) exempts an alleged copyright infringer from copyright infringement liability, and (2) whether the anti-circumvention provision of the Digital Millennium Copyright Act (DMCA) encompasses certain technological protection measures controlling access to and use of copyrighted works.<sup>339</sup> The defendant-appellant (VidAngel) operated an online streaming service, which removed certain objectionable material from copyrighted films and television programs, including those owned by the plaintiffs-appellees (collectively, studios).<sup>340</sup> VidAngel bought and decrypted physical discs containing the studios’ films and television programs, converted the discs’ contents to digital computer files, and streamed “filtered” versions of the works to VidAngel customers.<sup>341</sup> VidAngel’s disc decryption efforts included utilizing AnyDVD HD, a software program that removes certain technological protection measures shielding the studios’ works from unauthorized access and copying.<sup>342</sup> VidAngel possessed no license or authority to copy or access any of the studios’ works.<sup>343</sup>

The studios sued VidAngel, alleging violations of the Copyright Act and the DMCA.<sup>344</sup> VidAngel denied the allegations and asserted the affirmative defenses of fair use and legal authorization under the FMA.<sup>345</sup> The district court ruled in the studios’ favor, holding VidAngel “had likely violated both the Digital Millennium Copyright Act and the Copyright Act.”<sup>346</sup> The district court held VidAngel violated the DMCA “by cir-

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336. *Id.* at 672.

337. *Id.* at 673–74.

338. *Id.* at 675–78.

339. 869 F.3d 848, 852 (9th Cir. 2017).

340. *Id.*

341. *Id.*

342. *Id.* at 853.

343. *Id.* at 855.

344. *Id.*

345. *Id.*

346. *Id.* at 852.

cumventing the technological measures controlling access to the Studios' works."<sup>347</sup> The court held VidAngel violated the Copyright Act by making copies of the studios' work on a computer and third-party servers.<sup>348</sup> It also held VidAngel violated the studios' exclusive right to perform publicly their works under the Copyright Act "because at most the customers 'own' only the physical discs they 'purchase,' not the digital content streamed to them."<sup>349</sup> The district court rejected VidAngel's FMA defense on the ground that its streaming service did not comply with the FMA's express language, which requires filtered transmissions to derive "from an 'authorized copy' of the motion picture."<sup>350</sup>

Because the studios had demonstrated a likelihood of success on the merits of their DMCA and copyright claims, the district court also "preliminarily enjoined VidAngel from circumventing the technological measures controlling access to copyrighted works on DVDs and Blu-ray discs owned by the studios, copying those works, and streaming, transmitting, or otherwise publicly performing or displaying them electronically."<sup>351</sup>

The Ninth Circuit affirmed the preliminary injunction.<sup>352</sup> The appellate court held the district court did not abuse its discretion in concluding VidAngel's copying of the studios' works likely constituted copyright infringement because (1) the studios indisputably owned the copyrighted materials; and (2) VidAngel, the lawful owner of the studios' copyrighted discs, possessed authority only to "sell or otherwise dispose of" those particular discs, not to reproduce the copyrighted content thereof.<sup>353</sup>

The appellate court likewise held the district court did not abuse its discretion in rejecting VidAngel's FMA and fair use defenses.<sup>354</sup> With respect to the former defense, the court reasoned the FMA allows users to make imperceptible limited portions of audio or visual works only "from an authorized copy of the motion picture," and VidAngel did "not stream from an authorized copy of the Studios' motion pictures; it stream[ed] from [a] 'master file' copy it created by 'ripping' the movies from discs after circumventing their" technological protection measures.<sup>355</sup>

Regarding the latter defense, the Ninth Circuit analyzed (1) the purpose and character of VidAngel's use of the Studios' copyrighted work; (2) "the nature of the copyrighted work"; (3) "the amount and substantiality of the portion used in relation to the copyrighted work as a whole";

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347. *Id.* at 855.

348. *Id.*

349. *Id.*

350. *Id.*

351. *Id.* at 852, 855.

352. *Id.* at 852.

353. *Id.* at 856–57.

354. *Id.* at 860–62.

355. *Id.* at 857–60.

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and (4) the use's effect upon "the potential market for or value of the copyrighted work."<sup>356</sup> The court, analyzing these factors, concluded VidAngel's actions did not constitute fair use.<sup>357</sup>

The court focused exclusively on the first and fourth factors since VidAngel admitted it copied the entirety of the studios' work and did so for a commercial purpose.<sup>358</sup> Regarding the first factor, the court held VidAngel's copying did not transform the studios' work because it added nothing new thereto and got transmitted for the same purpose—i.e., entertainment.<sup>359</sup> Regarding the fourth factor, the court held VidAngel's copying harmed the studios because its service constitutes an effective substitute for the studios' unfiltered works.<sup>360</sup> The court rejected VidAngel's argument that its service benefits the studios by purchasing the studios' discs and expanding the audience for the copyrighted works to viewers who would not otherwise watch them without filtering.<sup>361</sup>

