Survey of Additional IP and Technology Law Developments

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# Survey of Additional IP and Technology Law Developments

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I. PATENT DEVELOPMENTS

A. APPLE INC. v. SAMSUNG ELECTRONICS CO.¹

In 2013–2014, Judge Lucy Koh of the Northern District of California issued two decisions in the recent Apple Inc. v. Samsung Electronics Co. “smartphone wars.” These decisions have added to the litigation spanning from April 2011 to the present.

On April 15, 2011, plaintiff Apple, Inc. (“Apple”) filed suit against defendants Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC (collectively, “Samsung”) for trade dress, trademark, design patent, and utility patent infringement.² In this action, the court found that certain Samsung devices diluted Apple’s trade dress on some products, infringed the utility patents, and did not infringe the design patents.³

Apple alleged that Samsung’s Galaxy cell phones and computer tablets infringed on several of Apple’s trade dress, trademarks, and utility and design patents.⁴ A U.S. jury trial began on July 30, 2012.⁵ On August 24, 2012, the jury found that Samsung willfully infringed on Apple’s design and utility patents, diluted Apple’s registered iPhone, iPhone 3, and “Combination iPhone” trade dress on some products, and found that there was no Apple infringement of Samsung utility patents.⁶ Accordingly, the jury awarded Apple $1.049 billion in damages and Samsung zero damages in its countersuit.⁷

After the jury verdict, Apple brought a motion for a permanent injunction seeking to enjoin Samsung “from infringing, contributing to the infringement, or inducing the infringement” of several Apple utility

² Id.
³ Id.
⁵ Id.
and design patents. The district court denied Apple’s motion, stating that the fact that Apple may have lost customers and downstream sales to Samsung was not enough to justify an injunction. On appeal, the Federal Circuit vacated the order denying an injunction with respect to Apple’s U.S. Design Patent No. D504,889. The preliminary injunction was granted in June 2012, however, after Samsung’s Galaxy Nexus cellphone was found not to infringe Apple’s patents, the Federal Circuit vacated the injunction on October 11, 2012.

In March 2013, Judge Koh ordered a new trial to recalculate the damages, striking $450.5 million from the original $1.05 billion judgment because there was an “impermissible legal theory on which the jury based its award.” The court found that certain Samsung devices infringed only on utility patents, and not on design patents. On November 21, 2013, a jury found that Samsung needed to pay Apple an additional $290 million in damages for patent infringement, bringing the total damages to $930 million.

While the first case was still ongoing, Apple brought a second suit against Samsung on February 8, 2012, alleging that Samsung’s Galaxy Nexus smartphone infringed eight utility patents. One of the patents at issue, U.S. Patent No. 8,086,604 (“the ’604 patent”), had a claim that directed an apparatus for “unified” search using heuristic modules to search multiple data storage locations. According to this claim, when a user inputted a search query in the unified search interface, the query was submitted to multiple heuristic modules in predetermined search areas, and the search results were then returned by the search modules to the user. After Apple filed a motion for a preliminary injunction, seeking to

9. Id.
13. Id.
16. Id.
17. Id. at 1373.
enjoin the sales of the Galaxy Nexus, the district court found that three of the four asserted patents forming the basis of Apple’s request for relief did not justify granting the motion.\(^\text{18}\) However, the district court enjoined the sales of the Galaxy Nexus on June 26, 2012 after it determined that there was infringement of the fourth patent, the ’604 patent.\(^\text{19}\) The district court held that the ’604 patented feature was “core to [Apple’s] Siri’s functionality” and a “but-for driver of demand.”\(^\text{20}\)

On appeal, the Federal Circuit reversed and remanded the decision, holding that the district court abused its discretion.\(^\text{21}\) The Federal Circuit held that the causal nexus between harm and infringement was not satisfied.\(^\text{22}\) The court found that Apple failed to show that consumers bought the Galaxy Nexus because it was equipped with the apparatus claimed in the ’604 patent, rather than because it could search in general.\(^\text{23}\) Consequently, there was not a sufficient showing that the harm flowed from Samsung’s alleged infringement.\(^\text{24}\)

On May 5, 2014, a jury instructed Samsung to pay Apple $119.6 million, returning a verdict that nine of ten accused Samsung products infringed one or both of Apple’s U.S. Patent No. 5,946,647 (“the ’647 patent”) and U.S. Patent No. 8,046,721 (“the ’721 patent”).\(^\text{25}\) This was a substantial decrease from the $2.1 billion that Apple sought in damages for infringement.\(^\text{26}\) However, the jury also found Apple guilty of infringing one of Samsung’s patents and awarded Samsung $158,400, which was a marginally small number compared to the $6.2 million that Samsung sought.\(^\text{27}\)

B. **BARD PERIPHERAL VASCULAR, INC. v. W.L. GORE & ASSOCIATES**\(^\text{28}\)

In a divided panel, the United States Court of Appeals for the Federal Circuit held that W.L. Gore & Associates, Inc. (“Gore”) willfully

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18. *Id.*
19. *Id.*
22. *Id.* at 1377.
23. *Id.*
24. *Id.*
26. *Id.* at *4*.
infringed U.S. Patent No. 6,436,135 ("the '135 patent") because Gore’s inventorship invalidity defense was not reasonable.\(^{29}\)

The dispute began in 1973 when a Gore employee, Peter Cooper, invited Dr. David Goldfarb to participate in a study on expanded polytetrafluoroethylene ("ePTFE") for use as a graft to repair and replace blood vessels.\(^{30}\) Goldfarb tested samples given to him by Cooper and then filed a patent application in 1974 on the structure of the most effective sample.\(^{31}\) However, Cooper had previously filed a patent application for the same structure.\(^{32}\) The Patent and Trademark Office eventually awarded the '135 patent to Goldfarb in 2002, with Gore developing ePTFE grafts commercially in the interim.\(^{33}\) Goldfarb granted an exclusive license of the '135 patent to Bard Peripheral Vascular, Inc., and they jointly brought a patent infringement suit against Gore in 2003.\(^{34}\)

At trial, the jury found the '135 patent to be valid and held that Gore willfully infringed.\(^{35}\) The Federal Circuit affirmed, but an en banc court granted a rehearing to authorize the panel to revise the willfulness part of the opinion.\(^{36}\) The panel vacated that part and held that the determination of "objective" recklessness, which is the threshold inquiry when establishing willful infringement, should be "decided by the judge as a question of law subject to de novo review."\(^{37}\) As such, the judge is the arbiter of whether an accused infringer’s defense is reasonable.\(^{38}\) Yet the outcome for Gore did not change when applying this standard on remand; the district court stated that it was "clear to this Court, just as it was to the jury, that [Gore] . . . could not have 'realistically expected' its defenses to succeed."\(^{39}\) Subsequently, Gore appealed the district court’s determination that its inventorship defense was not objectively reasonable.\(^{40}\)

Here, the Federal Circuit reviewed Gore’s position de novo.\(^{41}\) Gore’s inventorship defense rested on its claim that Cooper was a joint inventor of the '135 patent, and since he was not joined as a co-inventor, the patent

29. Ibid. at *20.
30. Ibid. at *25 (Newman, J., dissenting).
31. Ibid. at *27 (Newman, J., dissenting).
32. Ibid.
33. Ibid. at *28 (Newman, J., dissenting).
34. Ibid. at *2–4.
35. Ibid. at *2.
36. Ibid. at *3.
37. Ibid.
38. Ibid. at *12.
39. Ibid. at *3.
40. Ibid. at *4, *13.
41. Ibid. at *12.
was invalid. The court addressed two questions to objectively assess Gore’s defense. The first looked into what constituted “the ‘definite and permanent idea’ of the invention.” The court noted that the invention was not merely the use of ePTFE in vascular grafts. Rather, the '135 patent claims identified specific dimensions of fibril length essential for successful grafts. The second question was “whether Cooper and Goldfarb acted in concert to jointly arrive at that idea.” The court stated that Cooper, while he identified ePTFE as a promising material, actually believed that pore size was the key to success. Therefore, because Cooper had not yet recognized the importance of fibril length when he sent the samples to Goldfarb, he did not conceive the invention.

Interestingly, the court held in prior appeals that Cooper did conceive of the invention, including the fibril length limitation. Nonetheless, the court found that, because Cooper had minimal contact with Goldfarb regarding the fibril length, he conceived of the length limitation independently of Goldfarb. As a result, the court held that “Gore’s position was not susceptible to a reasonable conclusion that the patent was invalid on inventorship grounds,” affirming the district court’s determination.

In a concurring opinion, Judge Hughes noted that recent Supreme Court decisions called into question the willfulness test and standard of review, and therefore the full court should review the willfulness jurisprudence. Further, Judge Hughes deemed the de novo review of willfulness problematic and that a more deferential standard of review was more appropriate.

42. Id. at *14.
43. Id. at *16–17.
44. Id. at *16.
45. Id. at *17.
46. Id.
47. Id. at *16–17.
48. Id. at *17.
49. Id. at *17–18.
50. Id. at *18.
51. Id. at *19.
52. Id. at *21.
54. Id. at *21–22 (Hughes, J., concurring).
Judge Newman strongly dissented, stating that “the panel majority did not review the evidence and apply the law objectively.” The dissent concluded that Gore’s inventorship argument was viable, and it therefore “raise[d] a substantial question of validity.” It listed several lines of evidence supporting its conclusion, including the fact that the Patent and Trademark Office found Cooper to be the first to conceive the invention. Further, the dissent noted that “joint invention does not require collaboration as to every limitation.” And, willfulness is an inquiry into whether the defense of invalidity could “reasonably be raised” and “not whether it eventually succeed[s].” As such, the dissent reasoned that “the entirety of the premises” and application of “the correct legal standards” did not support a judgment of willful infringement.

C. ***e.Digital Corp. v. Futurewei Technologies, Inc.***

A three-judge panel of the United States Court of Appeals for the Federal Circuit unanimously held that when an intervening re-examination of a patent does not address a claim term, collateral estoppel still applies against the patent holder for construction of that claim term. However, the court also noted that collateral estoppel does not apply to unrelated patents that use the same claim term.

In a prior suit, e.Digital Corp. (“e.Digital”) asserted claims 1 and 19 of U.S. Patent No. 5,491,774 (“the ’774 patent”) against Pentax of America, Inc. (“Pentax”) in the U.S. District Court for the District of Colorado. The ’774 patent disclosed a microphone with a removable, interchangeable flash memory recording medium. The district court construed the ’774 patent claim’s memory limitation to only use flash memory, not random-access memory (“RAM”) or any other memory system, because the inventor disclaimed RAM and other memory systems. During prosecution, the patentee had amended his claims in order to avoid a
rejection by prior art that used RAM memory. After this construction, e.Digital and Pentax stipulated to dismissal with prejudice. e.Digital followed this lawsuit with an ex parte reexamination of the '774 patent, during which the United States Patent and Trademark Office cancelled claims 1 and 19 of the '774 patent and issued a reexamined claim 33. New claim 33 combined the limitations of claims 1 and 19, including the same memory limitation, and added some additional limitations like using a microprocessor.

e.Digital then sued various defendants in the U.S. District Court for the Southern District of California, including Futurewei Technologies, Inc. (“Futurewei”), asserting infringement of claim 33 of the '774 patent and other claims of U.S. Patent No. 5,839,108 (“the '108 patent”). The '108 patent was unrelated to the '774 patent. However, in disclosing a purported improvement to the '774 patent, the '108 patented incorporated the '774 patent by reference and contained the same memory limitation used in the '774 patent. After consolidating e.Digital’s cases, the district court applied collateral estoppel to the memory limitation in the v774 patent based on e.Digital’s earlier case against Pentax. The district court also applied collateral estoppel to the same memory limitation construction used in the '108 patent. e.Digital and Futurewei stipulated to final judgment of non-infringement, allowing appeal to the Federal Circuit on the application of collateral estoppel to the memory limitation in the two patents.

The Federal Circuit first noted that it reviews issues of collateral estoppel de novo, applying the law of the regional circuit. As this case was issued out of the Ninth Circuit, the court proceeded to list the three elements of collateral estoppel under Ninth Circuit law: (1) whether the issue necessarily decided in the previous proceeding is identical to the one which is sought to be re-litigated; (2) whether the first proceeding ended

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68. Id.
69. Id.
70. Id.
71. Id.
72. Id. at 726.
73. Id.
74. Id. at 725–26.
75. Id. at 726.
76. Id.
77. Id. (citing Aspex Eyewear, Inc. v. Zenni Optical LLC, 713 F.3d 1377, 1380 (Fed. Cir. 2013)).
with a final judgment on the merits; and (3) whether the party against which collateral estoppel is asserted was a party or in privity with a party at the first proceeding. The court observed that the parties only disputed the first of the three collateral estoppel elements, which was whether the issue was identical to the issue decided in the previous proceeding. The court addressed this issue with respect to both the '774 patent and the '108 patent.

Addressing the '774 patent first, the court found that claim 33 in the '774 patent recited a memory limitation identical to the previously construed term in claims 1 and 19 of the '774 patent. The court also found that the reexamination focused on an unrelated term, and did not affect the memory limitation. The court concluded that the dispute over claim construction was identical, and collateral estoppel applied to the '774 patent.

Turning to the '108 patent, the court found the '108 patent was unrelated to the '774 patent since it only incorporated the '774 patent by reference. The court observed that the '108 patent claimed a different invention, supported by a different description, with a different prosecution history. The court cited to Texas Digital Systems, Inc. v. Telegenix, where the Federal Circuit refused to constrain the meaning of a term in one patent based on the inventor’s representations of that same term in an unrelated patent. Reiterating that claims of unrelated patents must be construed separately, the court found that collateral estoppel did not apply to the '108 patent.

In dicta, the court advised that collateral estoppel does not necessarily apply even in constructions of related patents, noting that differences such as new matter disclosed in a continuation-in-part could make the issues of construction different.

78. Id. (citing Hydranautics v. FilmTec Corp., 204 F.3d 880, 885 (9th Cir. 2000)).
79. Id.
80. Id. at 726–27.
81. Id. at 726.
82. Id.
83. Id.
84. Id.
85. Id. at 726–27.
86. Id. at 727 (citing Texas Digital Sys., Inc. v. Telegenix, Inc., 308 F.3d 1193, 1211 (Fed. Cir. 2002)).
87. Id.
88. Id.
D. **Ericsson, Inc. v. D-Link Systems**

In *Ericsson, Inc. v. D-Link Systems, Inc.*, the United States Court of Appeals for the Federal Circuit clarified some of the issues that determine damages in cases where standard essential patents ("SEPs") are implicated.

Ericsson, Inc. & Telefonaktiebolaget LM Ericsson (collectively, "Ericsson"), the owner of U.S. Patent Nos. 6,424,625 ("the '625 patent"); 6,466,568 ("the '568 patent"); and 6,772,215 ("the '215 patent"), sued D-Link Systems, Inc. and others (collectively, "D-Link") for patent infringement. All of the patents at issue were SEPs, patents that cover technology incorporated into standards that ensure interoperability among compliant devices. Because compliant devices “necessarily infringe certain claims in patents that cover technology incorporated into the standard,” SEP owners must pledge that they will grant licenses on “reasonable and nondiscriminatory” ("RAND") terms.

At the district court level, the jury found that D-Link infringed on various claims on the three patents at issue and awarded around $10 million in damages—fifteen cents per infringing device. D-Link moved for judgment as a matter of law ("JMOL"), arguing that the jury’s findings and the damages award were not supported by substantial evidence. In addition, D-Link argued that Ericsson’s expert violated the entire market value rule and that the jury was inadequately instructed regarding Ericsson’s RAND obligation.

On appeal, the Federal Circuit affirmed the infringement findings related to the '568 and '215 patents, but reversed the infringement finding with respect to the '625 patent. The Federal Circuit also affirmed the jury’s finding that the '625 patent was not invalid. However the court vacated the damages award and remanded the decision for proceedings consistent with the guidance it provided in its opinion.

