THE UNIVERSITY OF AKRON SCHOOL OF LAW PRESENTS

THE 18TH ANNUAL SYMPOSIUM ON INTELLECTUAL PROPERTY LAW AND POLICY

MARCH 14, 2016
JOHN S. KNIGHT CENTER, AKRON, OHIO
Welcome to the 18th Annual Symposium on Intellectual Property Law & Policy
18TH ANNUAL SYMPOSIUM ON INTELLECTUAL PROPERTY LAW AND POLICY
MARCH 14, 2016

PROGRAM SCHEDULE

SYMPOSIUM CHAIR: Ryan Vacca, Associate Professor of Law and Director, Center for Intellectual Property Law and Technology, The University of Akron School of Law

8:00 - 8:45 a.m. REGISTRATION AND CONTINENTAL BREAKFAST

8:45 - 9:00 a.m. WELCOME AND OPENING REMARKS
Scott Scarborough, President, The University of Akron

9:00 - 9:45 a.m. PATENT LAW DEVELOPMENTS
.75 hours
Jeffrey I.D. Lewis, Partner, Fired, Frank, Harris, Shriver & Jacobson LLP

9:45 - 10:15 a.m. COPYRIGHT LAW DEVELOPMENTS
.50 hours
Nancy Mertzel, Partner, Herrick, Feinstein LLP

10:15 - 10:45 a.m. TRADEMARK LAW DEVELOPMENTS
.50 hours
Ted Davis, Partner, Kilpatrick Townsend & Stockton LLP

10:45 - 11:00 a.m. COFFEE BREAK

11:00 - 11:45 p.m. BEST PRACTICES FOR MAINTAINING TRADE SECRET PROTECTION
.75 hours
Susanne Hollinger, Ph.D., Senior Counsel & Head of Patents, The Coca-Cola Company

12:00 - 1:15 p.m. LUNCH

FEDERAL CIRCUIT REVIEW OF PTAB INTER PARTES REVIEW DECISIONS
Featured Speaker:
Hon. Evan Wallach, U.S. Court of Appeals for the Federal Circuit

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1:30 - 2:15 p.m. INTERNATIONAL PATENT PROSECUTION: THE GLOBAL DOSSIER INITIATIVE
MARK POWELL, Deputy Commissioner for International Patent Cooperation, United States Patent and Trademark Office

2:15 - 3:00 p.m. EUROPEAN PATENT LAW: THE UNIFIED PATENT COURT
JOHN PEGRAM, Senior Principal, Fish & Richardson P.C.

3:00 - 3:15 p.m. COFFEE BREAK

3:15 - 4:30 p.m. PANEL DISCUSSION: RESPONDING TO TROLLS
MEDIATOR:
AMY LANDERS, Professor, Drexel University School of Law

Panelists:
JASON SWEET, Partner, Booth Sweet LLP
ARTY RAJENDRA, Partner, Rouse
PHILIP SWAIN, Partner, Foley Hoag LLP

4:30 - 5:45 p.m. ETHICS & IP
TRACY L. KEPLER, Immediate Past President, National Organization of Bar Counsel

5:45 p.m. ADJOURNMENT
Jeffrey I.D. Lewis is a partner at Fried, Frank, Harris, Shriver & Jacobson LLP, resident in the firm’s New York office. A chemical engineer and registered patent attorney, Mr. Lewis represents both plaintiffs and defendants both at trial and on appeal in a range of technology-related sectors but focuses primarily on pharmaceuticals, chemicals, biotechnology and life sciences. He is a past President of the American Intellectual Property Law Association (AIPLA) and the United States National Group of the Association Internationale pour la Protection de la Propriété Intellectuelle (known by the acronym “AIPPI”), as well as being a fellow of both AIPLA and the American Bar Foundation. In addition to his work on behalf of clients, Mr. Lewis has appeared as Counsel of Record *amicus curiae* in numerous cases before the Supreme Court of the United States, Federal Circuit and other courts.

He frequently writes and speaks on intellectual property and litigation issues, and has been an adjunct professor at the Benjamin N. Cardozo School of Law at Yeshiva University. He received his J.D. from that school, *cum laude*, and his B.S. Chem. Eng. from the University of Connecticut. He also served as an Alexander Judicial Fellow to the Honorable Marion T. Bennett of the U.S. Court of Appeals for the Federal Circuit. Mr. Lewis consistently is recognized in *Chambers USA: America's Leading Lawyers for Business* in the area of Intellectual Property, listed as a "Litigation Star" for New York and a "National Star" for Intellectual Property in Euromoney Institutional Investor PLC's *Benchmark: America's Leading Litigation Firms and Attorneys*, and named in *Super Lawyers* in the area of Intellectual Property Litigation.
The University of Akron
18th Annual Symposium on IP Law & Policy
2015 Patent Year In Review …
and 2016 Preview

March 14, 2016

Jeffrey I. D. Lewis &
Jonathan H. Koppell
Fried, Frank, Harris, Shriver & Jacobson LLP
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Overview: 2015 Patent Year In Review

1. Patent Eligibility (Section 101)
2. Licensing
3. Infringement
4. Claim Construction
5. Post Grant Review

A. Indirect Infringement
B. BPCIA
C. Laches
D. Enhanced Damages
E. Venue
F. International Trade Comm.
1. Patent Eligibility (Section 101)

A. Life Science

B. Covered Business Method Review
A. How far has the Mayo spread?

- **Ariosa Diagnostics, Inc. v. Sequenom, Inc.**
  - “method of detecting paternally inherited nucleic acid” = law of nature.
  - **Known steps, different application is not an inventive concept**
    - Steps themselves must be new and useful.
      “… Sequenom’s invention is truly meritorious … The Royal Society lauded the discovery as ‘a paradigm shift …’ “But for the sweeping language in [Mayo], I see no reason in policy or statute, why this breakthrough invention should be … ineligible.” 788 F.3d at 1381 (J. Linn, concurring)
      “[I]t is undisputed that before this invention … these methods for prenatal diagnoses, were not routine and conventional. But applying Mayo, we are unfortunately obliged to divorce the additional steps from the asserted natural phenomenon to arrive at a conclusion that they add nothing innovative to the process.” (Lourie/Moore at *12)

“…a crisis of patent law and medical innovation may be upon us…” (at *8)
Hold the Mayo

- **Newman Dissent** from *en banc* denial:

  “I agree with my colleagues that this case is wrongly decided. However, I do not share their view that this incorrect decision is required by Supreme Court precedent. The facts of this case diverge significantly from the facts and rulings in [*Mayo*] and [*Myriad*].” (at *30)

  “Precedent does not require that all discoveries of natural phenomena or their application in new ways or for new uses are ineligible for patenting… The new diagnostic method here is novel and unforeseen, and is of profound public benefit - a significant contribution to the medical field; … - a breakthrough… . The panel’s decision to withhold access to patenting, now endorsed by the en banc court’s refusal to rehear the case, is devoid of support. Nor does patenting of this new diagnostic method preempt further study of this science, nor the development of additional applications.” (at *32)
Is there too much *Mayo*?