The court also held the district court did not abuse its discretion in concluding VidAngel's copying of the studios' works likely violated the DMCA because VidAngel employed computer software to decrypt the studios' encryption access controls without the studios' authorization.<sup>362</sup> The court found VidAngel's conduct ran afoul of the DMCA, which provides "[n]o person shall circumvent a technological measure that effectively controls access to a [copyrighted] work."<sup>363</sup> The DMCA defines circumvention to mean "to decrypt an encrypted work . . . without the authority of the copyright owner."<sup>364</sup>

Finally, the court held the district court did not abuse its discretion in granting a preliminary injunction because (1) the studios demonstrated a likelihood of irreparable harm in the absence thereof, (2) "the only harm VidAngel asserted—financial hardship from ceasing infringing activities—did not outweigh the irreparable harm likely to befall the Studios without an injunction," and (3) a preliminary injunction against VidAngel best served the public interest.<sup>365</sup>

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356. *Id.* at 860.

357. *Id.*

358. *Id.*

359. *Id.* at 861.

360. *Id.*

361. *Id.*

362. *Id.* at 865.

363. *Id.* at 863 (alteration in original) (quoting 17 U.S.C. § 1201(a)(1)(A)).

364. *Id.* (quoting 17 U.S.C. § 1201(a)(3)(A)).

365. *Id.* at 865–67.

#### 4. Preemption and Unfair Competition

The Fifth Circuit addressed issues of preemption under the Copyright Act in *Ultraflo Corp. v. Pelican Tank Parts, Inc.*<sup>366</sup> The plaintiff-appellant (Ultraflo) manufactured butterfly valves utilized in the transportation industry.<sup>367</sup> With employee Thomas Mueller's assistance, Ultraflo redesigned one of its valves and recorded the new design in drawings specifying the valve's specifications and features.<sup>368</sup> Mueller thereafter left Ultraflo and began working at Pelican, Ultraflo's competitor, which subsequently introduced a valve Ultraflo believed resembled the its own valve.<sup>369</sup>

Assuming Pelican hired Mueller to secure "access to its design drawings and other intellectual property," Ultraflo sued Pelican and Mueller (collectively, Pelican) for, among other things, unfair competition by misappropriation under Texas law.<sup>370</sup> The district court held federal copyright law preempted Ultraflo's unfair competition by misappropriation claim.<sup>371</sup> Ultraflo appealed, seeking reversal of the district court's preemption ruling.<sup>372</sup>

The Fifth Circuit affirmed, holding the Copyright Act preempted Ultraflo's unfair competition claim.<sup>373</sup> In reaching its conclusion, the court applied a two-part preemption test derived from Section 301(a) of the Copyright Act.<sup>374</sup> The court, pursuant to the test, analyzed (1) whether the intellectual property at issue fell within the subject matter of copyright; and (2) if so, whether the state law claim protected rights in property equivalent to any of the exclusive rights within the general scope of copyright.<sup>375</sup>

The court held the valve's design—the basis of Ultraflo's unfair competition claim—satisfied the first prong of the preemption test.<sup>376</sup> The court reasoned that although the Copyright Act does not protect the valve's design, Section 301 of the Act "sweeps more broadly," extending to things, like valve designs, that Congress chose to exclude from copyright protection.<sup>377</sup>

The court held further that Ultraflo's state law unfair competition by misappropriation cause of action satisfied the second prong of the preemption test.<sup>378</sup> The court reiterated a state law claim becomes preempted only

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366. 845 F.3d 652 (5th Cir. 2017).

367. *Id.* at 653.

368. *Id.* at 653–54.

369. *Id.* at 654.

370. *Id.*

371. *Id.*

372. *Id.* at 655.

373. *Id.* at 659.

374. *Id.*

375. *Id.* at 656 (citation omitted).

376. *Id.*

377. *Id.* at 656–57.

378. *Id.* at 657–59.

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if it seeks “to protect rights equivalent to those ‘within the general scope of copyright,’” a determination made by applying the “extra elements test,” which examines whether “one or more qualitatively different elements are required to constitute the state-created cause of action being asserted.”<sup>379</sup>

The court held the elements of Ultraflo’s unfair competition by misappropriation cause of action did not satisfy the “extra elements test.”<sup>380</sup> The court explained “Texas’s unfair competition by misappropriation cause of action does not afford protection materially different from federal copyright law.”<sup>381</sup> The court clarified the preemption inquiry asks “not whether state law provides a right identical to federal copyright law, but whether state law provides a right akin to those” within the general scope of federal copyright law.<sup>382</sup> The court, moreover, explained the “equivalent rights” analysis “looks not at the rights Congress actually provided but at the type of rights it has the power to confer.”<sup>383</sup>

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379. *Id.* at 657 (citations omitted).

380. *Id.*

381. *Id.* at 656.

382. *Id.* at 658 (citation omitted).

383. *Id.*