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89. 773 F.3d 1201 (Fed. Cir. 2014).
90. *Id.* at 1235.
91. *Id.* at 1207.
92. *Id.* at 1208.
93. *Id.* at 1209.
94. *Id.* at 1207.
95. *Id.* at 1213.
96. *Id.* at 1213–14.
97. *Id.* at 1236.
98. *Id.*
99. *Id.* at 1225.
D-Link argued that certain testimony by Ericsson’s damages expert should have been excluded because the calculations were, in part, based on licenses that were tied to the entire value of the licensed products. Because the licensed technology related to only a component of the accused products, D-Link argued that Ericsson violated the entire market value rule by basing its damages on the price of the end products.

The Federal Circuit first held that the legal standard for determining the royalty consists of two parts: a substantive legal rule and a separate evidentiary principle. The substantive legal rule holds that “the ultimate combination of royalty base and royalty rate must reflect the value attributable to the infringing features of the product, and no more.” Therefore, to avoid excessive damages, the only value measured should be the value of the infringing features of the accused product. The separate evidentiary principle requires that a party must take care to avoid misleading the jury and thus must avoid placing “undue emphasis on the value of the entire product” where there is a multi-component product and where the entire value of the product is not “properly and legally attributable to the patented feature.” In light of this two-pronged test, the Federal Circuit held that Ericsson’s expert testimony properly apportioned the value of the patented technology and thus did not violate the legal standard, and that Ericsson’s evidence did not mislead the jury and thus did not violate the evidentiary standard.

The Federal Circuit also expanded the type of evidence that could be presented to the jury to help decide an appropriate royalty award. The court held that prior licenses are admissible evidence to the extent that they would not unfairly affect the jury’s ability to apportion damages. Therefore, when licenses based on the value of a multi-component product are admitted, the court should give a “cautionary instruction regarding the limited purposes for which such testimony is proffered if the

100. Id.
101. Id.
102. Id. at 1226.
103. Id. (citing VirnetX, Inc. v. Cisco Sys., Inc., 767 F.3d 1308, 1326 (Fed. Cir. 2014) (citing Garretson v. Clark, 111 U.S. 120, 121 (1884))).
104. Id.
105. Id. at 1226–27 (quoting Uniloc USA, Inc. v. Microsoft Corp., 632 F.3d 1292, 1320 (Fed. Cir. 2011)).
106. Id. at 1227.
107. Id.
108. Id. at 1227–28 (stating that “the fact that a license is not perfectly analogous generally goes to the weight of the evidence, not its admissibility.”).
accused infringer requests the instruction.” 109 Furthermore, the court should ensure that the instructions fully explain the need to apportion the royalty determination to the “incremental value of the patented feature” from the accused product. 110

The Federal Circuit also held that the district court erred in failing to adequately instruct the jury about proper apportionment, determining a proper RAND royalty rate from the value of the invention, and Ericsson’s RAND commitment. 111 The court found that listing all fifteen Georgia-Pacific factors in a RAND determination is improper because many factors are not relevant, and even contrary to RAND principles, when an SEP is involved. 112 Furthermore, the Federal Circuit stated that “[t]rial courts should also consider the patentee’s actual RAND commitment in crafting the jury instruction.” 113 The district court judge failed to instruct the jury about Ericsson’s “actual” RAND obligation; instead the judge instructed the jury that Ericsson had an obligation to “license its technology on RAND terms.” 114 Furthermore, the Federal Circuit held that the district court erred in not instructing the jury to ensure that the royalty award is apportioned to the value of the patented invention, and not the value of the standard as a whole, 115 but did not err when it did not instruct the jury on patent hold-up and royalty stacking. 116

In summary, the Federal Circuit affirmed the infringement findings related to the ’568 and ’215 patents, reversed the infringement finding related to the ’625 patent, and vacated and remanded the royalty award to the district court. 117

109. Id.
110. Id.
111. Id. at 1235.
112. Id. at 1230–31 (noting that factors such as 4, 5, 8, 9, and 10 are not relevant, or are misleading); see also Georgia-Pacific Corp. v. United States Plywood Corp., 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).
113. Id.
114. Id. (“The court therefore must inform the jury what commitments have been made and of its obligation (not just option) to take those commitments into account when determining a royalty award.”)
115. Id. at 1233.
116. Id. at 1230, 1235.
117. Id. at 1236.
E. **In re BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation**\(^{118}\)

In *In re BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation*, the United States Court of Appeals for the Federal Circuit held that claims relating to BRCA primers and comparison of BRCA sequences via hybridization or genetic sequencing are patent-ineligible subject matter under 35 U.S.C. § 101 as products of nature and abstract ideas, respectively.\(^{119}\)

In the 1990s, Myriad Genetics, Inc., the University of Utah Research Foundation, the Trustees of the University of Pennsylvania, HSC Research and Development Limited Partnership, and Endorecherche, Inc. (collectively “Myriad”) discovered the locations and sequences of the BRCA1 and BRCA2 genes.\(^{120}\) Mutations of these two genes increase a patient’s susceptibility to breast or ovarian cancer.\(^{121}\) Myriad owns U.S. Patent No. 5,753,441 (“the ’441 patent”), U.S. Patent No. 5,747,282 (“the ’282 patent”), and U.S. Patent No. 5,837,492 (“the ’492 patent”), and its patents concern compositions of matter and methods relating to the BRCA1 and BRCA2 genes.\(^{122}\) The Supreme Court, as well as the Federal Circuit, previously addressed several of Myriad’s patents at issue in former lawsuits.\(^{123}\) The Supreme Court ruled that Myriad’s discovery and isolation of BRCA DNA were patent ineligible because they yielded products of nature, i.e., genetic information in the BRCA1 and BRCA2 genes remained unchanged.\(^{124}\) On the other hand, BRCA cDNA, which is synthetically created DNA coding only amino acids, was patent eligible because it does not exist in nature.\(^{125}\)

After the *Myriad* decision, competitors including Ambry Genetics Corp. (“Ambry”) began selling generic versions of Myriad’s medical kits designed to test for BRCA1 and BRCA2 mutations.\(^{126}\) On July 8, 2013, Myriad brought suit against Ambry in the United States District Court for the District of Utah, seeking to enjoin alleged infringement of six claims of its three patents that had not yet been addressed by the Supreme Court.

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118. 774 F.3d 755 (Fed. Cir. 2014).
119. Id. at 757.
120. Id. at 758.
121. Id.
122. Id. at 757.
124. Id. at 2111.
125. Id.
126. In re BRCA1, 774 F.3d 755, 758 (Fed. Cir. 2014).
or the Federal Circuit: claims 7 and 8 of the 441 patent, claims 16 and 17 of the '282 patent, and claims 29 and 30 of the '492 patent. These six claims included four composition of matter claims relating to BRCA primers and two method claims involving comparisons between typical, i.e., “wild-type,” BRCA sequences and patients’ BRCA sequences. On March 10, 2014, the district court denied Myriad’s motion for a preliminary injunction even though Myriad would likely suffer irreparable harm from the denial, finding that “Myriad was unlikely to succeed on the merits because the claims were likely drawn to ineligible subject matter.” On appeal, Myriad argued patent eligibility of its four composition of matter claims by distinguishing them from the claims at issue in Myriad and its two method claims by analogizing them to other method claims previously held to be patent eligible.

Concerning Myriad’s four claims related to BRCA primers, which are “short, synthetic, single-stranded DNA molecules that bind specifically to intended target nucleotide sequences,” the Federal Circuit found that the claims were patent ineligible. Guided by the Supreme Court’s reasoning in Myriad, the Federal Circuit found that the primers were indistinguishable from patent-ineligible isolated DNA. Although Myriad argued that its claims were patent eligible because primers are synthetically created genetic sequences and perform new functions, the court observed that the “[p]rimers are structurally identical to their naturally occurring DNA counterpart and are routinely synthetically created.” Furthermore, the fact that their natural function is exploited in a scientific technique does not give primers themselves a new function. The court held that DNA with a function similar to that found in nature must be structurally unique from anything found in nature in order to be patentable subject matter.

Regarding Myriad’s two claims related to methods for comparing BRCA sequences, the court concluded that the claims were patent

127. Id. at 757–58.
128. Id. at 758–59.
129. Id. at 758.
130. Id. at 760, 764.
131. Id. at 758 (internal quotation marks omitted).
132. Id. at 761.
133. Id. at 760.
134. Id.
135. Id. at 761.
136. Id.
ineligible as well. One method claim compared wild-type and patient's BRCA genes via a hybridization method. The other method claim compared wild-type and patient's BRCA genes via genetic sequencing. Both method claims were comprised of two paragraphs: one relating to another claim ("Claim 1") and the other covering specific comparison techniques. Claim 1 was determined to be patent-ineligible by the Federal Circuit in 2012 because it "claimed an abstract mental process of ‘comparing’ and ‘analyzing’ two gene sequences" within meaning of 35 U.S.C. § 101. The second paragraph relating to specific mechanisms of comparisons was not "inventive" enough to transform the claims into patent eligible subject matter. Hybridization and genetic sequencing techniques are "well-understood, routine and conventional activit[ies]" regularly engaged by scientists. The court did not find anything added by Myriad’s identification of routine, ordinary techniques for comparing genetic sequences.

F. INTEGRATED TECHNOLOGY CORP. v. RUDOLPH TECHNOLOGIES, INC.

In Integrated Technology Corp. v. Rudolph Technologies, Inc., the Federal Circuit found that prosecution history estoppel barred a finding of patent infringement by the doctrine of equivalents when the patentee had narrowed the scope of its patent claim during prosecution in response to patentability rejections.

Integrated Technologies Corporation ("ITC") owned U.S. Patent No. 6,118,894 ("the '894 patent"), involving a probe system for testing chips on semiconductor wafers. The '894 patent discloses a digital viewing system to assess whether the testing probes are misaligned. During the prosecution of the '894 patent before the United States Patent and Trademark Office, ITC amended a patent claim to specify that a probe

137. Id.
138. Id.
139. Id.
140. Id. at 764.
141. Id. at 763.
142. Id. at 764.
143. Id.
144. Id.
147. Id.
148. Id. at 1355.
had to be driven into contact with the viewing window.\textsuperscript{149} The amendment was in response to the patent examiner’s rejection of ITC’s original claim as being anticipated by prior art.\textsuperscript{150}

Rudolph Technologies (“Rudolph”) manufactured two categories of related products: products in which the probe actually touches the viewing window (“touch” products) and products in which it does not (“no touch” products).\textsuperscript{151} ITC sued Rudolph for infringement of several ’894 patent claims, accusing both touch products (literal infringement) and no-touch products (infringement by equivalence).\textsuperscript{152}

The district court granted summary judgment to ITC on literal infringement regarding Rudolph’s touch products.\textsuperscript{153} The matter proceeded to trial on: 1) whether touch product infringement was willful, 2) whether the no-touch products were also infringing, and 3) damages.\textsuperscript{154} The jury found that the touch product infringement was not willful, but that the no-touch products also infringed by the doctrine of equivalents, and that infringement on these products was willful.\textsuperscript{155} The jury awarded ITC damages of $7.7 million on the touch product infringement and $7.8 million on the no-touch product infringement (lost profits).\textsuperscript{156}

Rudolph moved for judgment as a matter of law (“JMOL”), arguing that prosecution history estoppel barred no-touch product infringement by the doctrine of equivalents.\textsuperscript{157} The court denied Rudolph’s JMOL motion, trebled damages for willful infringement of the no-touch products and awarded ITC attorneys’ fees, finding that the case was exceptional.\textsuperscript{158}

On appeal, the Federal Circuit analyzed the prosecution history estoppel doctrine as described in \textit{Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.},\textsuperscript{159} which bars a patentee from recapturing subject matter through the doctrine of equivalents surrendered during prosecution of the patent.\textsuperscript{160} At the first stage of its analysis, the court found that prosecution history estoppel presumptively applied because ITC had amended its

\begin{itemize}
\item \textsuperscript{149} \textit{Id.} at 1358.
\item \textsuperscript{150} \textit{Id.}
\item \textsuperscript{151} \textit{Id.} at 1355.
\item \textsuperscript{152} \textit{Id.}
\item \textsuperscript{153} \textit{Id.}
\item \textsuperscript{154} \textit{Id.} at 1355–56.
\item \textsuperscript{155} \textit{Id.} at 1356.
\item \textsuperscript{156} \textit{Id.} at 1356.
\item \textsuperscript{157} \textit{Id.}
\item \textsuperscript{158} \textit{Id.}
\item \textsuperscript{159} 535 U.S. 722 (2002).
\item \textsuperscript{160} \textit{Integrated Tech. Corp.}, 734 F.3d at 1356.
\end{itemize}
patent claim to narrow its scope (specifying that the probe be in contact with the viewing window) during prosecution of the '894 patent.\footnote{Id.}

Next, the court found that none of the \textit{Festo} exceptions applied.\footnote{Id. (listing the \textit{Festo} exceptions that could rebut a presumption of prosecution history estoppel).} First, ITC could not prove that its amendment was “tangential” to the no-touch products made by Rudolph, i.e. the equivalents ITC claimed infringed its patent.\footnote{Id. at 1358--59.} In fact, the court found that ITC relied substantially on the physical contact between the probe and the window to overcome prior art.\footnote{Id.} Second, ITC did not prove that Rudolph’s no-touch products were unforeseeable at the time either, because its own original patent claim did not claim the probe necessarily touching the viewing window.\footnote{Id. at 1359.}

The court affirmed, however, the damages of lost profits for literal infringement by the touch products, despite Rudolph’s argument on appeal that its expert had testified at trial that if the no touch products had not infringed, those products would have been noninfringing alternatives.\footnote{Id. at 1360.} The court rejected Rudolph’s argument, finding that because Rudolph and ITC were the only players in the market, the jury could have relied on a two-supplier theory of lost profits, and thus the award passed the “substantial evidence” standard the Federal Circuit uses in reviewing jury verdicts.\footnote{Id.} In the two-supplier theory, when only two companies make a product, it can be assumed that the patentee would have made the infringer’s sales.\footnote{Id. (citing State Indus., Inc. v. Mor-Flo Indus., Inc., 883 F.2d 1573, 1578 (Fed. Cir. 1989)).} Nevertheless, the court concluded that the district court’s finding that the case was exceptional was predicated on its finding of willful infringement by the doctrine of equivalents and therefore vacated and remanded it to the district court.\footnote{Id.}

In summary, the Federal Circuit reversed and vacated the finding of infringement under the doctrine of equivalents related to the no-touch products, affirmed the finding of literal infringement by the touch products, vacated the award of attorney’s fees, and remanded to the district court.
court to examine the willfulness finding.\textsuperscript{170} A subsequent petition by Rudolph for certiorari to the U.S. Supreme Court was denied.\textsuperscript{171}

G. \textit{STC.\textsc{unm} \textit{v. Intel Corp.}}\textsuperscript{172}

In \textit{STC.\textsc{unm} \textit{v. Intel Corp.}}, the United States Court of Appeals for the Federal Circuit ruled that a court cannot hear a patent infringement case if one of the patent co-owners refuses to join the suit, and a co-owner cannot be involuntarily joined under Federal Rule of Civil Procedure 19 if it has not given its consent to sue.\textsuperscript{173}

STC, the licensing arm of the University of New Mexico (“\textsc{unm}”), had an assignment for U.S. Patent No. 5,705,321 (“the ‘321 patent”), whose inventors were employees of \textsc{unm} and Sandia Corporation.\textsuperscript{174} Sandia became a co-owner of the ‘321 patent in 1996 through an explicit assignment from \textsc{unm}, accounting for one inventor’s status as a Sandia employee.\textsuperscript{175} In 1997 two of the \textsc{unm} inventors submitted a related patent application, which matured into U.S. Patent No. 6,042,998 (“the ‘998 patent.”).\textsuperscript{176} To overcome a double-patenting rejection by the United States Patent and Trademark Office, \textsc{unm} filed a terminal disclaimer restricting the enforceability of the ‘998 patent to such period that the ‘321 and ‘998 patents were commonly owned.\textsuperscript{177}

STC filed suit in 2010 against Intel in the U.S. District Court for the District of New Mexico, alleging infringement of the ‘998 patent.\textsuperscript{178} To quell objections from Intel that the ‘998 patent could be asserted only when commonly owned with the ‘321 patent, in December 2011 STC assigned an undivided interest in each of the ‘321 and ‘998 patents to Sandia.\textsuperscript{179}

The district court first granted partial summary judgment to Intel, finding no infringement before December 2011 because the patents were

\begin{footnotes}
\item[170] \textit{Id.} at 1361.
\item[171] Rudolph Techs., Inc. \textit{v. Integrated Tech. Corp.}, 134 S. Ct. 2873 (2014). Rudolph’s petition centered on its argument that the two-supplier theory did not apply, because its no-touch products were non-infringing alternatives and thus the assumption that ITC would have made Rudolph’s sales was legally flawed. \textit{See Brief of Respondents at 15–16, Rudolph Techs. \textit{v. Integrated Tech. Corp.}, No. 13–1062 (U.S. Mar. 4, 2014).}
\item[172] 754 F.3d 940 (Fed. Cir. 2014).
\item[173] \textit{Id.} at 946.
\item[174] \textit{Id.} at 941–42.
\item[175] \textit{Id.} at 942.
\item[176] \textit{Id.}
\item[177] \textit{Id.}
\item[178] \textit{Id.}
\item[179] \textit{Id.} at 943.
\end{footnotes}
not commonly owned before that time. Then, the court dismissed the case altogether, finding that STC did not have standing because patent co-owner Sandia refused to join the litigation against Intel. The court relied on its earlier decision in Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456 (Fed. Cir. 1998) for the proposition that when a patent is co-owned, all owners must join as plaintiffs to establish standing.