- **Lourie/Moore Concurrence:**
  
  “There is **nothing abstract about performing actual physical steps on a physical material.** And if the concern is preemption of a natural phenomenon, this is ... a novel process and that is what patents are intended to incentivize and be awarded for. ... it is **unsound** to have a rule that takes inventions of this nature out of the realm of patent-eligibility on grounds that they only claim a natural phenomenon plus conventional steps, or that they claim abstract concepts.” (at *12-13)

- **Dyk Concurrence:**
  
  “I share the concerns of some of my colleagues that a too restrictive test for patent eligibility ... may **discourage development and disclosure** of new diagnostic and therapeutic methods ...” (at *13)
  
  “I **worry** that method claims that apply newly discovered natural laws and phenomena in somewhat conventional ways are **screened out by the *Mayo* test.** In this regard I think that *Mayo* may not be entirely consistent with the Supreme Court’s decision in *Myriad.*” (at *20)
Discourage Development
… Bells and Whistles

- Late-16th century: death during child-birth was leading cause of death.
- 4 generations of doctors from a single family (Chamberlens) saved women from death and injury.
- “Device” brought in a gilded massive box, the delivery casket, carried by 2 people.
- Blindfolded laboring woman.
- No one else in the room.
- Ring bells and blow whistles.

Bells and Whistles versus Disclosure

- Forerunner of the obstetric forceps.
- Would obstetrics have advanced 100 years earlier?
- Would Rembrandt’s doctors still have looked so unhappy?
The *Innovation* Symphony

- **Saxophone** = Only patented orchestral instrument
  - 15 patents, starting in 1846 (Adolphe Sax)
    - Mouthpiece
    - Alto Sax
    - Mechanisms
  - Lots of improvements over last 100+ yrs

- **Violin**
  - Cremona, Italy *ca. 17th - 18th century*
  - Family trade secrets
    - Stradivari (Lady Blunt ~$15MM)
    - Guarneri
  - Technology to make best was lost!!
B. CBM Review – Condition for Patentability

- **Retirement Capital Access Management Co. LLC v. US Bancorp**
  - Grounds for CBM 35 U.S.C. § 282(b)(2): “Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability.”
  - Part II of Title 35:
    - § 101 – Inventions Patentable
    - § 102 – Conditions for patentability; novelty
    - § 103 – Conditions for patentability; non-obvious subject matter
  - PTAB rejected argument that Section 101 did not qualify as a “condition for patentability” under 282(b).
    - Supreme Court and Federal Circuit, have treated Section 101 as an infringement defense pursuant to § 282.
      - Federal Circuit affirmed, without comment.
      - Certiorari Pending (Supreme Court No. 15-591)
2. Licensing

A. *Brulotte* Rule – Post-Expiration Royalties

B. Patent Exhaustion
With great power ... great responsibility

- **Kimble v. Marvel Entertainment, LLC**
  - *Brulotte Rule* (1964)
    - Bars patent licenses where royalties accrue beyond the expiration of the patent term.
    
      “What we can decide, we can undecide. **But stare decisis teaches that we should exercise that authority sparingly.** Cf. S. Lee and S. Ditko, *Amazing Fantasy* No. 15: ‘Spider-Man,’ p. 13 (1962) (‘[I]n this world, with great power there must also come—great responsibility’).” (at 2415)
B. Licensing – Patent Exhaustion

- **Lexmark Int’l, Inc. v. Impression Prods., Inc.** (*en banc* sub judice)
  - Patented toner cartridges sold with restrictions as refillable or single-use.
  - Package “shrink-wrap” license (single-use):
    
    “RETURN EMPTY CARTRIDGE TO LEXMARK FOR RECYCLING … sold at a special price subject to a restriction that it may be used only once. Following this initial use, you agree to return the empty cartridge only to Lexmark for recycling.”
  
  - Originally sold in US and abroad
    - Third parties refilled cartridges and sold to Impression
    - Impression sold the refilled cartridges in US.
  - Are Lexmark’s patent rights exhausted at sale?
    - Is Impression liable for patent infringement?
  - Stipulated judgment at district court of:
    - Non-Infringement for cartridges first sold **inside** the United States.
    - Infringement for cartridges first sold **outside** the United States.
Licensing – Patent Exhaustion

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Update Feb. 12, 2016, Fed. Cir. en banc (10-2):

• No exhaustion
• “...a foreign sale is properly treated as neither conclusively nor even presumptively exhausting the U.S. patentee’s rights in the United States.”

Dissent: Exceed role as a subordinate court

Next step, petition for certiorari?
3. Infringement

A. Indirect Infringement
   - Promega Corp. v. Life Technologies Corp., 773 F.3d 1338 (Fed. Cir. 2015).

B. Biologics Price Competition and Innovation Act

C. Laches
   - SCA Hygiene v. First Quality Baby, 807 F.3d 1311 (Fed. Cir. 2015) (en banc), cert pending.

D. Enhanced Damages

E. District Court Venue
   - In re TC Heartland, on mandamus to the Fed. Cir. Oct. 23, 2015

F. International Trade Commission
   - Suprema Inc. v. ITC, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).
A. Indirect Infringement – *Commil*

- **Commil USA, LLC v. Cisco Systems, Inc.**
  - Federal Circuit decision vacated and remanded.
  - Good-faith belief of patent invalidity is **not** defense to induced infringement.