On appeal, the Federal Circuit reiterated the “settled principle” of its earlier Ethicon decision that “[a]n action for infringement must join as plaintiffs all co-owners.” The court held that the Ethicon holding was “a matter of substantive patent law” and only had two exceptions. The first applied when the suing owner had been granted an exclusive license, while the second was relevant when a co-owner waived his right to refuse to join the suit. Neither applied in the case at bar.

Next, the court rejected STC’s contention that Federal Rule 19(a)’s involuntary joinder provision was controlling in the case. The court held that Rule 19(a), as a rule of procedure, had to give way to a patent co-owner’s “substantive patent right” to impede an infringement suit brought by another co-owner.

Finally, the Federal Circuit did not find its holding at odds with the equities at play in the case. While admitting that a license demand from STC had “less bite” if STC could not sue potential licensees, the court emphasized a patent co-owner’s right to not be involuntarily thrust into costly litigation where his patent would be at risk. The court also pointed out that its rule would prevent an accused infringer from being subject to multiple infringement suits on the same patent.

In her dissent, Judge Newman found the court’s holding contrary to both Rule 19 and case precedent. The dissent found that because Sandia was an indispensable party to the suit, Rule 19(a) applied, requiring Sandia to

180. Id.
181. Id.
182. Id.
183. Id. at 945 (quoting Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1467 (Fed. Cir. 1998)).
184. Id. at 946.
185. Id.
186. Id.
187. Id. at 945–46.
188. Id. at 946.
189. Id. at 946–47.
190. Id. at 947.
191. Id.
192. Id. at 947 (Newman, J., dissenting).
be joined whether it agreed or not.\textsuperscript{193} Judge Newman also stated that the court incorrectly relied on Ethicon because the Ethicon court’s ruling involved neither involuntary joinder nor Rule 19.\textsuperscript{194}

II. COPYRIGHT DEVELOPMENTS

A. \textit{Authors Guild, Inc. v. Google, Inc.}\textsuperscript{195}

On November 14, 2013, the United States District Court for the Southern District of New York dismissed The Authors Guild Inc.’s (“Authors Guild”) copyright infringement suit against Google, Inc. (“Google”). In denying Authors Guild’s motion for summary judgment and granting Google’s motion for partial summary judgment, the court held that Google’s use of copyrighted works as part of the Google Books program constituted fair use under copyright laws.\textsuperscript{196}

Since 2004, while working in partnership with public libraries and some publishers and copyright holders, Google scanned and digitized more than twenty million books, indexed and created a searchable database of book content linkable to those books, and made portions or “snippets” of books available for online search.\textsuperscript{197} However, Google did not obtain permission or compensate copyright holders for its usage of copyrighted works.\textsuperscript{198} Google Books program users can research books and book content via search and can conduct data mining-based research and scholarship.\textsuperscript{199} Google Books also provides increased access for underserved populations and to rare or inaccessible books, and can benefit authors and publishers by helping readers find their books.\textsuperscript{200}

In 2005, individual book owners and Authors Guild brought a class action suit against Google, alleging copyright infringement for scanning and making available for search copyrighted books without the permission of copyright holders.\textsuperscript{201} In March 2011, the U.S. District Court for the Southern District of New York rejected a proposed settlement between the parties on the grounds that it was not fair, adequate, and reasonable.\textsuperscript{202}

\begin{itemize}
\item \textit{Id.} at 950 (Newman, J., dissenting).
\item \textit{Id.} at 951 (Newman, J., dissenting).
\item 954 F. Supp. 2d 282 (S.D.N.Y. 2013)
\item \textit{Id.} at 289.
\item \textit{Id.} at 284.
\item \textit{Id.} at 286.
\item \textit{Id.} at 287.
\item \textit{Id.} at 288.
\item \textit{Id.}
\item \textit{Id.}
\end{itemize}
Thereafter the parties pursued additional negotiations but were unsuccessful in reaching an agreement.\(^{203}\) In March 2012, the court granted Authors Guild’s motion for class certification and held that Authors Guild had standing to sue on behalf of its members.\(^{204}\) Google then issued an interlocutory appeal, and on July 1, 2013, the U.S. Court of Appeals for the Second Circuit vacated the class certification and remanded the case to the Southern District of New York for consideration and resolution of Google’s fair use defense.\(^{205}\) Both parties then filed motions for summary judgment with the court.\(^{206}\)

Assuming a prima facie case of copyright infringement, the Southern District of New York addressed whether Google’s use of copyrighted works was fair use under § 107 of the Copyright Act.\(^{207}\) The court first stated that the fair use doctrine “permits the fair use of copyrighted works ‘to fulfill copyright’s very purpose, [t]o promote the Progress of Science and useful Arts.’”\(^{208}\) The court then weighed the four factors of fair use in light of the overall purposes of copyright laws.\(^{209}\) The court held that the first, second, and fourth factors all favored a finding of fair use, while the third weighed slightly against fair use.\(^{210}\)

The first factor, purpose and character of use, weighed “strongly” in favor of a finding of fair use.\(^{211}\) The court found that Google’s use of books was “highly transformative,” as showing snippets and allowing readers to discover books and conduct research “does not supersed or supplant books” but rather “adds value to the original.”\(^{212}\) Further, while Google received some commercial benefit, the court found that this fact was outweighed by the fact that “Google Books serves several important educational purposes.”\(^{213}\)

The second factor, nature of the copyrighted work, pointed toward fair use, as the books are already published and publicly available, and as they

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203. Id.
204. Id. at 289.
205. Id.
206. Id.
207. Id.
209. Id. at 289–90.
210. Id. at 291–93.
211. Id. at 293.
212. Id. at 291.
213. Id. at 291–92.
are predominantly non-fiction works, they are thus entitled to lesser protection than works of fiction.\footnote{214}{Id. at 292.}

Additionally, the fourth factor, effect of the use upon the potential market, weighed “strongly in favor of a finding of fair use.”\footnote{215}{Id. at 293.} Here the court rejected the plaintiffs’ contention of negative market impact and market replacement, concluding that “Google does not sell its scans, and the scans do not replace books.”\footnote{216}{Id. at 292–93.} On the contrary, the court found that Google Books encourages books sales and benefits copyright holders.\footnote{217}{Id.}

The third factor, amount and substantiality of the portion taken, weighed “slightly” against fair use, however.\footnote{218}{Id. at 292.} Though Google scans and copies entire works, which weighed against fair use, the court also recognized that “full-work reproduction is critical to the functioning of Google Books” and that Google limits the amount of text visible to users through search.\footnote{219}{Id.}

The court found that Google Books serves as “an invaluable research tool,” preserves books, expands access and readership, and generates new sources of income for copyright holders.\footnote{220}{Id.} The court thus concluded, “Google Books provides significant public benefits. It advances the progress of the arts and sciences, while maintaining respectful consideration for the rights of authors and other creative individuals, and without adversely impacting the rights of copyright holders.”\footnote{221}{Id. at 293.}

After weighing the four fair use factors, the court held that Google Books constituted a protected fair use consistent with the purposes of copyright laws, and provided substantial benefits to society at large.\footnote{222}{Id. at 294.} Thus, the court granted Google’s motion for summary judgment, and dismissed plaintiffs’ complaint against Google.\footnote{223}{Id. at 295.}

B. \textit{AUTHORS GUILD, INC. \textsc{v.} HATHI TRUST}\footnote{224}{755 F.3d 87 (2d Cir. 2014).}

On June 10, 2014, the United States Court of Appeals for the Second Circuit held that the fair use doctrine under 17 U.S.C. § 107 allowed
HathiTrust to use copyrighted material to make books fully text searchable and to provide full access to print-impaired patrons.\footnote{225}{Id. at 105.}

In 2011, twenty authors and authors’ associations, including Author’s Guild, Inc., Australian Society of Authors Limited, and Writers’ Union of Canada, sued HathiTrust and others for copyright infringement seeking declaratory and injunctive relief.\footnote{226}{Id. at 92.} HathiTrust is a library organization set up by several research universities to share collections with one another.\footnote{227}{Id. at 90.} HathiTrust operates the HathiTrust Digital Library, a repository of digitally scanned books, containing ten million digital works from the collections of eighty universities and nonprofit institutions.\footnote{228}{Id.}

HathiTrust allows three uses of the copyrighted work in its repository.\footnote{229}{Id. at 91.} First, the public can search for a particular term across all digital copies in the HathiTrust collection and find out how many times a search term appears on a given page.\footnote{230}{Id.} Search results for copyrighted works have no text displayed, as snippets or otherwise, unless authorized by the copyright holder.\footnote{231}{Id.} Second, users with certified disabilities that prevent them from reading printed text (such as blindness or inability to hold books) can receive full access to the digital copies of copyrighted works.\footnote{232}{Id.} Finally, the member libraries of HathiTrust are allowed to use the digital copies in the collection for preservation purposes: if members lose an original copy and are unable to replace it at a fair price, they can use the digital copy to create a replacement copy.\footnote{233}{Id.} Plaintiffs claimed the above activities constituted copyright infringement and sought an injunction against any further use of the works.\footnote{234}{Id.}

At trial in the Southern District of New York, HathiTrust moved for summary judgment arguing that its activities were protected by the fair use doctrine under 17 U.S.C. § 107.\footnote{235}{Id.} After holistically looking at the four fair use factors, which include the purpose and character of the use, the nature of the copyrighted work, the amount and substantiality of the work used, and the impact of the use on the market for the copyrighted work,
the trial court held that HathiTrust’s usage of its digital books constituted
fair use and granted defendants’ motion for summary judgment. This
decision was considerably motivated by the “transformative” nature of the
uses adding new uses for the underlying works and what the court saw as
HathiTrust’s “invaluable contribution to the advancement of
knowledge.”

On appeal, the Second Circuit largely affirmed the lower court ruling.
The court considered and analyzed the three different uses of HathiTrust’s
digital collection: full-text search, access to the print-disabled, and
preservation. On full-text search, the court ruled that the use was fair.
Under the first fair use factor, the purpose and character of the use,
creating a fully searchable book database was “quintessentially
transformative,” which added “a great deal more” to the copyrighted works
than did the previously protected uses in other fair use cases. The court
observed that by enabling full-text search, HathiTrust’s digital collection
“add[ed] the original something new with a different purpose and a
different character.” Looking at the third factor, the amount and
substantiality of the work used, the court held that it was “reasonably
necessary” to copy entire books in order to make them fully searchable.
The court also found that it was “reasonably necessary” to maintain copies
of the works at four different locations in order to facilitate the services the
digital collection provided and to protect against the risk of data loss.
Finally, under the fourth market harm factor, which examines whether the
secondary use “usurps the market of the original work,” because the full-
text search function did not serve as a substitute for the books that were
being searched, the court was satisfied that this factor weighed towards
fair use. The court emphasized that under the fourth factor any
economic harm caused by transformative uses did not count because such
uses cannot be substitutes for the original work. Balancing the factors,

236. Id. at 93.
237. Id.
238. Id. at 97.
239. Id.
240. Id.
241. Id.
242. Id. at 98.
243. Id. at 98–99.
244. Id. at 99–100.
245. Id. at 99.
the court concluded that digitizing copyrighted works for full-text search was fair.\textsuperscript{246}

The court also held that on balance providing access to books for print-disabled patrons was fair.\textsuperscript{247} Though providing access to the print-disabled was not transformative, it was still a “valid purpose” under the first factor.\textsuperscript{248} The court also noted that it was necessary to retain full digital image files of books to allow print-disabled patrons to perceive the books fully because certain information relevant to the book’s content, such as charts or other graphics, could not be stored as text.\textsuperscript{249} Finally, the fourth factor weighed in favor of finding fair use because the market for books for the disabled was so insignificant.\textsuperscript{250}

On the final use of digital copies for preservation purposes, the appellate court vacated the district court’s judgment and declined to rule on the fairness of the use because the court was unconvinced that the plaintiffs had shown standing.\textsuperscript{251}

In summary, the Second Circuit affirmed the finding of fair use in creating a full-text searchable database of copyrighted works and providing access of those works to those with disabilities, vacated the judgment on the use of copies for preservation of copyrighted works, and remanded to the district court.\textsuperscript{252}

C. \textit{BROWNSTEIN V. LINDSAY}\textsuperscript{253}

The United States Court of Appeals for the Third Circuit held that courts could not issue judgment as a matter of law against a claimant where factual disputes over joint authorship remained. It further held that courts have no authority to cancel copyright registrations.\textsuperscript{254}

In 1996, Tina Lindsay obtained two copyright registrations for the Ethnic Determinate System (“EDS”).\textsuperscript{255} While working at a direct mailing list company with the appellant, Peter Brownstein, she created EDS, a system of rules categorizing names by ethnicity.\textsuperscript{256} Brownstein translated

\begin{itemize}
\item \textsuperscript{246} \textit{Id.} at 101.
\item \textsuperscript{247} \textit{Id.}
\item \textsuperscript{248} \textit{Id.} at 101–02.
\item \textsuperscript{249} \textit{Id.} at 102–03.
\item \textsuperscript{250} \textit{Id.} at 103.
\item \textsuperscript{251} \textit{Id.} at 104.
\item \textsuperscript{252} \textit{Id.} at 105.
\item \textsuperscript{253} 742 F.3d 55 (3d Cir. 2014).
\item \textsuperscript{254} \textit{See id.} at 58.
\item \textsuperscript{255} \textit{Id.} at 59.
\item \textsuperscript{256} \textit{Id.}
\end{itemize}
the rules into a code known as the Lindsay Cultural Identification Determinate (“LCID”). In obtaining her second copyright registration for EDS, Lindsay asserted sole authorship of both EDS and Brownstein’s LCID. Brownstein claimed to have been unaware of Lindsay’s claim to sole authorship until 2010. Four years later, in his pleading for the case at bar, Brownstein sought “a declaratory judgment of joint authorship of the LCID [and] an accounting of the profits.”

On Brownstein’s joint authorship claim, the District Court for the District of New Jersey granted judgment as a matter of law in favor of Lindsay, finding that the statute of limitations under the Copyright Act had run, that Brownstein was not a co-author of the LCID, and that Brownstein had cancelled his copyright registration. In calculating the statute of limitations, the district court pointed to “storm warnings,” as early as 1996, which provided Brownstein with inquiry notice. The warning included his physical possession of the copyright registrations and his knowledge of the LCID licensing agreements. The court found that Brownstein was not a co-author and cancelled his rights, because there was an absence of convincing co-authorship evidence.

In reviewing the district court’s rulings on this issue of joint authorship, the court of appeals focused on three issues: (1) Brownstein’s co-authorship claim, (2) the statute of limitations under the Copyright Act, and (3) the authority of the district court to cancel copyright registrations.

On the first issue, the court concluded that genuine disputes over Brownstein’s authorship remained. The court based its determination on the following definition of joint authorship: “for two or more people to become co-authors, each author must contribute some non-trivial amount of creative, original, or intellectual expression to the work and both must intend that their contributions be combined.” Applying this test to the EDS dispute, the court relied on oral arguments, during which the

257. Id.
258. Id.
259. Id. at 62.
260. Id.
261. Id.
262. Id. at 63.
263. Id. at 62.
264. Id. at 63.
265. Id. at 64.
266. Id. at 65.
267. Id.
“appellees conceded Brownstein and Lindsay had been co-authors until 1997. This concession meant . . . Appellees admitted that Brownstein contributed a non-trivial amount of creative expression. Although Lindsay may have created the general framework for the program, Brownstein coded the program, applying his own creativity and discretion to combine Lindsay’s rules and his code. Such a non-trivial contribution translated into Brownstein’s inherent copyrights over the LCID.

The court also found that Brownstein’s inherent copyrights and ownership remained undisturbed by Lindsay’s various licensing agreements. Exclusive rights can only be conveyed if all authors agree, which did not occur in this case. Thus, Lindsay’s various licenses only conveyed “non-exclusive rights to the joint work,” leaving Brownstein’s inherent copyrights over the LCID untouched.

On the second issue, the court assessed the storm warnings cited by the district court, because civil actions must be brought within a three-year timeframe under the Copyright Act regardless of inherent copyrights. When viewed in the light most favorable to Brownstein, the court found that a reasonable jury would possess a legally sufficient evidentiary basis to find for Brownstein. Thus, the District Court’s Rule 50(a) ruling was improper.

On the third issue, the court held that “courts have no authority to cancel copyright registrations because there is no statutory indication whatsoever that courts have such authority.” Section 701 of the Copyright Act states, “all administrative functions and duties under this title, except as otherwise specified, are the responsibility of the Register of Copyrights.” According to the court, cancellations of copyrights are analogous to registrations of copyright, which have been held to be administrative functions under the purview of the Copyright Office. Further, an intratextualist reading of the Act advises against a general...
cancellation authority, and comparable legislation, such as the Lanham Act, lends credence to this viewpoint.\textsuperscript{281} The court noted that despite the lack of cancellation, courts continue to oversee the Copyright Office as well as to invalidate copyrights, which may then be canceled by the Copyright Office.\textsuperscript{282}

In summary, the court concluded that the district court’s Rule 50(a) grant of judgment as a matter of law and copyright cancellation were improper and remanded for a new trial.\textsuperscript{283}

D. \textit{Fox Broadcasting Co., Inc. v. Dish Network, L.L.C.}\textsuperscript{284}

The United States Court of Appeals for the Ninth Circuit, given its “limited and deferential” review of preliminary injunction appeals, affirmed the district court’s denial of a network broadcaster’s request for a preliminary injunction, because the broadcaster did not show a likelihood of success on its claims against one of its distributors for (1) direct infringement, (2) secondary infringement, (3) contract breach, or (4) irreparable harm.\textsuperscript{285}

In 2012, Fox Broadcasting Company, Twentieth Century Fox Film Corp., and Fox Television Holdings, Inc. (collectively, “Fox”) brought action against Dish Network, L.L.C. (“Dish”) for copyright infringement and breach of contract and sought a preliminary injunction.\textsuperscript{286} Fox owns the copyrights to television shows that air on the Fox television network.\textsuperscript{287} Dish is a satellite-television multichannel video programming distributor that retransmits Fox’s broadcast signal under a contract stating that Dish could not “record, copy, duplicate and/or authorize the recording, copying, duplication (other than by consumers for private home use) or retransmission” of any part of Fox’s signal.\textsuperscript{288} Fox and Dish amended the contract several times, most recently in 2010, wherein Dish was permitted to provide Fox Video On Demand to its subscribers but was required to “disable fast forward functionality during all advertisements."\textsuperscript{289}

\begin{small}
\textsuperscript{281} See \textit{id.} at 76 (noting the Lanham Act explicitly grants courts cancellation authority over trademarks).
\textsuperscript{282} \textit{Id.}
\textsuperscript{283} \textit{Id.}
\textsuperscript{284} 747 F.3d 1060 (9th Cir. 2013).
\textsuperscript{285} \textit{Id.} at 1066.
\textsuperscript{286} \textit{Id.}
\textsuperscript{287} \textit{Id.} at 1064.
\textsuperscript{288} \textit{Id.}
\textsuperscript{289} \textit{Id.}
\end{small}
In March 2012, Dish released the Hopper, a set-top box with video recorder and video on demand capabilities, and a feature called PrimeTime Anytime that allows a subscriber to set a timer to record any primetime Fox programs.\textsuperscript{290} Dish later started offering a new feature, AutoHop, which allows users to automatically skip commercials.\textsuperscript{291} Concurrently, three quality assurance copies were recorded to check that the shows and commercials were being aired properly.\textsuperscript{292}

At trial, Fox contended that it was likely to succeed on its claims against Dish for direct copyright infringement, derivative copyright infringement, and contract breach, and the court should therefore grant its motion for injunction to prohibit Dish from “operating, distributing, selling, or offering to sell any version of [PrimeTime Anytime] or AutoHop[.]”\textsuperscript{293} The United States District Court for the Central District of California denied the motion, finding that Fox failed to show a likelihood of success on most of its copyright infringement and contract claims, except for the quality assurance copies.\textsuperscript{294} The court reasoned that although, in making these copies, Dish likely directly infringed Fox’s reproduction right and breached its contract,\textsuperscript{295} Fox failed to show it would likely suffer “irreparable harm” from those copies.\textsuperscript{296} Fox appealed to the Ninth Circuit, which reviewed the district court’s decision for an abuse of discretion.\textsuperscript{297}

The Ninth Circuit affirmed the district court’s conclusion on Fox’s direct copyright infringement claim.\textsuperscript{298} The court noted that establishing a claim of direct infringement requires “copying by the defendant,” which includes a requirement that the defendant caused the copying.\textsuperscript{299} The court reasoned that because “Dish’s program create[d] the copy only in response to the user’s command[,]” the user, not Dish, made the copy.\textsuperscript{300}

The Ninth Circuit also affirmed the district court’s holding on Fox’s secondary infringement claim.\textsuperscript{301} The court observed that Dish met the
burden of showing that its customers’ copying was fair use, overcoming Fox’s prima facie case of direct infringement by Dish’s customers. In reaching this conclusion, the court looked to *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), wherein Sony was not liable for secondary infringement for manufacturing VCRs because customers primarily used the device for time-shifting, i.e., recording a program to view it later and then erasing the content. The court saw this time-shifting as fair use. Although *Sony* never explicitly decided whether commercial-skipping, for which Dish customers allegedly used AutoHop in addition to time-shifting, was fair use, the court found that ad-skipping did not implicate Fox’s copyright interest because Fox did not own the advertisements.

Analyzing PrimeTime Anytime under the fair use factors under 17 U.S.C. § 107, the Ninth Circuit largely affirmed the lower court’s ruling and found that on balance, Dish showed a likelihood of success on its customers’ fair use defense. Concerning the first factor, the purpose and character of the use, the court held that the factor weighed towards fair use because PrimeTime Anytime was used for time-shifting and available only to private consumers, and thus indicated a “noncommercial, nonprofit activity.” For the second and third factors, the nature of the copyrighted work and the amount and substantiality of the work used, the court looked to *Sony* for guidance. The court concluded that the act of time-shifting only allowed a viewer to see a work he could watch free of charge, and the fact that such a work was entirely reproduced, did not have its ordinary effect of weighing against fair use. Lastly, under the final factor that examines the impact of the use on the market for the copyrighted work, the court affirmed the district court’s ruling that PrimeTime Anytime did not cause any market harm. The court held that “the ease of skipping commercials,” not the recording through PrimeTime Anytime, caused “market harm.” And because commercial-skipping (i.e., AutoHop) did not implicate any copyright interest, the market harm caused by the

302. *Id.*
303. *Id.*
304. *Id.*
305. *Id.*
306. *Id.* at 1069.
307. *Id.*
308. *Id.*
309. *Id.*
quality assurance copies that were used to perfect AutoHop was irrelevant to whether Dish customers’ copying caused market harm.\footnote{130}

Fox’s breach of contract claim was a close call, but applying a “very deferential standard of review,” the court upheld the district court’s ruling, finding the lower court’s defendant-friendly construction of “reproduce,” “distribute,” and “video-on-demand” reasonable.\footnote{131} The court also noted that the record did not indicate intent to frustrate the contract, as Dish’s actions were grounded in Dish’s technological limitations.\footnote{132}

Finally, the court affirmed the district court’s decision that Fox failed to establish a likelihood of irreparable harm.\footnote{133} Even if Fox was likely to succeed on its copyright and contract claims as to the quality assurance copies, the court reasoned that Fox’s alleged harm, including “loss of control over its copyrighted works and loss of advertising revenue,” did not result from these copies, but “from the entire AutoHop program.”\footnote{134} The court observed that the quality assurance copies were used only to test whether the technology was working properly through an entirely separate process.\footnote{135} Further, the court found that “monetary damages could compensate Fox for its losses from the copies” because the damages were not difficult to calculate.\footnote{136}

E. \textit{INHALE, INC. v. STARBuzz TOBACCO, INC.}\textsuperscript{317}

The United States Court of Appeals for the Ninth Circuit held that the shape of Inhale’s hookah water container was not copyrightable under 17 U.S.C §§ 101, 102(a)(5).\footnote{138}

Inhale, Inc. (“Inhale”) sued Starbuzz Tobacco, Inc. and Wael Salim Elhalawani (collectively “Starbuzz”) in 2012, alleging that Starbuzz sold hookah water containers infringing on its own copyrighted design.\footnote{139} Inhale claimed copyright protection over the shape of its hookah water container, first published on August 29, 2008 and later registered as “sculpture/3-D artwork” with the United States Copyright Office on April

\footnotetext{130}{\textit{Id.} at 1070.}
\footnotetext{131}{\textit{Id.} at 1070–71.}
\footnotetext{132}{\textit{Id.} at 1072.}
\footnotetext{133}{\textit{Id.}}
\footnotetext{134}{\textit{Id.}}
\footnotetext{135}{\textit{Id.} at 1072–73.}
\footnotetext{136}{\textit{Id.}}
\footnotetext{317}{755 F.3d 1038 (9th Cir. 2014).}
Both parties agreed that the hookah water container is a “useful article” meant to hold water and serve as a hookah’s base. Because useful articles have limited copyright protection, the shape of the water container is entitled to copyright protection under 17 U.S.C. § 102(a)(5) only if the shape satisfies 17 U.S.C. § 101’s condition that the design of a useful article be separately identifiable from its utilitarian aspects. Section 101’s requirement is satisfied by either physical or conceptual separability. Because Inhale did not argue for physical separability, the Ninth Circuit reviewed de novo whether the shape of the container is “conceptually separable.”

At trial, Inhale argued that the water container’s shape was separately identifiable from its utilitarian aspects. By looking to other hookah water containers with different shapes, it argued that because the “container’s shape [was] not critical to its function[,]” it was separate from its function.

The United States District Court of Central District of California entered summary judgment for Starbuzz, finding that the container’s shape was physically and conceptually inseparable from the container’s utility and thus not subject to copyright protection. The district court reasoned that the “overall shape of a useful article is not copyrightable no matter how aesthetically pleasing that shape may be” when Inhale intended the container to “serve as a liquid-holding receptacle for a hookah—and not as a museum piece[.]” Inhale appealed, claiming that the water container’s distinctive shape made it conceptually separable from its utility.

In addressing Inhale’s distinctive shape argument, the Ninth Circuit noted that courts in general have had difficulty creating an effective test for determining whether artistic aspects of a useful article could be separately identifiable, with courts either taking the distinctiveness of

321. Id. at *3.
322. Id. at *2; see also Inhale, Inc., 755 F.3d at 1040.
323. Inhale, Inc., 755 F.3d at 1040.
324. Id. at 1040, 1041.
326. Id.
327. Id.
328. Id. (internal quotation marks omitted).
shape into account or discounting it altogether. Because of the lack of clear precedent, the Ninth Circuit chose to defer to the Copyright Office’s interpretations of copyrightability. The Copyright Office determined that the distinctiveness of an item’s shape did not make it conceptually separable from its utility. The Copyright Office opined that analogizing the general shape of a useful article to a modern sculpture’s shape was insufficient for conceptual separability.

The Ninth Circuit ultimately adopted the Copyright Office’s reasoning. It reasoned that although Inhale’s water container had a distinctive shape like that of a work of modern sculpture, the shape’s alleged artistic features and utility “[were] one and the same”—that is, the shape of the water container simultaneously accomplished its function of holding water. By holding that any part of a container merely accomplishing the containment of water was not copyrightable, the court concluded that the shape of Inhale’s hookah water container was not copyrightable. In reaching this conclusion, however, the court emphasized that it did not mean to suggest that no elements of a container were separately identifiable from the container. Noting that Inhale did not argue that the exterior shape of the drooping ring or the imagery on the container was copyrightable, the court emphasized that its holding did not extend to the copyrightability of “[p]ictorial, graphic, and sculpture works” under § 101 that may be affixed to or made part of a container.

F. KLINGER V. CONAN DOYLE ESTATE, LTD.

The United States Court of Appeals for the Seventh Circuit held that Conan Doyle Estate, Ltd. (“Conan Doyle”) owed attorneys’ fees in the amount of $30,679.93 to Leslie Klinger (“Klinger”) as a result of the litigation between Klinger and Conan Doyle. The court held that Conan Doyle’s estate provided no reasonable justification for the suit, and that instead it sought a licensing fee to avoid the nuisance lawsuit.

330. Id. at 1041 n.2.
331. Id. at 1041.
332. Id. at 1042.
333. Id.
334. Id.
335. Id.
336. Id.
337. Id.
338. Klinger I, 755 F. 3d 496 (7th Cir. 2014); att’y fees awarded, Klinger II, 761 F.3d 789 (7th Cir. 2014).
339. Klinger II, 761 F.3d at 789.
340. Id.
Before this case, the US District Court for the Northern District of Illinois held that Klinger did not infringe the estate’s copyrights on Conan Doyle’s Sherlock Holmes works. The issue in the initial case was whether “complex” characters, such as Sherlock Holmes or John Watson, whose full complexity was not revealed until later stories, remain under copyright until the later stories fall into the public domain. When Conan Doyle defaulted by failing to appear or respond to Klinger’s complaint, the court granted Klinger’s motion for summary judgment, and Conan Doyle lost on appeal. The court permitted Klinger to move forward with publishing his derivative work. The Seventh Circuit then affirmed the lower court’s holding.

Klinger published his first anthology of modern Sherlock Holmes stories in 2011. His publisher at the time, Random House, paid the copyright license fee that Conan Doyle demanded for its alleged copyright ownership of all works featuring Sherlock Holmes characters. Klinger then attempted to publish a sequel, for which Conan Doyle demanded the same license fee. Klinger’s new publisher, Pegasus Books, refused to publish the book until Klinger obtained a license from Conan Doyle. Additionally, Conan Doyle implicitly threatened to prevent distribution and sue for copyright infringement if Klinger published the book without a license. Instead of paying for the license, Klinger sued Conan Doyle, won, and sought reimbursement of the attorneys’ fees he incurred in the appeal.