  “[I]nvalidity is not a defense to infringement, it is a defense to liability. And because of that fact, a belief as to invalidity cannot negate the scienter required for induced infringement.” (at 1929)

  “The scienter element for induced infringement concerns infringement; that is a different issue than validity.” (at 1928)

  **QUESTION:**
  Is there a **defense** based upon **non-infringement**?

  See Anthrex Inc., v. Smith & Nephew, Inc., certiorari petition pending

  See also Medtronic Sofamor Danek v. NuVasive, GVR (Dec. 2015).
Indirect Infringement – Akamai

- **Akamai Tech. Inc. v. Limelight Networks Inc.** *(en banc)*
  - Claimed internet content delivery method. Most steps done by Limelight but tagging done by user.
  - A party can be liable for direct 271(a) infringement of method claims if entity directs or controls others’ performance, or form a joint enterprise.
  - “Directs or controls” – General principles of vicarious liability
    - Agent, contracts with another, or conditions participation upon performance of the patented method and establishes the manner or timing of that performance.
  - “Joint enterprise” (four elements):
    - (1) agreement among the group’s members; (2) common purpose; (3) community of pecuniary interest; and (4) an equal right of control of the enterprise.

  “… the third party’s actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement.” *(at 1023)*
Indirectly Direct Yourself Insubstantially

- **Promega Corp. v. Life Technologies** (cert. pending, CVSG)
  - Kit = Primer, PCR reaction, buffer, control, & Taq polymerase
  - LifeTech makes *taq* polymerase in U.S.A., & ships to U.K. for kits; kits infringe if sold within U.S.A.
  - Jury awards worldwide damages, but JMOL of no infringement.
    
    Whoever without authority supplies ... from the United States ... a substantial portion of the components of a patented invention, ... in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

- Fed Cir.:
  - “…no third party is required”;
  - “… nothing … suggests that [“portion”] necessarily requires a certain quantity or … a single component…“
B. BPCIA

- Shall “shall” mean “must” or “maybe”?
- *Amgen Inc. v. Sandoz Inc.*
  - Biologics Price Competition and Innovation Act, or Bio-Similars Act
    - 42 U.S.C. § 262(1)(2)(A): Applicant “shall provide” a copy of the aBLA and manufacturing information to the RPS.
      - “Those latter provisions [of the BPCIA that contemplate an applicant’s failure to comply with paragraph (1)(2)(A)] indicate that ‘shall’ in paragraph (1)(2)(A) does not mean ‘must.’” (at 1355)
    - 42 U.S.C. § 262(1)(8)(A): Applicant “shall provide” notice to the RPS before marketing the product licensed under BPCIA 180 days before first commercial marketing.
      - The court concluded that “... the ‘shall’ provision in paragraph (1)(8)(A) is mandatory” but notice must be after FDA licensure (at 1359)

*Certiorari* petition filed by Sandoz (2/16/2016)
C. SCA Hygiene – Laches Tension

- **SCA Hygiene Prods. v. First Quality Baby Products, LLC** *(en banc)*
  - Federal Circuit’s **A.C. Aukerman Co. v. R.L. Chaides Constr. Co.** *(1992)* held that *laches could bar* a patent owner’s claim for damages for infringing acts during the Patent Act’s *six year damages limitation period*.
    - Congress codified laches in 1952 Patent Act, at § 282(b) (Defenses)
  - Supreme Court's **Petrella v. Metro-Goldwyn-Mayer, Inc.** *(2014)* decision held that *laches does not bar* a copyright owner’s claim for damages for infringing acts during the Copyright Act’s *three year statute of limitations*.
    - Supreme Court recognized that Congress could have provided for a laches defense in the Copyright Act, as it had in the Lanham Act; but did not consider whether its decision extended to the patents.
En banc Federal Circuit (6-5): Laches remains a defense to patent infringement damages that occurred during the six year damages limitation.

- The statutory scheme in patent law not overcome by Petrella.
  - “Petrella eliminates copyright’s judicially-created laches defense because Congress, through a statute of limitations, has already spoken on the timeliness of copyright infringement claims, so there is no room for a judicially-created timeliness doctrine.” (at 1329)

- Patent law is different
  “While Congress has spoken on the timeliness of patent damages claims, [it] also codified a laches defense in § 282.” (Id.)

- Equitable relief is available, but “courts must weigh the facts underlying laches in the eBay framework when considering an injunction.” (at 1333)

- Laches does not preclude an ongoing royalty (absent extraordinary circumstances).

See Lismont v. Alexander Binzel Corp. (2/16/2016).
D. Infringement – Enhanced Damages Cases

- **Consolidated** for *cert.*
  - *Stryker Corp. v. Zimmer Inc.*, 782 F.3d 649 (Fed. Cir. 2015) (Supreme Court No. 14-1520).
  - *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371 (Fed. Cir. 2014) (Supreme Court No. 14-1513).

- **Seagate** Federal Circuit two-part Enhanced Damages test
  - Willful infringement = prerequisite to enhanced damages, § 284.
  - (1) “objective likelihood” of infringement, and if so, (2) was or should have been “subjectively aware of that risk.” *In re Seagate Tech.*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*).
Infringement – Enhanced Damages Cases

- **Stryker Corp. v. Zimmer Inc.**
  - Federal Circuit reversed finding of willful infringement
  - Found non-infringement and invalidity **defenses** asserted were not “unreasonable” and did not satisfy the “objective recklessness” prong.
    - “Zimmer presented reasonable defenses to all of the asserted claims.” (at 661)
  - Enhanced damages for willful infringement barred when the accused infringer’s “position is susceptible to a reasonable conclusion of no infringement.” (Id.)
  - Question of objective reasonableness is reviewed *de novo* on appeal.

- **Halo Elecs., Inc. v. Pulse Elecs., Inc.**
  - Federal Circuit affirmed finding infringement was not willful.
    - Dist. Ct. said objective prong not satisfied; raised a substantial question of obviousness that was “not objectively baseless”. (at 1381)
    - … BUT obviousness defense “developed after the lawsuit was filed…” (Id.)
Infringement - Enhanced Damages Cases

- Argument set for **February 23, 2016**.
- **Certiorari Issue:**

  “Whether the Federal Circuit erred by applying a rigid, two-part test for enhancing patent infringement damages under 35 U.S.C. § 284, that is the same as the rigid, two-part test this Court rejected last term in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014) for imposing attorney fees under the similarly-worded 35 U.S.C. § 285.”

  - In *Octane Fitness*, SCOTUS held that judges can award attorney’s fees in a case that merely “stands out from others” and rejected the Federal Circuit’s rule that sanctions are warranted only when a case is “objectively baseless” and “brought in subjective bad faith.” (at 1756-57)

*See Innovation Toys v. MGA Entertainment, certiorari* petition pending
E. District Court Venue


- 28 U.S.C. § 1400(b)
  
  “Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”

- 28 U.S.C. § 1391(c)
  
  “Residency. - For all venue purposes - … (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business …”

F. ITC
Suprema – Post Import Induced Infringement

- **Suprema Inc. v. International Trade Commission** (en banc)
  - Post-importation, instructions induced infringement of method claim.
  - ITC = infringement.
    - Section 337 = “articles that infringe.”
  - Federal Circuit (panel) reversed – “articles” did not infringe at time of importation
  - En banc Federal Circuit (6-4) vacated panel decision
    - ITC has authority to exclude products that will infringe after importation as a result of inducement by a foreign seller:
      
      “[T]he shorthand phrase ‘articles that infringe’ does not unambiguously exclude inducement of post-importation infringement. By using the word ‘infringe,’ Section 337 refers to 35 U.S.C. § 271, the statutory provision defining patent infringement. The word ‘infringe’ does not narrow Section 337’s scope to any particular subsections of § 271.” (at 1346)
Are data “Articles”?

- **ClearCorrect Operating, LLC v. International Trade Commission**
  - Issue: digital data for the production of orthodontic aligner models.
  - “Digital data” ≠ “articles” for Section 337.
  
    “… we think it is best to leave to Congress the task of expanding the statute if we are wrong in our interpretation. Congress is in a far better position to draw the lines that must be drawn if the product of intellectual processes … are to be included in the statute.” (at *45)

  - ITC limited to blocking importation of “material things.”
  - Commission cannot investigate where only data is electronically transmitted into the United States; as such a product would not qualify as the importation of a material thing.
4. Claim Construction

A. Means Plus Function – 112(f)/112(6)
   - *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (*en banc*).

B. Standard of review

   - *Cuozzo Speed Technologies, LLC v. Lee (In re Cuozzo Speed Technologies, LLC)*, 793 F.3d 1268 (Fed. Cir. 2015) (Supreme Court No. 15-446).
A. Claim Construction – 112(6) [=112(f)]

- **Means + Function precedent**
  - Presumption that words "means for" or "step for" cover **only the corresponding structure** in the **specification** and its equivalents.
  - Absence of "means for" or "step for" is "**strong**" presumption not § 112(6)
    - Overcome if “**devoid of** anything that could be construed as **structure**.”

- **Williamson v. Citrix Online, LLC (en banc)**

  “… a heightened burden is unjustified and [ ] we should **abandon characterizing as ‘strong’** the presumption that a limitation lacking the word ‘means’ is not subject to § 112, para. 6. That characterization is unwarranted, is uncertain in meaning and application, and has the inappropriate practical effect of placing a thumb on what should otherwise be a balanced analytical scale.” (at 1349)

  “[We] **expressly overrule the characterization of that presumption as ‘strong.’** We also overrule the strict requirement of ‘a showing that the limitation essentially is devoid of anything that can be construed as structure.’” (at 1349)
B. Claim Construction – Standards of Review

- *De Novo* question of law, or apply “clearly erroneous” as fact finding.
- *Teva Pharm. USA, Inc. v. Sandoz, Inc.*
  - Defer to trial court’s factual findings about claim construction
    - *Markman* does not change Fed. R. Civ. P. 52(a)
  - Review subsidiary factual findings using a clear error review standard.
    - Intrinsic Evidence: “solely a determination of law” reviewed *de novo*.
    - Extrinsic evidence: subsidiary factual findings.
      - These factual findings are reviewed for *clear error*; however, the “ultimate construction of the claim is a legal conclusion that the appellate court can review *de novo.*” (at 834)
C. Claim Construction – BRI or *Philips* / Dist. Ct.

**Cuozzo Speed Technologies, LLC v. Lee** (certiorari granted 1/15/2016)

- **Certiorari Issue #1:**
  
  For IPR proceedings, PTAB may construe issued claims using **broadest reasonable interpretation** rather than **plain and ordinary meaning**.

- **Claim Construction:**
  
  - BRI not in statute, but PTO has used > 100 years.
  - PTO has ability to create own regulations / rules.
    - No indication that Congress intended to change in A.I.A.
  - Can potentially amend claims, so like examination/prosecution.

*See Internal Licensing v. Lee, certiorari* petition pending.
5. Post Grant Review

A. Judicial Review for Institution Decisions?
   - *Cuozzo Speed Technologies, LLC v. Lee* (above)

B. Substantial Evidence

C. Constitutionality

D. IPR Issues
   - “Kyle Bass” issues
A. Judicial Review of Institution Decisions?

**Cuozzo Speed Technologies, LLC v. Lee** (certiorari granted 1/15/2016)

- Certiorari Issue #2:
  
  Even if the PTAB *exceeds its statutory authority* whether to institute an IPR proceeding, it is *judicially unreviewable*.

- 35 U.S.C. § 141(c): appeal only by party “dissatisfied with the final decision.”

- 35 U.S.C. § 314(d): “The determination by the Director whether to institute an inter partes review under this section shall be *final and nonappealable*.”

*See Achates References Publishing v. Apple, certiorari petition pending.*
B. “Substantial Evidence” Review for PGR

**Merck & Cie v. Gnosis S.P.A.**

- Federal Circuit (2-1) applied deferential “substantial evidence” standard of review
  - Reviewing PTAB’s IPR factual findings.
  - No preponderance of the evidence.
- Upheld IPR decision cancelling Merck’s method claims as obvious.
- Dissent (Newman):
  “…it is incorrect for this court, as the only reviewing tribunal, to review the PTAB decision under the highly deferential ‘substantial evidence’ standard.”