Based on the Copyright Act’s consideration for “award of a reasonable attorney’s fee to the prevailing party as part of the costs,” the strength of Klinger’s case and the fairness of the amount of relief initially awarded provided compelling reasons for the court to award attorney’s fees. The court reasoned that attorneys’ fees ensure that a defendant whose case has merit does not capitulate to the alleged copyright holder in situations

341. Klinger I, 755 F.3d 496, 503 (7th Cir. 2014).
342. Id. at 497.
343. Id. at 498.
344. Id.
345. Klinger II, 761 F.3d at 798.
346. Klinger I, 755 F.3d at 497.
347. Id.
348. Id.
349. Id.
350. Id.
351. Klinger II, 761 F.3d at 792–93.
352. Id. at *5.
353. Id.
where “the cost of vindication exceeds the private benefit to the party.”

The court noted that, in such cases, the defendant’s rights to prepare derivative works are at stake, and copyright holders also tend to face less risk in suits where they would receive damages if they win but pay no damages if they lose, even while enforcing “non-existent” rights. As such, the court held that attorneys’ fees should be awarded to compensate Klinger because this suit serves the public in challenging Conan Doyle’s disreputable business practice.

G. ORACLE AMERICA, INC. V. GOOGLE, INC.

On May 9th, 2014, the Federal Circuit in Oracle America, Inc. v. Google, Inc. ruled that the Java programming language and platform is copyrightable, therein reinstating a jury verdict that Google’s Android operating system infringes the Java software. The court overruled the Northern District of California’s May 2012 ruling that the Java source code is not eligible for copyright protection.

This litigation centered on the copyrightability of the Java platform’s application programming interfaces (“APIs”), which are packages of Java code used to speed programming by performing common computer functions. Many companies use Java language and Oracle’s API to design their applications. Sun Microsystems originally developed the Java platform; ownership of Java passed to Oracle in 2010. Sun wrote many Java programs that were “ready-to-use” for performing common functions, and organized programs into “packages” that allowed programmers to “build certain functions into their own programs”; in effect, APIs are programmer shortcuts. Codes for specific operations are “methods” while “classes” are specified methods with other elements and variables on which the methods operate. The district court likened Oracle’s API packages to “a library, [where] each package is like a

354. Id. at 795.
355. Id.
356. Id.
357. Oracle Am., Inc. v. Google Inc. (Oracle II), 750 F.3d 1339 (Fed. Cir. 2014).
358. Id. at 1381.
360. Oracle II, 750 F.3d at 1348–49.
361. Id. at 1347.
362. Id. at 1348 n.1.
363. Id. at 1349.
364. Id. at 1348–49.
bookshelf in the library, each class is like a book on the shelf, and each method is like a how-to chapter in a book.”

In this appeal, the software platform Android was the accused product. Google, the developer of Android, and Oracle attempted to negotiate a license for use of Java, but failed to come to terms. Afterwards, Google used the Java programming language to create its own “virtual machine,” in which it wrote its own implementations for key Java API functions. The Android platform includes 168 API packages, 37 of which correspond to Java API packages. Google used the same names for these packages as Java, and also copied “the elaborately organized taxonomy of all of the names of methods, classes, interfaces, and packages”—including over six hundred classes and six thousand methods (“the SSO”). Google wrote its own implementing code except for the rangeCheck function, comprised of nine lines of code, and eight security files.

Oracle thus sued Google for copyright infringement in the Northern District of California, on the grounds that Google's Android system (1) literally copied seven thousand lines of class and method declaration source code and (2) non-literally copied the API packages' SSO. At the district court level, a jury and district court Judge William Alsup heard the case on parallel tracks, with Judge Alsup responsible for determining the copyrightability of the 37 API packages at issue. As the jury was instructed to assume the APIs were copyrightable, the jury originally found that Google infringed the SSO of the Java APIs, but could not reach a unanimous decision on whether Google’s actions were protected by a fair use defense.

Judge Alsup ruled that the replicated elements of the Java APIs were merely functional works, and thus did not merit copyright protection.

366. Oracle II, 750 F.3d at 1350.
367. Id.
368. Id.
369. Id.
370. Id. at 1351.
371. Id.
372. Oracle I, 872 F. Supp. 2d at 975–76.
373. Note that the case was split into three phases: patent, copyright, and damages. This summary only references the copyright and relevant damages from this case. Id. at 975.
374. Id. at 976.
375. Id. at 998.
The court concluded that there was only one way to write the declaring code at issue, that “names and short phrases cannot be copyrighted,” and that the “merger doctrine bars anyone from claiming exclusive copyright ownership of that expression.” On the SSO of the Java API packages, the court concluded that although Oracle’s API packages were creative and original, the structure was “a system or method of operation” not entitled to protection under § 102(b) of the Copyright Act. Of the 37 Java API packages at issue in this case, the court found that “97 percent of the Android lines were new from Google, and the remaining three percent were freely replicable under the merger and names doctrine.” The court dismissed Oracle’s copyright claims on these grounds.

On appeal, the Federal Circuit affirmed the jury verdict and overturned Judge Alsup’s determination on the copyrightability of the Java API declaration source code and SSO. The court held that computer programs that serve a function are not “automatically” beyond the scope of copyright protection. Furthermore, the Federal Circuit stated that while “questions regarding originality are considered questions of copyrightability, concepts of merger and scenes a faire are affirmative defenses to claims of infringement” under Ninth Circuit law, so the district court erred in weighing these issues in its analysis.

On the issue of declaration source code, the Federal Circuit determined that the merger doctrine does not “bar copyright protection for any lines of declaring source code unless Sun/Oracle had only one way, or a limited number of ways, to write them.” The district court also erred in its application of the merger doctrine, by focusing on Google’s options at the time of infringement rather than at the time of creation. At this time, Oracle had “unlimited options as to the selection and arrangement of the 7000 lines Google copied” and thus no merger occurred. The court analogized the source code at issue to the opening

376. Id.
377. Id. at 999.
378. Id. at 1001.
379. In the final judgment, the court entered a judgment for Oracle for zero dollars for copyright infringement on the rangeCheck function and the eight decompiled files. Final Judgment, Oracle Am., Inc. v. Google Inc., No. 3:10-cv3561 (N.D. Cal. June 20, 2012).
380. Oracle II, 750 F.3d at 1354.
381. Id. at 1367.
382. Id. at 1358 (citation omitted).
383. Id. at 1361.
384. Id.
385. Id.
of Charles Dickens' Tale of Two Cities, a series of short phrases that exhibit creativity because of how they are strong together. And "[b]ecause Oracle 'exercised creativity in the selection and arrangement' of the method declarations when it created the API packages and wrote the relevant declaring code, they contain protectable expression that is entitled to copyright protection."³⁸⁷

On the copyrightability of the Java APIs' SSO, the court first distinguished the facts of *Lotus Development Corp. v. Borland International, Inc.* as to the instant case. Here, unlike in *Lotus*, Google copied portions of Oracle's source code, the declarations and structure of the API packages at issue were creative and original, and Google did not need to copy the SSO of Java's API packages to use the Java language.³⁸⁸ Furthermore, the Ninth Circuit never adopted *Lotus's* reasoning and the reasoning was inconsistent with the circuit's caselaw in *Atari Games Corp. v. Nintendo of America, Inc.*³⁸⁹ Based on relevant circuit caselaw from other circuits, the Federal Circuit in *Oracle* determined that "an original work—even one that serves a function—is entitled to copyright protection as long as the author had multiple ways to express the underlying idea."³⁹⁰ Google could permissibly have used a package-class-method system to organize its own API packages, but was not free to group and organize them in the same manner as the Java packages.³⁹¹ Thus, the Federal Circuit rejected the trial court's SSO copyrightability analysis, as accepting the withholding of copyright protection from functional elements would require precluding the functional nature of computer programs from copyright protection entirely.³⁹²

Finally, the court ruled that interoperability was irrelevant to the discussion of copyrightability at the core of this case.³⁹³ The district court's

³⁸⁶. *Id.* at 1363
³⁸⁷. *Id.*
³⁸⁸. *Id.* at 1365. Notably, the court did not cite to *Lotus* when making these comparisons, and the *Lotus* majority never concluded that the commands at issue were not creative. *See generally Lotus Dev. Corp. v. Borland Int'l, Inc.*, 49 F.3d 807 (1st Cir. 1995).
³⁸⁹. The court found that *Lotus's* holding that "expression that is part of a 'method of operation' cannot be copyrighted" conflicted with the reasoning of *Atari*, where the Federal Circuit applied Ninth Circuit law in finding that copyright "protects the expression of [a] process or method." *Atari Games Corp. v. Nintendo of Am. Inc.*, 975 F.2d 832, 839 (Fed. Cir. 1992).
³⁹⁰. *Oracle II*, 750 F.3d at 1367.
³⁹¹. *Id.* at 1367–68.
³⁹². *Id.* at 1367.
³⁹³. *Id.* at 1368–72.
focus should have been whether the need for compatibility with other programs limited Sun’s API design choices. Also, the court rejected Google’s argument that its use of Java elements was the “only and essential means of achieving interoperability with existing programs written the Java language.” Google did not provide evidence of interoperable applications relying on the thirty-seven copied API packages. The court additionally rejected Google’s argument that because the API packages were the “effective industry standard,” copying was permissible. Under Ninth Circuit law copyrighted works do not lose protection merely because they become the industry standard.

The Federal Circuit court remanded the decision to the Northern District of California to examine the issue of a fair use defense, and noted that jurors may wish to examine Google’s goal of achieving “commercial interoperability” as relevant to this inquiry.

On October 8, 2014, Google filed a petition with the Supreme Court for a writ of certiorari. The Supreme Court asked the Solicitor General to offer an opinion on the grant of certiorari in this case in January 2015. On May 27, 2015, the Solicitor General authored a brief stating that the Federal Circuit correctly decided the case, and recommending that the Supreme Court not take the case on certiorari. The Court denied certiorari on June 29, 2015.

III. TRADEMARK DEVELOPMENTS

A. BLACKHORSE V. PRO-FOOTBALL, INC.

The Trademark Trial and Appeal Board (“the Board”) held that a series of trademarks owned by Pro-Football, Inc. (“PFI”) containing the term “REDSKINS” and related materials must be cancelled because they

394. Id. at 1371.
395. Id. (internal quotations, brackets, and citation omitted).
396. Id. at 1371, 1371 n.15.
397. Id. at 1372.
398. Id. (citing Practice Mgmt. Info. Corp. v. Am. Med. Ass’n, 121 F.3d 516, 520 n.8 (9th Cir. 1997)).
399. Id. at 1377.
constitute disparagement against Native Americans and were disparaging at the time of their registration.404

The plaintiffs in this suit were Amanda Blackhorse and a group of related and similarly situated individuals who collectively found the term “REDSKINS” offensive (collectively “Blackhorse”).405 The group brought an action against PFI406 alleging that the “REDSKINS” trademarks owned by PFI are disparaging to Native Americans and violate 15 U.S.C. §1052(a).407 This statute “prohibits registration of marks that may disparage persons or bring them into contempt or disrepute” at the time of the registration of the marks.408 PFI is a franchise in the National Football League doing business as the Washington Redskins.409 PFI filed for multiple trademarks between the years 1967 and 1990 that included text and graphical logos containing the words “REDSKINS,” “WASHINGTON REDSKINS,” and Native American imagery.410

The court used the standard for disparagement under 15 U.S.C. §1052(a), which “prohibits registration of matter that disparages a substantial composite, which need not be a majority, of the referenced group.”411 The marks must have been disparaging at the time of their registration.412

This case was the second time that the Board handled a petition concerning these marks.413 In 1999, the Board held in Harjo v. Pro-Football, Inc., 50 U.S.P.Q. 2d 1705 (T.T.A.B. 1999) that the REDSKINS marks in question were disparaging when registered and ordered their cancellation.414 That cancellation was overturned on appeal by the U.S. District Court for the District of Columbia, which held that the petition was precluded under laches.415 Laches precluded the petition because one of the petitioners in that case waited eight years after reaching the age of

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404. Id. at 1082.
405. Id. at 1087.
406. Id. at 1082.
407. Id.
408. Id.
409. Id. at 1083.
410. Id.
411. Id. at 1110.
412. Id. at 1089.
413. Id. at 1083–84.
414. Id. at 1084.
415. Id.
majority and becoming eligible to file suit before joining the litigation.\textsuperscript{416} No judgment in \textit{Harjo} was entered on the merits.\textsuperscript{417}

In contrast, in the case at bar, the Board held that consideration of this petition was not precluded on the basis of laches.\textsuperscript{418} It found no evidence of unreasonable delay in bringing the case by any of the petitioners and that PFI suffered no economic prejudice from any delay that may have taken place.\textsuperscript{419} It also held that “laches does not apply to a disparagement claim where the disparagement pertains to a group of which the individual plaintiff or plaintiffs simply comprise one or more members.”\textsuperscript{420}

Blackhorse introduced evidence that beginning in 1966, a representative sample of dictionaries began to note that the term REDSKIN is “often offensive.”\textsuperscript{421} From 1986 onward, these dictionaries included some label that the word was, for example, “not the preferred term” or “often disparaging or offensive.”\textsuperscript{422} Blackhorse’s expert witness also introduced a survey of media references to the term REDSKINS, all of which were used in a non-neutral context.\textsuperscript{423} PFI introduced statements of support from a variety of Native American tribes noting that they did not find the term REDSKINS to be offensive.\textsuperscript{424}

The Board found that the evidence introduced by Blackhorse showed that the National Congress of American Indians (“NCAI”) consistently objected to PFI’s use of the term REDSKINS from the late 1960s through 1993.\textsuperscript{425} This evidence included a 1993 NCAI resolution in opposition to the mark and an account of a 1972 meeting between the president of the NCAI and representatives of PFI at which the NCAI president asked PFI to cease using the term REDSKINS because of its offensive nature.\textsuperscript{426} The Board also found that NCAI is an advocacy group that effectively represented 30 percent of Native Americans during the period 1972 to 1993, and inferred that that NCAI also represented

\begin{itemize}
  \item \textsuperscript{416} \textit{Id.}
  \item \textsuperscript{417} \textit{Id.}
  \item \textsuperscript{418} \textit{Id.} at 1114.
  \item \textsuperscript{419} \textit{Id.}
  \item \textsuperscript{420} \textit{Id.} at 1112.
  \item \textsuperscript{421} \textit{Id.} at 1093.
  \item \textsuperscript{422} \textit{Id.}
  \item \textsuperscript{423} \textit{Id.} at 1095–97.
  \item \textsuperscript{424} \textit{Id.} at 1104–06.
  \item \textsuperscript{425} \textit{Id.} at 1110.
  \item \textsuperscript{426} \textit{Id.} at 1098–1102.
\end{itemize}
approximately 30 percent of Native Americans at the time the first trademark had been filed in 1967.\textsuperscript{427}

Based on these facts, the Board held that the term REDSKINS was disparaging and ordered cancellation of PFI’s six registrations that contained the term REDSKINS.\textsuperscript{428} It found that the term was offensive to 30 percent of Native Americans represented by NCAI, which undoubtedly constituted “a substantial composite”\textsuperscript{429} of the referenced group. And the term was offensive to a substantial composite of that group throughout the period of time during which the marks were registered, thereby meeting the requirement that “the marks be disparaging at the time of registration.”\textsuperscript{430}

\textbf{B. \textit{Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.}}\textsuperscript{431}

The United States Court of Appeals for the Ninth Circuit held, as a matter of first impression, that “the likelihood of irreparable harm must be established—rather than presumed, as under prior Ninth Circuit precedent—by a plaintiff seeking injunctive relief in the trademark context.”\textsuperscript{432}

This judgment arose from a trademark infringement action brought by Herb Reed Enterprises (“HRE”), on behalf of Herb Reed, against Larry Marshak and Florida Entertainment Management, Inc. (“Marshak”). In 1953, Herb Reed founded the hit band, The Platters.\textsuperscript{433} However, in 1956, he signed away his rights in the “The Platters” trademark to his manager’s company, Five Platters, Inc. (“FPI”).\textsuperscript{434} While the legitimacy of Herb Reed’s transfer of his rights to FPI was the subject of intense litigation,\textsuperscript{435} Herb Reed eventually settled with FPI in 1987 by promising not to exercise his rights in “The Platters” mark unless at any time in the future a final judgment was entered against FPI holding that it did not have a valid right to “The Platters.”\textsuperscript{436} In 2011, a Nevada district court did so in a

\begin{flushleft}
\textsuperscript{427} \textit{Id.} at 1109.
\textsuperscript{428} \textit{Id.} at 1111–12.
\textsuperscript{429} \textit{Id.} at 1111.
\textsuperscript{430} \textit{Id.}
\textsuperscript{431} 736 F.3d 1239 (9th Cir. 2013)
\textsuperscript{432} \textit{Id.} at 1242.
\textsuperscript{433} \textit{Id.}
\textsuperscript{434} \textit{Id.} at 1243.
\textsuperscript{435} \textit{Id.}
\textsuperscript{436} \textit{Id.}
\end{flushleft}
default judgment against FPI. In the meantime, through a chain of transfers, Marshak had acquired the rights to the “The Platters” mark in 2009.