“‘Substantial evidence’ was incorporated into the Administrative Procedure Act in recognition of the expertise of specialized agencies. Here, … a new system was created to respond to the belief that the agency was making mistakes. … Deferential review by the Federal Circuit falls short of the legislative purpose of providing optimum determination of patent validity.” (at 841)
C. PGR – Constitutionality

- **MCM Portfolio LLC v. Hewlett-Packard Co.**
  - Federal Circuit upheld an IPR decision cancelling the *MCM* claims
  - Held that the **IPR system does not violate Article III or the Seventh Amendment.**

  “The patent right derives from an extensive federal regulatory scheme, and is created by federal law. Congress created the PTO, an executive agency with specific authority and expertise in the patent law, and saw powerful reasons to utilize the expertise of the PTO for an important public purpose—to correct the agency's own errors in issuing patents in the first place.” (at *6) (internal quotation marks and citations omitted).

*See Cooper v. Lee, certiorari petition pending (4th Circuit)*
D. Kyle Bass (Coalition for Affordable Drugs) & PGR

- Founder of $2 billion hedge fund and the Coalition for Affordable Drugs
  - Coalition files IPRs against “bad” patents.
  - Hedge fund *shorts* shares of company with patent rights and/or buys shares of companies that would benefit from patent invalidation.
    
    “This will change the way pharma companies [manage] their BS patents.”
    
    "We want challenges heard on their merits, and if we win, drug prices get lowered for everyone.”

- Targets so far include: Acorda Therapeutics, Biogen International, Celgene Corp., Jazz Pharmaceuticals, Insys Pharma, and Shire PLC.
The “Big Short”

- **44% Rate** for institution
  - As of December 2015, the PTAB has reviewed 16/33 filed petitions
    - 9 Denied
    - 7 Instituted (4 against Celgene and 3 against Shire)

- Successful Investments?
  - **Petitions Granted**
    - **Celgene** stock, on average, *increased* both the day after the petitions were filed (~2%) and the day after the petitions were granted (~10%).
    - **Shire** stock, on average, mostly *decreased* both the day after the petitions were filed* (~5%) and granted (~12%).
  - **Petitions Denied**
    - All stocks immediate increased the day after IPR was denied.
    - All but Celgene experienced a drop between date of filing and the ruling.
Celgene filed for Sanctions

- Coalition filed 5 IPRs against 3 different Celgene patents.
  - Celgene moved for sanctions at PTAB – Coalition abusing IPR process; putting unwarranted burden on PTAB and innovators like the patent owner.
  - The IPRs are “[d]riven entirely by an admitted ‘profit motive’ unrelated to the purpose of the American Invents Act.”
- The PTAB denied the motion, finding the IPR filings legitimate.
  - “Profit is at the heart of nearly every patent and nearly ever inter partes review. … an economic motive for challenging a patent claim does not itself raise abuse of process issues. We take no position on the merits of short-selling as an investment strategy .. it is legal, and regulated.”
  - “Congress did not limit inter partes reviews to parties having a specific competitive interest in the technology covered by the patents.”

Similarly, Allegan sued another hedge fund Ferrum Ferro Capital and its founder alleging civil extortion, malicious prosecution, and unfair business practices.
The University of Akron
18th Annual Symposium on IP Law & Policy
2015 Patent Year In Review …
and 2016 Preview

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Nancy has more than 25 years of experience protecting brand names, products, content and technology.

Nancy’s litigation experience includes numerous disputes involving the scope of copyright protection in source code and data. For example, on behalf of a leading bank and big box retailer, she recently defeated a claim of copyright in the individual numbers comprising an index of average financial rates. She has also handled trademark infringement cases, "failed systems" disputes between developers and licensees, trade secret cases involving software, and recovered dozens of domain names from cyber squatters.

On the transactional side, Nancy oversees trademark clearance, prosecution and portfolio management, and drafts a wide variety of agreements including copyright and trademark licenses, software licenses and software development agreements.

Nancy is an active member of the bar, and a frequent speaker and author. She currently serves as a board member of the American Intellectual Property Law Association (AIPLA), one of the largest associations of IP lawyers in the world. In that role, she recently testified before Congress on the need for the U.S. Copyright Office to have greater autonomy over its information technology and funding. In addition, she authored two amicus curiae briefs filed with the U.S. Supreme Court—in Petrelta v. Metro-Goldwyn-Mayer, which involved the defense of laches in copyright infringement cases, and B&B Hardware, Inc. v. Hargis Industries, Inc., which involved the preclusive effect of decisions by the Trademark Trial and Appeal Board on subsequent litigation.

Since 2009, Nancy has been named one of Thompson Reuters’ New York Super Lawyers for Intellectual Property Litigation, as well as one of the publication's top women attorneys (2013-2014).

Memberships & Associations

- American Intellectual Property Law Association
  - Board of Directors (2014-2017)
  - Amicus Committee Appointed Member (2013-2014)
  - Copyright Law Committee Chair (2011-2013)
  - Co-Chair LGBT Sub-Committee of Diversity Committee (2010-present)
Copyright Society of the USA
  o Advisory Committee to the Executive Committee (2012-2013)
  o Treasurer (2008-2010), Trustee (2006-2009)
  o Web Committee Co-Chair (2003-2007)
    o Volunteer of the Year Award Recipient (2007)
Association of the Bar of the City of New York
  o Trademarks and Unfair Competition Committee (2008-2010)
International Trademark Association
National Association of Women Lawyers
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I. Jurisdiction

A. Removal


   Plaintiff SMI, which provides banking software called VaultWorks, brought a series of claims, including conversion and trade secret misappropriation, against its former client, BCS, after BCS terminated its contract with SMI in favor of software created by ARGO, an SMI competitor that had briefly entertained the possibility of acquiring SMI. BCS removed the action to federal court arguing complete preemption under the Copyright Act. SMI then dropped its conversion claim and removed language in its other claims relating to copying and sought remand to state court.

   SMI argued that the removal analysis should include its amended complaint, which the Fifth Circuit rejected based on the “time-of-filing” rule. The Court further rejected SMI’s arguments based on 28 U.S.C. § 1447(c), which the Court noted “contains no substantive provisions whatsoever” and could not support SMI’s arguments relating to a lack of subject-matter jurisdiction. The Court also rejected the notion that the “time-of-filing” rule was limited to diversity cases, and seemed to tacitly acknowledge a split with the Third Circuit, which it found “was in the minority on this issue.”