Once again able to assert Herb Reed’s rights in the “The Platters” mark, HRE brought the present action against Marshak. In the United States District Court for the District of Nevada, HRE alleged that Marshak’s use of the “The Platters” mark infringed Herb Reed’s trademark rights and sought a preliminary injunction.

The district court granted HRE a preliminary injunction upon a finding that HRE was likely to succeed on the merits of its claim that Marshak’s use of the “The Platters” mark infringed upon HRE’s rights and therefore damaged HRE’s goodwill. Marshak appealed, arguing primarily that HRE had failed to demonstrate a likelihood of irreparable harm from Marshak’s continued use. Specifically, Marshak asserted that the district court relied on “unsupported and conclusory statements regarding harm [HRE] might suffer.”

In determining whether the district court abused its discretion in granting a preliminary injunction, the Ninth Circuit looked to two recent Supreme Court cases that “cast doubt” on its previous rule that the likelihood of “irreparable injury may be presumed from a showing of likelihood of success on the merits of a trademark infringement claim.” It concluded “the landscape for benchmarking irreparable harm has changed” after the Supreme Court’s decisions in eBay Inc. v. MercExchange, L.L.C. and Winter v. Natural Resources Defense Council, Inc.

In eBay, the Court held that the traditional four-factor test for finding that the equities favor an injunction, including the requirement of irreparable harm, applies in the patent context. Following its consistent rejection of “a rule that an injunction automatically follows a determination that a copyright has been infringed,” the Court reasoned

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437. Id. at 1244.
438. Id. at 1243.
439. Id. at 1245.
440. Id.
441. Id. at 1250.
442. Id. at 1247.
443. Id. at 1250.
444. Id. at 1248–49 (emphasis in original).
446. 555 U.S. 7 (2008).
447. Herb Reed, 736 F.3d at 1249.
that, likewise in the patent context, “a departure from the traditional principles of equity ‘should not be lightly implied.’”

In Winter, the Court underscored the importance of finding that irreparable harm is “likely” before issuing a preliminary injunction, and reversed a preliminary injunction based on a showing that irreparable harm was merely possible.

Following these two Supreme Court decisions, the Ninth Circuit rejected its previous standard for issuing a preliminary injunction based on a presumption of harm following a likelihood of success on the merits in a trademark infringement case. The Ninth Circuit had already applied eBay to a permanent injunction for trademark infringement in 2006, reasoning that the same principles as apply to patent injunctions apply to trademark infringement under the Lanham Act. Following Winter’s call for a higher standard of irreparable harm to obtain a preliminary injunction and Supreme Court precedent that the standard for irreparable harm is the same for preliminary injunctions as for permanent injunctions, the Ninth Circuit “join[ed] other circuits in holding that the eBay principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a trademark infringement case.”

Applying its new standard to the issue on appeal, the court held that the district court’s conclusions as to irreparable harm, grounded as they were in pronouncements rather than evidence, collapsed the likelihood of success and irreparable harm factors in a manner that reinstated the presumption standard, which was no longer permitted after eBay. Given the absence of factual findings of likely irreparable harm, the court reversed the preliminary injunction and remanded the case to the district court. On remand, the district court granted HRE summary judgment

448. Id. (citing eBay, 547 U.S. at 391–93).
449. Id. (citing Winter, 555 U.S. at 22).
450. Id.
451. Id. (citing Reno Air Racing Ass’n, Inc. v. McCord, 452 F.3d 1126, 1137–38 (9th Cir. 2006)).
452. Id. (citing Amoco Prod. Co. v. Gambell, 480 U.S. 531, 546 n.12 (1987)).
453. Id. (citing N. Am. Med. Corp. v. Axiom Worldwide, Inc., 522 F.3d 1211 (11th Cir. 2008); Audi AG v. D’Amato, 469 F.3d 534 (6th Cir. 2006) (granting a permanent injunction)).
454. Id. at 1250–51.
455. Id. at 1251.
on its trademark infringement claim. On October 6, 2014, the Supreme Court denied the defendant’s petition for writ of certiorari.

IV. TRADE SECRET DEVELOPMENTS

A. CELLULAR ACCESSORIES FOR LESS, INC. v. TRINITAS LLC

In determining whether the use of a previous employer’s LinkedIn contacts violated the California Uniform Trade Secrets Act (“CUTSA”), Cal. Civ. Code § 3426, the United States District Court of the Central District of California denied defendants’ motion for summary judgment, finding genuine issues of material fact as to whether LinkedIn contacts were a protectable trade secret.

Cellular Accessories for Less, Inc. brought an action against its former sales account manager, David Oakes, and his new company, Trinitas, alleging that Trinitas retained Oakes’s LinkedIn contacts created during his employment with Cellular in violation of CUTSA, Cal. Civ. Code § 3426. After being terminated by Cellular in 2010, Oakes started his own company, which eventually became Trinitas, keeping the LinkedIn contacts he built while working with Cellular. Trinitas directly competed with Cellular in selling mobile phone accessories to businesses.

Defendants argued that the LinkedIn contacts were not a trade secret. They claimed that Cellular encouraged its employees to use LinkedIn, and that Oakes’s list of LinkedIn contacts was publicly available, as any affiliated contact could view it. Cellular contended, however, that one’s LinkedIn contacts were not automatically viewable to all, but one could choose to what extent one’s contacts were shared with others. Oakes did not comment on whether this LinkedIn functionality

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457. Herb Reed Enters., LLC v. Florida Entm’t Mgmt., Inc., 736 F.3d 1239 (9th Cir. 2013), cert. denied, 135 S. Ct. 57 (Oct. 6, 2014).
459. Id. at *4.
460. Id. at *1–2.
461. Id. at *2.
462. Id.
463. Id. at *4.
464. Id.
465. Id.
was true or, if that was the case, whether his settings made the contacts viewable to other contacts.466

Defendants also argued that Cellular failed to meet trade secret standards under CUTSA, Cal. Civ. Code § 3426.1, because it did not take reasonable steps to protect the information, that is, Oakes's list of LinkedIn contacts.467 Defendants asserted that Cellular employees' computers were generally left on and unprotected.468 Cellular countered, claiming that it "[went] to great lengths to keep its proprietary information confidential and protected, using layers of passwords and SSL encryption[.]"469

In deciding whether genuine issues of material fact existed concerning LinkedIn contacts, the court looked to the definition of a trade secret under CUTSA, Cal. Civ. Code § 3426.1, noting a two-prong test for trade secret qualification: 1) economic value from being "generally [un]known to the public," and 2) reasonable efforts to maintain secrecy.470 With regard to public knowledge, the court found it unclear whether and to what degree Oakes's LinkedIn contacts were made public, and if so, whether Cellular explicitly or implicitly permitted this setting.471 The court also declined to "take judicial notice of the functions of LinkedIn," that is, verify on its own the functionality of LinkedIn's contacts settings.472 Thus, the court concluded that issues of material fact remained regarding the first prong.473 The court also found issues of material fact as to whether Cellular took reasonable steps to protect Oakes's LinkedIn contacts from being viewable to the public as the parties disputed certain facts.474

The court declined to make credibility determinations on the parties' competing statements, and found genuine disputes of material fact regarding Cellular's claim that defendants misappropriated trade secrets when Oakes maintained his LinkedIn contacts after his employment with Cellular terminated.475 Therefore, the court denied Trinitas's motion for summary judgment.476

466. Id.
467. Id. at *5.
468. Id.
469. Id.
470. Id. at *2.
471. Id. at *4.
472. Id.
473. Id. at *5.
474. Id.
475. Id.
476. Id.
B. *Guardsmark, LLC v. Bowman*[^77]

On May 9, 2014, the Superior Court of California, San Francisco County, ordered a rare non-compete injunction against a former manager of a security firm, Guardsmark, LLC (“Guardsmark”), because he attempted to take over one of Guardsmark’s largest contracts.[^78] California typically does not grant non-compete injunctions.

In January 2014, Guardsmark, a provider for security services, filed a complaint against its former branch manager, Derrick Bowman, his company Teton Security Services, Inc. (“Teton”), and Teton’s other leader William Bodin for injunctive relief.[^79] As Guardsmark alleged in the complaint, Guardsmark hired Bowman in 1993 and he became the manager in charge of Guardsmark’s San Francisco branch in 2005.[^80] As part of his job, Bowman was responsible for managing all San Francisco accounts, including the San Francisco Department of Human Services (“DHS”) account, to whom Guardsmark provided sizable and significant services.[^81] While assuming this responsibility, Bowman, without notifying Guardsmark, served as founder of Teton, which Guardsmark alleged to be Guardsmark’s competitor providing private security services.[^82] Furthermore, according to the complaint, when the DHS account came up for re-bid in Fall 2013, Bowman concealed certain information from Guardsmark about the bid he prepared for DHS and his affiliation with Teton, and submitted Teton’s own bid for the same DHS account using his managerial access to Guardsmark’s trade secrets and other confidential information.[^83] Consequently, Guardsmark lost the DHS contract to Teton and Bowman’s actions jeopardized Guardsmark’s opportunity to administratively challenge DHS’s decision.[^84]

According to Guardsmark, Bowman had signed an employment agreement that stated that he would refrain from misappropriating Guardsmark’s confidential information, including trade secrets.[^85]

[^80]: *Id.* at 2, 5.
[^81]: *Id.* at 2, 4.
[^82]: *Id.* at 6
[^83]: *Id.* at 8
[^84]: *Id.* at 9–10.
[^85]: *Id.* at 5
The court established a temporary restraining order, stating that “Guardsmark ha[d] established a strong likelihood of success on the merits on its claims that Defendants engaged in unfair business practices and wrongfully acquired Guardsmark’s confidential/trade secret information[.]” 486

Subsequently, the parties reached a settlement agreement and per their joint request, in May 2014, the court approved the injunction, including non-solicitation restrictions. According to the injunction order, for a period of twelve months following the issuance of the injunction defendants may not solicit or contact Guardsmark’s current customers in San Francisco, or take any action to induce them to discontinue a service relationship with Guardsmark. 487 In reaching this ruling, the order referred to Wanke, Industrial, Commercial, Residential, Inc. v. Superior Court, 488 where the court held that a former employee may be barred from soliciting existing customers to redirect their business away from the former employer and to the employee’s new business in certain circumstances. 489

These situation include when the employee is utilizing trade secret information to solicit those customers and the stipulated injunction is valid to the extent that it protects the former employer’s trade secrets, in the case where two former employees had misappropriated the trade secrets of their former employer by using confidential customer lists to solicit the former employer’s customers after leaving the employ. 490

C. UNITED STATES V. ZHANG 491

The United States Court of Appeals for the Ninth Circuit held that Suibin Zhang was guilty under 18 U.S.C. § 1832 of various forms of theft of Marvell Semiconductor’s trade secrets. 492

Zhang was employed by Netgear Inc., as a project engineer when he accepted a position at Netgear’s biggest competitor, Broadcom Corp., in March 2005. 493 On March 9, 2005, Zhang began downloading Marvell

489. Id. at 1174–75, 1178.
490. Id.
491. 590 F. App’x 663 (9th Cir. Nov. 5, 2014).
492. Id. at 665.
Semiconductor Inc.’s trade secrets via his Netgear account since Netgear is Marvell’s parent company.\footnote{Id.} Zhang then proceeded to transfer the downloaded information concerning Marvell’s trade secrets onto his Broadcom issued laptop.\footnote{Id. at *5.} The FBI searched and seized said laptop on June 4, 2005 and proceeded to investigate the intellectual property claim.\footnote{Id. at 665.}

The United States District Court for the Northern District of California found Zhang guilty of theft, copying, and the transmission of trade secrets.\footnote{Zhang, 590 F. App’x at 665.} Zhang then appealed, challenging the sufficiency of the evidence supporting the verdict, challenging an evidentiary ruling of the district court, and contending that his Sixth Amendment right to a public trial was violated.\footnote{Id. at 666.} The first and third claims were reviewed de novo whereas the evidentiary rulings for abuse of discretion and factual determinations were found to be for clear error.\footnote{Id. at 665.}

With respect to Zhang’s challenge of the sufficiency of the evidence, the Ninth Circuit found that there was sufficient evidence to find Zhang guilty.\footnote{Id.} The court investigated five different aspects to establish sufficiency of evidence.\footnote{Id.} First, Marvell took the appropriate “reasonable measures” to protect its trade secrets.\footnote{Id. at 665.} Access to Marvell’s Extranet required a username and password, additional passwords and licenses for specific documents, and an agreement to Marvell’s Terms of Use (which explicitly advised users of the existence of trade secrets in the Extranet).\footnote{Id. at 666.} Such evidence led the court to conclude that Marvell took reasonable measures in protecting its trade secrets.\footnote{Id. at 665.}

Second, Zhang “knowingly” misappropriated Marvell’s trade secrets.\footnote{Id.} Circumstantial evidence suggested that Zhang was familiar with the non-disclosure agreement (“NDA”) with Marvell. Zhang signed an NDA with Netgear, and the extranet website and Terms of Use repeatedly mentioned the protection of confidential information, including a directive requiring

\footnotesize

494. Id.
495. Id. at *5.
496. Id.
497. Id.
498. Zhang, 590 F. App’x at 665.
499. Id.
500. Id.
501. Id. at 666.
502. Id. at 665.
503. Id.
504. Id.
505. Id.
Zhang to “immediately destroy any downloaded materials and return any printed [m]aterials” upon leaving the company.\(^{506}\) Zhang also evaded FBI questioning suggesting that he was aware of the confidentiality issue.\(^{507}\)

Third, Zhang stole or misappropriated Marvell information.\(^{508}\) The court observed that the volume and timing of Zhang’s downloads were “highly suspicious[,]” as Zhang had never needed to download so many files and he proceeded to upload the files onto his newly issued Broadcom laptop.\(^{509}\)

Fourth, Zhang intended to use the downloaded Marvell information for his own or Broadcom’s economic benefit.\(^{510}\) Zhang told the FBI that the information would profit him at Broadcom.\(^{511}\) The court concluded that a reasonable jury would conclude that Zhang intended to benefit himself or Broadcom economically.\(^{512}\)

Lastly, Zhang intended to or knew that his actions would injure Marvell based on Zhang’s course of conduct, including copying Marvell’s secrets onto his laptop and intending to reap an economic benefit. In addition, Marvell took reasonable measures to protect its trade secrets.\(^{513}\)

With respect to Zhang’s challenge of the district court’s evidentiary ruling, the Ninth Circuit found that the admittance of a spreadsheet was permissible because even if it were done in error, it was “harmless” and would not have affected Zhang’s conviction.\(^{514}\) With respect to Zhang’s last challenge on his Sixth Amendment right to a public trial, the court found that Zhang’s Sixth Amendment right was not violated because it was necessary to close the courtroom to the public to protect Marvell’s trade secrets during witness testimony.\(^{515}\) Therefore, the Ninth Circuit affirmed Zhang’s criminal conviction for the theft of trade secrets.\(^{516}\)

\(^{506}\) Id. at 665–66 (internal quotation marks omitted).