B. State Law Claims "Arising Under" the Copyright Act


   State university, Regents of University of California, brought an action against defendants, alleging state law claims for breach of fiduciary duty, breach of duty of loyalty by employee, interference with prospective economic advantage, interference with contract, and conversion. The Court applied the test set out by the U.S. Supreme Court in *Gunn v. Minton*, 133 S. Ct. 1059 (2013), to determine whether the state law claims plead by Plaintiff arose under the federal Copyright Act and the Act’s work-for-hire doctrine. “Noting that under *Gunn* federal jurisdiction will lie over a state law claim if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress,” the Court focused on the first factor. The Court found that a copyright issue was necessarily raised by virtue of plaintiff’s assertion of a work-for-hire right. Accordingly, the Court denied Plaintiff’s motion to remand the case to state court.

II. Standing


In 2010 Ray Charles’ children and heirs served 39 copyright termination notices on Warner Chappell relating to 1950s licenses. These notices were recorded with the Copyright Office. In 2012, the Ray Charles Foundation (“Foundation”), the residual beneficiary of Ray Charles’ will, challenged the termination notices in the present action and sought the following declarations: non-ownership by the heirs; that the notices were invalid as the works were made for hire and thus not subject to termination; that a 1980 transfer was a renegotiation; that publication rights were not exercised within 5 years of 1980; that termination dates are calculated from the 1980 agreement.

The heirs argued the Foundation lacked standing because it did not hold legal title to any copyrights, and could not allege injury. The Foundation claimed standing based upon beneficial ownership in royalties. The district court determined under prudential standing that the Foundation failed the zone-of-interests test, as §§ 203 and § 304(c) of the Copyright Act did not contemplate protection of beneficial owners by bequest, and lacked third-party standing as it had no relationship with Warner Chappell, which could easily assert its rights. Furthermore, the court found that the Foundation’s claim that the works were for hire precluded standing based on its beneficial ownership in royalties.

In reversing, the Ninth Circuit found that the Foundation had standing and its stake was real because the terminations would extinguish its royalty rights. It noted that Warner Chappell was less likely to litigate these issues as it is unconcerned with the recipient of the royalties it administers, and is further deterred based on its incentive to maintain an amicable relationship with the heirs in order to take advantage of the priority it receives as an original grantee under the Act’s termination provisions. Finding that the Foundation is the most likely party to litigate, and that its injury had been alleged adequately, the Court found standing. The Foundation passed the zone-of-interests test and there was an implied right of action under the Act’s termination provisions. As the effect of the terminations was tied directly to the Foundation’s interest in the case, the Court found it was entitled at the very least to a declaration establishing when the right to receive royalties reverts to Charles’s heirs.


The exclusive licensing agent for copyright owners in various images challenged licensee John Wiley & Sons’ interpretation of the scope of its licenses. Wiley had printed thousands of copies of licensed images over and above what the licenses authorized. The District Court found that the licensing agent lacked standing. In reversing, the Ninth Circuit examined the agency agreements that conferred rights on Minden, noting they confine all licensing activity to those agreements, provide limited exceptions for personal promotion, editorial use, commercial and advertising use, and in some cases permit independent licensing activity without an agent. The agreements clearly establish that the photographer retains copyright ownership.

In 2010, the photographers had executed assignments of their interests to Minden, authorizing Minden to litigate and settle claims concerning “unauthorized uses of the Images,” with an agreement to return ownership upon the conclusion of such litigation. In
prior 2010 litigation between the parties, Minden’s allegations relating to the agreements were struck as a discovery sanction because the agreements conveyed a “bare right to sue,” and an appeal ultimately ended by way of stipulation. After this case commenced, new agreements were executed in 2013, granting co-ownership of the copyrights in the images not previously assigned to Minden, although these assignments did not provide for reversion of ownership back to the photographers at the conclusion of litigation. The District Court found that the agent lacked sufficient interest in the case to sue, that the 2010 agreements actually indicated a lack of intent to transfer rights, that issue preclusion from the prior proceeding precluded suit, and that the post-suit 2013 agreements could not be considered.

Reversing, the Ninth Circuit first noted that exclusive licensees generally have standing to sue to enforce their rights under the Act, whereas non-exclusive licensees due not. The Court found that Minden was granted exclusive rights under the agency agreements insofar as it had the exclusive power to license the photographers’ works. The court noted this was consistent with the Act’s sanctioning of co-ownership of a single copyright, where each co-owner has the right to sue to protect his or her interest. The Court also determined that a finding of standing would be consistent with decisions rendered with respect to analogous patentees. Ultimately, because the Court found that Minden was “granted rights vis-à-vis the world” it had standing to maintain suit to enforce rights conferred upon it exclusively. It noted that the procedural alternatives of a class action or individual suits had numerous disadvantages such that to deny Minden standing would be inconsistent with common sense as well as “with the divisibility principle embodied by the 1976 Act.


Plaintiff alleged that Ghostface Killah, a Sony artist, sampled the “Iron Man Theme” on two tracks of the rapper’s second album. In the 1990s, plaintiff had sued Marvel over its use of the “Iron Man Theme,” a composition he created. Marvel asserted it was a work made for hire. Plaintiff and Marvel reached a settlement under which Marvel was listed as “licensee” and plaintiff as “owner.”

Sony challenged plaintiff’s own standing by alleging the composition was a work made for hire for Marvel. Plaintiff challenged defendant Sony’s standing to attack plaintiff’s copyright interest on the grounds that Sony had no right in the underlying composition and Marvel — for which the work was originally created — had not asserted ownership. Plaintiff further argued that there was no written assignment showing that Marvel had ownership as required under Section 204, and thus the statute of frauds provision of the Copyright Act precluded Sony’s claim of non-ownership.

The Court rejected this argument as an attempt to preclude all potential challenges to ownership unsupported by the narrow scope of 204. The Court noted that this provision was intended to benefit the copyright holder rather than to insulate infringers from liability merely because a writing did not exist, and further found precedent supporting this sort of
third-party standing to challenge ownership based on a work-for-hire. The Court granted summary judgment to Sony and dismissed plaintiff’s claim after it applied the same work for hire “instance and expense” test that also was at the core of the Kirby v. Marvel case that settled in 2014 on the eve of Supreme Court arguments.

III. Preemption

A. Ray v. ESPN, Inc., 2015 WL 1810486 (8th Cir. April 22, 2015)

During his career, former UWF pro wrestler Steve “Wild Thing” Ray had his matches filmed and he specifically had agreed to the footage being “sold and used.” After his retirement, ESPN lawfully obtained his wrestling match footage and re-telecast it in North America and Europe without obtaining consent to use Ray’s name, image or likeness. Ray brought suit under Missouri state law for invasion of privacy, misappropriation of name, infringement of his right of publicity, and interference with prospective economic advantage. The Court affirmed dismissal of all the claims on preemption grounds under the Act, finding that Ray’s wrestling performances were part of the copyrighted film footage, from which his likenesses could not be detached. Ray did not allege that his name and likeness were used for commercial promotion or endorsement; rather, his claims were based solely on ESPN broadcasting video recordings depicting him in a “work of authorship,” which was clearly the subject of copyright.

B. Spear Marketing v. BancorpSouth Bank, 791 F.3d 586 (5th Cir. 2015)

The facts of this case are discussed supra at I(A).

The Court considered whether the Copyright Act completely preempted SMI’s claims, noting the two-part test of (1) whether the claim is “within the subject matter of copyright” and (2) whether the cause of action protects rights “equivalent” to any of the exclusive rights of federal copyright under 106. It also addressed the parties’ arguments concerning the interaction of 17 U.S.C. §301(a) — the preemption provision of the Act — and Section 102(b), which excludes “idea[s], procedure[s], process[es], system[s], method[s] of operation, concept[s], principle[s], or discover[ies].” SMI argued there is no preemption because §102(b) precludes protection for what it claims was taken and thus excludes it from copyrightable subject matter. BCS argues that the preemption analysis does not focus on copyrightability but whether the property-software in this case-is an original fixed work under §102(a), regardless of whether it contains elements unprotectable under 102(b).

The Court recounted the disagreement among the Circuits on the issue, noting the 11th Circuit has taken the approach SMI advocates, while the 2nd, 4th, 6th, 7th, and 9th Circuits have adopted the approach advocated by Nimmer and BCS. In adopting the majority approach, the Court pointed out that software is protected by copyright and is within the scope of 102(a), and went on to find that SMI’s conversion and Texas Theft Liability Act (TTLA) claim were completely preempted by the Act. The Court noted the conversion claim was only preempted as to the theft of intangible ideas and that the TTLA claim was similarly preempted notwithstanding its additional mens rea requirement. As to SMI’s trade secret claim, the court noted that SMI had failed to show BCS used the alleged trade secret in any manner, and that evidence of copying was critical to the claim where the trade secret at issue is a technical feature of a computer program,
and ultimately affirmed the dismissal of that claim given that SMI failed to show any evidence of similarity between the two software programs.

IV. Copyrightability

A. Conceptual Separability


The parties to this case are makers of cheerleading uniforms that bear relatively common shapes and symbols in the cheerleading world, such as V’s (chevrons), lines, curves, stripes, angles, diagonals, and inverted V’s, as well as other coloring and shapes. Varsity, which owns five copyright registrations on designs incorporating these elements that are the subject of this case, claims to combine, position and arrange these elements in an original way. Nevertheless, the district court granted summary judgment to Star, finding that the aesthetic features of Varsity’s uniforms merge with the functional purpose of those uniforms, and are thus not physically or conceptually separable.

In reversing and remanding that decision, the Sixth Circuit first resolved the unanswered question of what level of deference applies to Copyright Office determinations of copyrightability, finding that Skidmore deference was in accord with various sister Circuits and that issuance of copyright registrations was akin to the tariff classifications accorded Skidmore deference in Mead. The Court noted that the Copyright Office has vast experience in addressing copyrightability issues, that its determinations should be accorded strong, albeit rebuttable, deference, and that the District Court erred in failing to accord a stronger presumption of copyrightability to Varsity’s registrations.

In evaluating Star’s rebuttal of that presumption, the Court adopted a five-part test based on the various approaches of sister Circuits to determine if a design is protectable:

(1) Is the design a pictorial, graphic, or sculptural work?

(2) If the design is a pictorial, graphic, or sculptural work, then is it a design of a useful article — “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information”?

(3) What are the utilitarian aspects of the useful article?

(4) Can the viewer of the design identify “pictorial, graphic, or sculptural features” “separately from . . . the utilitarian aspects of the [useful] article[?]”

(5) Can “the pictorial, graphic, or sculptural features” of the design of the useful article “exist[] independently of[] the utilitarian aspects of the [useful] article[?]”

While adopting the “objectively necessary” test formulated by the Second Circuit in Carol Barnhart, Inc. v. Economy Cover Corp., 773 F.2d 411, 419 (2d Cir. 1985), the Court also gave tacit approval to the “design-process” approach, where an element is conceptually separable if the “design elements can be identified as reflecting the designer’s artistic judgment exercised
independently of functional influences,” but declined to endorse that approach fully. It similarly endorsed the Copyright Office’s approach – which asks whether the element claimed to be conceptually separable can stand as an independent artistic work – and rejected approaches that went to the intent of the designer in creating the useful article.

Critically, the Court considered the meaning of “useful article” under the Copyright Act, finding that a court must determine what functions are properly considered utilitarian, and excluded from that definition elements that contribute to the portrayal of the useful article as well as elements that convey information. Thus, the Court went on to reject Star’s argument that cheerleading uniforms are useful in that they identify the wearer as a cheerleader and a member of a cheerleading team, finding that this communicative usefulness did not fall within the meaning of “useful article” under 17 U.S.C. § 101. The Court similarly rejected Star’s argument following Jovani v. Fiesta Fashions that the elements were useful decoratively, finding that there is nothing necessary about these particular elements to a cheerleading uniform—even a plain white uniform would “permit the wearer to cheer, jump, kick, and flip”–and that in any event “[s]uch a holding would render nearly all artwork unprotectable.”

B. Originality of Compilations


Creator of navigation application for mobile telephones and GPS devices, PhantomALERT, Inc., asserted claims of copyright infringement and conversion, alleging that defendants Waze, Inc. and its parent company, Google, Inc., copied the proprietary database that it uses with its applications. To support its claim, PhantomALERT alleged that it has engaged in a systematic process of identifying “Points of Interest”—location of traffic conditions, road hazards, and traffic enforcement monitors, such as speed cameras, for its apps, and maintains a database of these Points of Interest which can be accessed in real time. Plaintiff claimed that it “uses a systematic process for selecting, coordinating, and arranging information about the Points of Interest”, first allowing users to submit potential Points of Interest which it then evaluates for genuineness. The Copyright Office issued a copyright registration to Plaintiff covering its app source code and its Points of Interest database as a compilation. Plaintiff claimed that Waze copied the PhantomALERT Points of Interest database on multiple occasions into Waze’s database. Moreover, Plaintiff also alleged that Google incorporated aspects of the Waze application into its own mapping applications.