\(^{507}\) Id.

\(^{508}\) Id. at 666.

\(^{509}\) Id.

\(^{510}\) Id.

\(^{511}\) Id.

\(^{512}\) Id.

\(^{513}\) Id.

\(^{514}\) Id. at 667.

\(^{515}\) Id.

\(^{516}\) Id.
V. PRIVACY AND CYBERLAW DEVELOPMENTS

A. *AF Holdings, LLC v. DOES 1–1058* 517

The United States Court of Appeals for the District of Columbia Circuit held that a copyright owner, seeking to identify more than a thousand John Does who had illegally downloaded a pornographic movie, sought unduly burdensome discovery from the internet service providers (“ISP”) involved, as well as the improper joinder of the unknown defendants.

In 2012, AF Holdings, LLC (“AF Holdings”) brought action in the District Court for the District of Columbia against 1058 unknown individuals, alleging that they had illegally downloaded and shared the copyrighted pornographic film *Popular Demand* through the peer-to-peer (“P2P”) protocol known as BitTorrent. 518 AF Holdings moved for immediate discovery, and sought to discover the identities of these individuals by serving subpoenas on five ISPs linked to the internet protocol (“IP”) addresses of the individuals; the district court granted the motion. 519 The ISPs refused to comply, arguing that the subpoenas represented an “undue burden” as laid out in the Federal Rules of Civil Procedure 520 and that the court should “quash or modify” the subpoenas. 521 The court rejected these arguments, but certified its order for immediate appeal, noting that other district courts had reached opposite holdings under similar circumstances. 522 The ISPs then filed an interlocutory appeal to the D.C. Circuit. 523

The issue before the court was whether AF Holdings had abused the discovery process by seeking identification over individuals the court was not likely to have jurisdiction over, or who could only be improperly joined to the case. At trial, AF Holdings argued that considerations of personal jurisdiction were premature because the defendants had yet to raise such issues, and that defendants could be joined because each defendant was part of the same transaction. 524 The ISPs, however, asserted that personal jurisdiction was lacking, and defendants could not be properly joined. 525

517. 752 F.3d 990 (D.C. Cir. 2014).
518. *Id.* at 992.
519. *Id.* at 992.
521. *AF Holdings*, 752 F.3d at 993.
522. *Id.* at 994.
523. *Id.* at 992.
524. *Id.* at 994, 998.
525. *Id.* at 994.
The D.C. Circuit held that the court was not the proper venue because it was not likely to have jurisdiction over a majority of the defendants, and that most of the defendants could not be properly joined to the case.\textsuperscript{526}

In deciding whether AF Holdings’ use of the discovery process was proper, the court first looked at whether they had a “good faith belief that such discovery will enable it to show that the court has personal jurisdiction over the defendants.”\textsuperscript{527} However, three of the ISPs listed did not even serve the District of Columbia, and of the other two, only twenty-one of the 588 IP addresses provided appeared to come from the District of Columbia.\textsuperscript{528} Given that personal jurisdiction could only be established if the individuals were residents of the District of Columbia or had downloaded the file in the District of Columbia, the court found that such a good faith belief did not exist, as a vast majority of the 1,058 individuals were very unlikely to be subject to the personal jurisdiction of the court.\textsuperscript{529} Supporting this holding was the fact that AF Holdings could have easily and cheaply determined the geographical locations of the IP addresses, and amended its defendant list to only include the IP addresses located in the District of Columbia, but that it “made absolutely no effort” to do so.\textsuperscript{530}

As for the question of joinder, the court looked at Federal Rule of Civil Procedure 20(a), which allowed for joinder if the plaintiff seeks relief from “the same transaction, occurrence, or series of transactions or occurrences.”\textsuperscript{531} AF Holdings argued that joinder was appropriate here, because of how the BitTorrent P2P protocol worked.\textsuperscript{532} Instead of a direct link between the source and the downloader, multiple packets of data which, taken together, would comprise the entire file, were flagged and downloaded from multiple uploaders; this network was described in case materials as a “swarm.”\textsuperscript{533} However, no evidence was presented indicating that the defendants named participated in the swarm at the same time; the evidence presented by AF Holdings indicated only that the 1,058 Does allegedly shared the file at some point over a period of five months,
supporting the notion that many defendants named could not be properly joined.\textsuperscript{534}

The D.C. Circuit not only reversed the ruling of the district court with regard to the subpoenas, but also concluded that AF Holdings had sought to “abuse[] the discovery process” to reveal identities and information for future cases.\textsuperscript{535} It described AF Holdings as a “porno-trolling collective,” and left it to the district court to decide sanctions.\textsuperscript{536}

B. In re A Warrant for All Content & Other Info. Associated with the Email Account xxxxxxx@gmail.com Maintained at Premises Controlled by Google, Inc.\textsuperscript{537}

The United States District Court for the Southern District of New York held on July 18, 2014 that a search warrant for the entirety of a suspect’s Gmail account comported with the Fourth Amendment reasonableness standard and did not require limiting protocol.\textsuperscript{538}

In June 2014, the U.S. government applied for a search warrant to obtain emails and other information from a Gmail account in conjunction with an investigation into unlawful money remitting and a conspiracy to commit money laundering.\textsuperscript{539} After presenting probable cause that emails sent from the Gmail account contained evidence of these crimes, the government requested a warrant which would allow for an examination of all content associated with the Gmail account including received, sent and drafted emails.\textsuperscript{540}

Deviating from recent decisions issued in similar situations, notably in the District of the District of Columbia\textsuperscript{541} and the District of Kansas,\textsuperscript{542} the court granted the warrant application in full and did not impose limiting protocols for record destruction, the length of document retention or

\textsuperscript{534} Id.
\textsuperscript{535} Id. at 997.
\textsuperscript{536} Id. at 992, 999.
\textsuperscript{537} 33 F. Supp. 3d 386 (S.D.N.Y. 2014).
\textsuperscript{538} Id.
\textsuperscript{539} Id.
\textsuperscript{540} Id.
\textsuperscript{541} In the Matter of the Search of Information Associated with [redacted]@mac.com that is Stored at Premises Controlled by Apple, Inc., 13 F. Supp. 3d 145 (D.D.C. Apr. 7, 2014).
In considering the legality of such a broad warrant, the court found that the warrant application did not violate the Stored Communications Act of 1986, 18 U.S.C. §§ 2701–2717, or the Fourth Amendment. The Stored Communications Act of 1986 governs the disclosure of customer communications and records for the purposes of criminal investigations, and a government agency, under this statute, may obtain a warrant seeking the disclosure of electronic communication without notice to the customer. The process for obtaining such a warrant is guided by the Federal Rules of Criminal Procedure and requires “specific and articulable facts showing that there are reasonable grounds to believe that the contents of a wire or electronic communication [. . . ] are relevant and material to an ongoing criminal investigation.” Here, the court held that “an affidavit from an agent of the Federal Bureau of Investigation” provided sufficient probability of evidentiary relevance.

Designed to safeguard citizens against unwanted and unwarranted invasions of privacy, the Fourth Amendment, as implemented by Rule 41 of the Federal Rules of Criminal Procedure, requires particularity and reasonableness in warrant applications while forbidding overbreadth. The court found the warrant application to meet these requirements by analogizing to “copious precedent.” Among such precedent are cases concerning paper documents as well as information stored on hard drives and other electronic storage mediums. Courts have, in various cases related to these mediums, upheld a broad level of scrutiny comparable to the breadth sought in this case. Practical considerations undergird this broadness: content must be examined to produce a determination of its relevance, on-site examinations are often difficult and burdensome to the government, and electronic searches present inherent complexities for government agents. By extending this accepted practice of broad assessment to email communications, the court found that a warrant for

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543. In the Matter of a Warrant, 33 F. Supp. 3d at 386.
544. Id.
546. Id. § 2703(d).
547. In re A Warrant, 33 F. Supp. 3d at 386.
548. Id. at 387.
549. Id. at 389.
550. Id.
551. Id.
552. Id. at 389–91.
the entirety of the suspect’s Gmail account falls within the bounds of the Fourth Amendment.\footnote{Id. at 391.}

In doing so, the court rejected the District of the District of Columbia’s proposal that the government seek a warrant requiring the email host to filter for and produce relevant emails.\footnote{Id. at 392.} Not only did the court express skepticism over the email host’s ability to exercise the necessary professional judgment and expertise, it also expressed concern regarding the burden on email hosts and their lack of constitutional duties (acting presumably as restraints) in handling sensitive, personal information.\footnote{Id.}

The court then turned to a consideration of imposing limiting protocols, or “minimization procedures,” on the warrant.\footnote{Id. at 394.} Although the Fourth Amendment does not require minimization procedures in the issuance of warrants, minimization procedures have been adopted in recent cases.\footnote{Id. at 392.} In a 2012 case concerning the seizure of a personal computer connected to an identity theft investigation, the Vermont Supreme Court ruled that limiting procedures on how to execute a warrant were within the scope of a judicial officer’s authority.\footnote{In re Appeal of Application for Search Warrant, 71 A.3d 1158 (Vt. 2012).} The minimization procedures mandated in this case included “requiring third parties or specially trained computer personnel to conduct the search behind a firewall and provide to State investigatory agents only digital evidence relating to identity theft offenses.”\footnote{Id. at 59.}

Despite this precedent, the court ruled against a mandatory inclusion of protocols relating to search strategies, destruction of unnecessary or extraneous documents, timelines and other minimizing procedures.\footnote{In re A Warrant, 33 F. Supp. 3d at 386.} In doing so, the court pointed to the need to afford government agents flexibility and discretion in an investigation and raised the potential for unpredictable developments.\footnote{Id. at 397–98.} It is not unusual, for instance, that investigators decipher code language midway through an investigation, necessitating another review of documents and thus validating an extended timeline for record retention.\footnote{Id.}

\begin{itemize}
  \item \footnote{Id. at 391.}
  \item \footnote{Id. at 392.}
  \item \footnote{Id.}
  \item \footnote{Id. at 394.}
  \item \footnote{Id.}
  \item \footnote{Id. at 59.}
  \item \footnote{In re Appeal of Application for Search Warrant, 71 A.3d 1158 (Vt. 2012).}
  \item \footnote{Id. at 59.}
  \item \footnote{In re A Warrant, 33 F. Supp. 3d at 386.}
  \item \footnote{Id. at 397–98.}
  \item \footnote{Id.}
\end{itemize}
investigational needs particularly compelling when remedies against any governmental overreach already exist. These remedies may take the form of “a suppression motion, a motion under Rule 41(g) and . . . civil actions for damages”—the availability of which should also act as deterrents against any potential government misbehavior. Thus, in balancing both the availability of remedies against government overreach and the need for flexibility in ongoing investigations, the court dismissed the inclusion of any minimization procedures with the warrant.

C. People v. Marquan M. In the first case to weigh the constitutionality of criminalizing cyberbullying, the New York Court of Appeals held that the Albany County law criminalizing cyberbullying was so broad that it violated the Free Speech Clause of the First Amendment.

In 2010, the Albany County Legislature enacted a law to combat the crime of cyberbullying, specifically to address “non-physical bullying behaviors transmitted by electronic means[.]" The law defines cyberbullying as:

any act of communicating or causing a communication to be sent by mechanical or electronic means, including posting statements on the internet or through a computer or email network, disseminating embarrassing or sexually explicit photographs; disseminating private, personal, false or sexual information, or sending hate mail, with no legitimate private, personal, or public purpose, with the intent to harass, annoy, threaten, abuse, taunt, intimidate, torment, humiliate, or otherwise inflict significant emotional harm on another person[.]"

After the law became effective, defendant Marquan M., a sixteen-year-old student, launched a Facebook page called the “Cohoes Flame” in which he anonymously posted photographs of high school classmates and other adolescents, with detailed descriptions of their alleged sexual practices and other types of personal information. Marquan M. was charged with cyberbullying under the Albany County local law, under

563. Id. at 399.
564. Id.
565. Id.
567. Id.
568. Albany County Local Law No. 11 For 2010, § 1 (2010).
569. Id. § 2.
570. Marquan M., 19 N.E.3d at 481.
which cyberbullying “against any minor or person” in the county was a misdemeanor, punishable with up to one year of imprisonment and with a $1,000 fine.571

At trial, Marquan M. filed a motion to dismiss, arguing that the law violated the Free Speech Clause of the First Amendment because it was overbroad and unlawfully vague.572 Specifically, Marquan M. contended that the law was overbroad because it proscribed protected expression and unlawfully vague because it failed to give fair notice to the public.573 Following the city court’s denial of his motion to dismiss, Marquan M. pleaded guilty, but raised constitutional arguments on appeal.574 The county court affirmed the city court’s denial of the motion to dismiss and held that the local law did not contravene Marquan M.’s First Amendment rights.575 The county found that whereas parts of the law are invalid, they are nonetheless severable and rendered the remainder of the law constitutional if interpreted in a restrictive manner.576 The New York Court of Appeals granted Marquan M. leave to appeal.577

In weighing the constitutionality of the Albany County law, and whether it may coexist with free speech under the First Amendment, the court applied fundamental principles of statutory interpretation while placing the burden of proof on the Legislature to show the law’s constitutionality. In a 5–2 decision, the court concluded that the law, as drafted, was “overbroad and facially invalid under the Free Speech Clause of the First Amendment.”578 The court noted that under the First Amendment, free speech is generally protected and may not be restricted by the government except in limited categories and specific types of communication.579 The court considered a law to be broad if it “prohibits a real and substantial amount of expression”580 and vague if it fails to give “notice of the nature of proscribed conduct, and permits arbitrary and discriminatory enforcement.”581 Basing its decision on the breadth and vagueness doctrines, the court concluded that the law is of “ alarming

572. Marquan M., 19 N.E.3d at 482.
573. Id.
574. Id. at 482.
575. Id.
576. Id. at 486.
577. Id. at 482.
578. Id. at 483.
579. Id.
580. Id. at 483.
581. Id.
breadth\footnote{582} as it criminalized a broad spectrum of protected communications “far beyond the cyberbullying of children.”\footnote{583} While recognizing that a “court should strive to save a statute,” the court found it could not employ the severance doctrine in a way that would “cure all of the law’s constitutional ills.”\footnote{584} The court reasoned that it would require an excessive judicial revision that may result in an unlawful rewriting of a legislative enactment.\footnote{585}

While acknowledging the public interest in protecting children from harmful publications, that cyberbullying is not conceptually immune from government regulation even if “vulgar and offensive,”\footnote{586} and that the First Amendment “permits the prohibition of cyberbullying directed at children,”\footnote{587} the court yet found the law to be overbroad as it criminalizes “any act of communicating . . . by mechanical or electronic means . . . with no legitimate . . . personal . . . purpose, with the intent to harass [or] annoy . . . another person.”\footnote{588} The court decided the law was overbroad in covering communications “aimed at adults, and fictitious or corporate entities,”\footnote{589} as it is not limited to cyberbullying, but includes every form of electronic communication “such as telephone conversations, a ham radio transmission or even a telegram.”\footnote{590} The law is framed so that it includes a much broader scope than bullying, for example, “an email disclosing private information about a corporation or a telephone conversation meant to annoy an adult,”\footnote{591} “annoying and embarrassing speech,”\footnote{592} and it attempts to qualify certain speech as ‘legitimate,’ which is forbidden by the First Amendment.\footnote{593}

The court noted that if it were to reflect legislative intent to restrict the law “to the three discrete types\footnote{594} of electronic bullying of a sexual nature designed to cause emotional harm to children,” it would add up to a

\footnotesize
582. Id.
583. Id.
584. Id. at 484.
585. Id.
586. Id. at 482.
587. Id. at 483.
588. Id. at 483.
589. Id.
590. Id.
591. Id.
592. Id. at 483.
593. Id.
594. The three types of electronic communications that the court refers to are: (1) sexually explicit photographs, (2) private or personal sexual information, and (3) false sexual information with no legitimate public, personal or private purpose. Id. at 484.
“judicial rewrite encroach[ing] on the authority of the legislative body that crafted the provision and would enter the realm of vagueness.”\textsuperscript{595}

The dissent argued that the provisions found by the court to be unconstitutional should be “severed from the rest of the legislation and that what remains . . . be interpreted in a way that renders it constitutionally valid”\textsuperscript{596} and that “speech designed to inflict serious emotional injury is protected only when . . . [it] is directed at a matter of public concern.”\textsuperscript{597}

D. \textit{UNITED STATES V. DAVIS}\textsuperscript{598}

The United States Court of Appeals for the Eleventh Circuit held that the defendant’s Fourth Amendment rights had been violated when his cell site location information, comprised of phone calls, the cell tower carrying the calls, and the direction from the cell tower, was obtained for “reasonable grounds” rather than for “probable cause[].”\textsuperscript{599} The Third Circuit\textsuperscript{600} and the Fifth Circuit\textsuperscript{601} Courts of Appeal have both previously considered this issue, though the Eleventh Circuit distinguished the present case from the Third and Fifth Circuits’ holdings because the facts were not analogous.\textsuperscript{602}

Defendant Quartavius Davis (“Davis”) was charged under the Anti-Racketeering Act as codified in 18 U.S.C. § 1951 (“the Hobbs Act”) and 18 U.S.C. § 924.\textsuperscript{603} Under the Hobbs Act, Davis was charged with two counts of conspiracy to engage in robbery and seven counts of robbery.\textsuperscript{604}

\begin{footnotesize}
\begin{enumerate}
\item \textit{Id.}
\item \textit{Id. at} 486–87 (Smith, J., dissenting) (suggesting the removal of the phrase “or person” from the operative provision so that the law apply solely to children; the removal of “embarrassing” and “hate mail”; interpretation of the phrase “no legitimate purpose” as non-protected speech; and reading of the words “annoy” and “humiliate” as “a non-exhaustive list of ways that the wrongdoer may formulate his or her intent to inflict emotional harm on the victim” (emphasis added)).
\item \textit{Id.} at 8.
\item \textit{754} F.3d \textit{1205} (11th Cir. 2014); \textit{vacated and reb’g granted en banc}, \textit{573} F. App’x \textit{925} (11th Cir. Sept. 4, 2014).
\item \textit{Davis}, \textit{754} F.3d \textit{at} 1205, 1211, 1217.
\item In re Application of U.S. for an Order Directing a Provider of Elec. Commc’n Serv. To Disclose Records to Gov’t, \textit{620} F.3d \textit{304}, 317–18 (3d Cir. 2010).
\item In re Application of U.S. for Historical Cell Site Data, \textit{724} F.3d \textit{600}, \textit{612} (5th Cir. 2013).
\item The Third Circuit held that a search warrant showing “probable cause” might be required under certain circumstances while the Fifth Circuit held that production of records on a “reasonable grounds” basis is not \textit{per se} unconstitutional. \textit{Davis}, \textit{754} F. 3d \textit{at} 1211–12.
\item \textit{Davis}, \textit{754} F.3d \textit{at} 1208–09.
\item \textit{Id.}
\end{enumerate}
\end{footnotesize}
Under 18 U.S.C. § 924, Davis was charged with seven counts of knowingly using, carrying, and possessing a firearm in furtherance of a crime of violence. The prosecution offered as evidence at trial “cell site location information,” comprised of calls from Davis’ phone, which cell tower that carried the call, and his direction from the cell tower. From this evidence, it was possible to extrapolate Davis’ general location from the transmission between the mobile phone and the cell tower to locate him within the vicinity of the alleged robberies.

During pretrial proceedings and at trial, Davis unsuccessfully moved to suppress this electronic location evidence on the grounds that the prosecution had obtained it without a search warrant, in violation of his Fourth Amendment rights. The jury convicted Davis and the district court sentenced him to 161 years and nine months in prison. Davis appealed, contending that the cell site location information offered as evidence required “probable cause” and a search warrant under the Fourth Amendment. The prosecution countered that the Fourth Amendment did not protect the cell site location information because it was obtained with a court order under the Stored Communications Act, and thus its introduction into evidence only required a showing of “reasonable grounds to believe that the . . . records or other information sought, are relevant and material to an ongoing criminal investigation.”

The court relied on *United States v. Jones*, where the Supreme Court held that the warrantless gathering of Global Positioning System (“GPS”) location information had violated the Fourth Amendment. In *Jones*, the prosecution used a GPS tracking device to collect data reflecting the movements of the defendant’s car for a month and subsequently argued during trial that the suspect had no reasonable expectation of privacy on public streets and highways. The Supreme Court rejected this argument.

605. *Id.*
606. *Id.* at 1211.
607. *Id.*
608. *Id.* at 1209.
609. *Id.* at 1208.
610. *Id.* at 1211.
611. As relevant to this case, under the Stored Communications Act, the government can use a court order, which does not require probable cause, to obtain records from providers of electronic communication services. *Id.* at 1210 (citing 18 U.S.C. § 2703(d) (2012)).
612. *Id.* at 1211.
614. *Davis*, 754 F.3d at 1214.
615. *Id.*
and concluded that, although individual elements of the defendant’s daily movements might have been exposed to the public, the aggregation of a month’s worth of movements was not exposed, and thus the defendant held a reasonable expectation of privacy concerning the data.616

Applying the reasoning in Jones, the Eleventh Circuit found that the prosecution’s warrantless gathering of Davis’ cell site location information violated Davis’ reasonable expectation of privacy.617 Further, since the exposure of cell site data “can convert what would otherwise be considered a private event into a public one,” cell site data functioned “more like communications data” than GPS information.618

The prosecution presented two counterarguments: that cell site location information is less precise than other data, and that Davis had no reasonable expectation of privacy by exposing his cell site location information to his service provider when he placed a call.619 The court rejected the first counterargument on the grounds of relevancy, noting that the distinctions should not be significant.620 The court also rejected the second counterargument, holding that a user has not “voluntarily” shared his location with a provider and is unlikely aware that his cell provider collects and stores historical location information.621 Furthermore, when a person makes a call, the only information voluntarily and knowingly shared is the dialed number and when a person receives a call, that person has not voluntarily exposed anything.622

Thus, the court held that by obtaining Davis’ cell site location information without probable cause, law enforcement violated his Fourth Amendment rights.623

VI. ANTITRUST DEVELOPMENTS

A. FTC v. Ross624

On February 25, 2014, the U.S. Court of Appeals for the Fourth Circuit upheld a lower court’s authority to award consumer redress under Section 5(a) of the Federal Trade Commission Act (the Act), 15 U.S.C.

616. Id. at 1213–14.
617. Id. at 1215.
618. Id. at 1215–16.
619. Id. at 1216.
620. Id.
621. Id. at 1216–17.
622. Id. at 1217.
623. Id. at 1211, 1217.
624. 743 F.3d 886 (4th Cir. 2014).
§ 45(a) in a case involving a deceptive internet advertising “scareware” scheme. 625 The court also upheld the challenged standard for holding a person individually liable under the Act. 626

In 2008, the Federal Trade Commission (“FTC”) sued Innovative Marketing Inc. and several of its executives and founders, including Ross, in the United States District Court for the District of Maryland, alleging that defendants operated “a massive, internet-based scheme that trick[ed] consumers into purchasing computer security software.” 627 While other defendants settled or had a default judgment entered against them, Ross defended the suit. 628 The district court entered summary judgment in favor of the FTC on whether the advertising was “deceptive,” and after a bench trial found that Ross was individually liable under the Act as she “had authority to control and directly participated in the deceptive acts.[,]” 629 The court entered judgment against Ross for $163,167,539.95 and enjoined her from engaging in deceptive advertising practices. 630 Ross appealed the decision.

On appeal, Ross contended that the text, history, and purpose of the Act did not authorize the district court to award consumer redress (money judgment), as 15 U.S.C. § 53(b) only specifies that the “Commission may seek, and . . . the court may issue a permanent injunction.” 631 The U.S. Court of Appeals for the Fourth Circuit disagreed, holding that the district court had authority to award consumer redress under § 5(a) of the Act. 632 Though the court acknowledged that this authority was not explicitly granted in the statute, it nonetheless noted that the Supreme Court has long held that with Congress’s invocation of the federal district court’s equitable jurisdiction, the court has the “power to decide all relevant matters . . . and to award complete relief[.]” 633 Absent any further limitations on this power in the Act, the court concluded that the power to award “complete relief,” included “monetary consumer redress[.]” 634

625. Id. at 891.
626. Id. at 892.
627. Id. at 889–90.
628. Id. at 890.
629. Id.
630. Id.
631. Id.
632. Id.
633. Id. at 890–91.
634. Id. at 890 (citing Porter v. Warner Holding Co., 328 U.S. 395, 399 (1946)).
635. Id. at 891.
The court also rejected Ross’s contention that the district court adopted an overly broad standard in holding her individually liable. The district court ruled that one could be held individually liable if he “(1) participated directly in the deceptive practices or had authority to control them, and (2) had knowledge of the deceptive conduct . . . [including] actual knowledge, reckless indifference to the truth, or an awareness of a high probability of fraud combined with intentionally avoiding the truth[].” Arguing that the district court’s standard was wrong, Ross proposed a standard requiring a “specific intent/subjective knowledge” that allows the Federal Trade Commission to sue only when individuals “had actual awareness” of the deceptive practices and “failed to act to stop” them. The court concluded that Ross’s proposed specific intent and specific knowledge requirement would in effect exempt from liability individuals that are actually responsible for illegal activities. Instead, the court held that “an individual may be found liable under the [Act] if she (1) participated directly in the deceptive practices or had authority to control those practices, and (2) had or should have had knowledge of the deceptive practices.” The court’s decision was motivated by the attempt to “maintain uniformity” across the federal appellate courts.

Finally, Ross unsuccessfully challenged both the district court’s evidentiary rulings and its factual findings. The court concluded that testimony from Ross’s expert witness had been properly precluded as irrelevant, that the company’s profit and loss statement had been properly admitted to calculate consumer redress, and that a challenged e-mail was properly admitted under the hearsay exception for conspiracies. Finding no grounds for reversal, the court affirmed the judgment of the district court.

The Fourth Circuit affirmed the district court’s decision. Ross appealed the decision, and on October 6, 2014 the Supreme Court denied the petition for writ of certiorari.

636. Id. at 892.
637. Id. at 892.
638. Id.
639. Id.
640. Id.
641. Id.
642. Id. at 893–95.
643. Id. at 893–94.
644. Id. at 895.
645. Id.
646. Id. at 891.
B. **IN RE ADDERALL XR ANTITRUST LITIGATION**

On June 9, 2014, the United States Court of Appeals for the Second Circuit held the contractual duty to deal of a patent holder does not, by itself, give rise to an antitrust duty to deal.

Plaintiffs Louisiana Wholesale Drug Company and the Value Drug Company of Altoona, Pennsylvania, who are wholesale dealers in pharmaceutical products, brought a class action against Defendants Shire LLC and Shire U.S., Inc. (together, “Shire”), alleging that Shire violated the anti-monopolization provision of the Sherman Act, 15 U.S.C. § 2. Shire allegedly breached contracts with Plaintiffs’ suppliers, Teva and Impax, executed pursuant to a settlement agreement of a separate patent litigation brought by Shire. While not parties to the contracts with Shire, Teva, and Impax, Plaintiffs argued that these contracts gave rise to a “duty to deal” under antitrust law because Shire could fix, raise, maintain, or stabilize the price of AXR at supra-competitive levels by breaching the contracts. Plaintiffs expressly disclaimed any reliance on the patent settlement between Shire, Teva, and Impax.

Shire is the patent holder of Adderall XR (“AXR”), a drug approved by the Federal Drug Administration (“FDA”) to treat attention-deficit/hyperactivity disorder. In separate patent litigation, settled in 2006, Shire sued Teva Pharmaceuticals USA, Inc. and Impax Laboratories, Inc. for patent infringement following Teva and Impax’s certification with the FDA to make and sell a generic equivalent of AXR. Pursuant to the settlement agreements, the parties agreed that Teva and Impax “would stay out of the market for AXR for three years.” In exchange, Shire would effectively give its competitors Teva and Impax “both the rights and supplies to participate in the market for AXR,” as well as supply Teva and Impax with requirements for AXR for resale if the FDA had not approved their applications by 2009. In 2009, Teva and Impax began purchasing AXR from Shire, and in the following months, Teva and Impax complained that Shire breached the settlement terms by

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647. 754 F.3d 128 (2d Cir. 2014)
648. Id.
649. Id.
650. Id. at 131.
651. Id.
652. Id. at 134–35.
653. Id. at 130.
654. Id.
655. Id.
656. Id.
only partially filling their orders, creating a shortfall of AXR to Teva and Impax’s wholesale dealers.\(^{657}\) As a result, the wholesale dealer plaintiffs paid an increased price for AXR, giving rise to the issue before the Second Circuit in this case.\(^{658}\)

The United States District Court for the Southern District of New York dismissed the plaintiffs’ complaint.\(^{659}\) The court opined that the terms of the settlement contracts fell within the scope of monopoly granted under Shire’s AXR patents, and as the patent holder, Shire could “refuse[] outright to issue a license in the first instance” without facing liability from the narrow duty to deal doctrine.\(^{660}\) Thus, liability could only attach if the settlement contracts enlarged the scope of Shire’s monopoly.\(^{661}\)

On appeal, the Second Circuit affirmed the district court’s ruling and held that the “mere existence of a contractual duty to supply goods does not by itself give rise to an antitrust duty to deal.”\(^{662}\) The court held that “the sole exception to the broad right of a firm to refuse to deal with its competitors” applies when a monopolist seeks to “terminate a prior (voluntary) course of dealing with a competitor.”\(^{663}\) In the present case, none of the “particulars” cited by the Supreme Court that evidence a duty to deal were found, such as a “willingness to forsake short-term profits to achieve an anticompetitive end” and the refusal to enter into a sale of the product “even if compensated at retail price.”\(^{664}\)

The court reasoned that, in this case, Shire did not terminate any prior, presumably profitable, course of dealing.\(^{665}\) By entering into the requirements contracts that were “explicitly unprofitable[,]” Shire in fact “created competition” in the market for AXR and lost fifty to sixty percent of its market share.\(^{666}\) Although the court recognized that Shire’s alleged breach of its agreements with Teva and Impax might have prevented the price of AXR from falling further, that fact alone did not give rise to a

\(^{657}\) Id.

\(^{658}\) Id.

\(^{659}\) Id. at 132.

\(^{660}\) Id.

\(^{661}\) Id.

\(^{662}\) Id. at 135.

\(^{663}\) Id. (quotations omitted).


\(^{665}\) Id. at 135.

\(^{666}\) Id. at 134.
cause of action for a duty to deal. The court concluded that “plaintiff’s allegations amount[ed] to the self-defeating claim that Shire monopolized the market by ceding its monopoly.”

The court did not consider whether the settlement agreements may ever give rise to antitrust duty to deal, but expressly confined the holding to the “plaintiffs’ theory of the case.” Three months after the district court’s ruling, the Supreme Court decided Federal Trade Commission v. Actavis, Inc., finding that the potentially important anticompetitive effects of reverse payment settlements—settlements in which a brand-name pharmaceutical company pays a generic manufacturer to delay entry into the marketplace—are not immune from antitrust scrutiny merely because they fall within the patent holder’s monopoly. Patent holders should note, therefore, that the Second Circuit’s holding does not immunize them from duty to deal claims relating to settlement agreements or breach of contract claims. Indeed, Shire faced and settled breach of contract claims from both Teva and Impax.

667. Id. at 135.
668. Id.
669. Id. at 136.
671. In re Adderall, 754 F.3d at 131 n.2.