Defendants moved to dismiss the claim, arguing that (1) the information contained in the Points of Interest database nor the database warrant protection under the copyright law; (2) the conversion claim is preempted by federal copyright law; and (3) its claims against Google fail because Google is merely an acquiring shareholder of Waze and is not liable for the past acts of Waze, and PhantomALERT did not allege Google had access to or copied its database consisting of unprotectable facts. The Court found that PhantomALERT’s Points of Interest were objective facts that could be discovered and reported, and thus were not protectable. Moreover, the Court also found Plaintiff’s argument that Plaintiff’s exercise of its judgment as to where the GPS map places the Points of Interest unpersuasive where such placement was dictated by the functional purpose of the map—the need to notify drivers using the app of the Points of Interest with enough
advantage warning. Also, Plaintiff did not allege that the timing of the notifications on its app were copied on to Defendants’ apps.

The Court concluded that although Plaintiff’s allegations supported the inference that the Points of Interest database as a whole was an original work of authorship, where, although the arrangement of the Points of Interest were dictated by the purpose of the database, the selection of the Points of Interest would potentially meet the originality requirement because Plaintiff alleged that it included the Points of Interests it believed would be important to its users of its app. However, the Court did not find that Defendants’ alleged conduct fell within the scope of Plaintiff’s copyright interest, finding that Defendants’ incorporation of Plaintiff’s raw data into their Databases did not constitute copying of the creativity reflected in Plaintiff’s selection of the Points of Interest. The Court also found that although Plaintiff did not allege specific facts indicating that Defendants had access to its database, Plaintiff’s allegation that the fictitious data used to “seed” its own website appeared on the Waze site was sufficient to infer Defendant’s had access. Accordingly, the Court dismissed Plaintiff’s copyright infringement claim, with leave to amend to include allegations supporting an inference that Defendants infringed an interest protectable under copyright law.

V. Copyright Registration

A. Registration as Precondition to Filing Suit

1. *A Star Grp., Inc., v. Manitoba Hydro, 2015 WL 4508941 (2d Cir. 2015)*

   The Second Circuit declined to settle the issue of whether a mere copyright application rather than a fully-matured registration was sufficient to satisfy the preconditions for copyright infringement under 17 U.S.C. § 411(a). In addressing the District Court’s dismissal of plaintiff’s copyright claims on that basis, the Court noted that plaintiff’s immature copyright application would be sufficient in certain sister Circuits, but that the issue had not been addressed yet in the Second Circuit.

   However, the Court chose not to reach the issue and to instead affirm dismissal on separate grounds, namely that the complaint was inartfully pled as it claimed copyright ownership over “copyright rights to Timetrics software and related documentation, including, without limitation, Timetrics screenshots, graphic representations, data compilations, source code, object code, programming tools, and documentation related to Timetrics technology, and derivative works thereof,” even though it only possessed a copyright application claiming registration on “Screen Shots of text, compilation, [and] artwork,” and deposited with the U.S. Copyright Office certain operational risk reports, in the form of charts and graphs generated by the Timetrics software. The Court noted that its description of these registered materials on appeal as “graphical representations of its code” did not save the claim, as “a party may not amend its pleadings through statements in its briefs” and “the complaint does not adequately allege defendants’ ostensibly infringing use of the copyrighted screen shots.”

Plaintiff Asche & Spencer Music, a company that writes, records, produces and mixes its own music, created an online music collection available for license. Defendants, hosts of a web series titled “Reluctantly Healthy” contacted Plaintiff to secure a license for works to be used in their show, however, defendants had already used Asche’s works, or derivatives thereof, on its show. Asche filed an application for registration with the Copyright Office, which had yet to make a decision with respect to the application, and subsequently filed a complaint alleging one count of copyright infringement.

The Court sought to determine “whether a plaintiff can institute a civil action for infringement once it has filed an application for copyright registration (the Application Approach), or whether the plaintiff must wait for a decision from the Copyright Office (the Registration Approach). The Court interpreted Section 411(a) of the Act to find that the first sentence established that the plaintiff must register its copyright before it can commence a civil action for infringement, and the second sentence providing that the Copyright Office must actively register the copyright or refuse registration. Thus, the Court reasoned that “registration” referred to the Copyright Office’s determination as to whether the subject matter is copyrightable, and not the act of applying for registration. The Court also found that a reading of Section 410(a) and 410(d) also confirmed this reading as the language therein juxtaposed registration with the separate act of submitting the application. Moreover, the Court also noted that the Copyright Office has also adopted the same approach, and that the Registration Approach encourages copyright holder to proactively register their works soon after publication. Accordingly, the Court dismissed Asche’s claim for copyright infringement because it did not obtain registration nor a denial of its registration from the Copyright Office.

VI. Ownership

A. Copyright Ownership in Film Contributions

1. Garcia v. Google, Inc., 786 F.3d 733, 737 (9th Cir. 2015)

In this landmark case, the Ninth Circuit, sitting en banc, reversed a Ninth Circuit panel’s decision to issue a preliminary injunction against Google to remove a film from its catalogs based on plaintiff Garcia’s copyright interest in her “fleeting performance” in the blasphemous film “Innocence of Muslims.” In so doing, the Court noted that sympathy for the plaintiff does not create a valid copyright interest, and that the panel’s decision improperly imposed “speech restrictions under copyright laws meant to foster rather than repress free expression.” Yet the Court ultimately grounded its decision in the requirements for a “work” under 17 U.S.C. § 102(a), the mismatch between Garcia’s claim and the relief sought, and the Copyright Office’s rejection of her proposed registration of her brief performance. The en banc court affirmed the district court and dissolved the injunction imposed by the Ninth Circuit panel.

Garcia had initially been encouraged to act in an action-adventure film called “Desert Warrior,” but her brief performance was instead inserted into a religiously-charged anti-Islamic “polemic” entitled “Innocence of Muslims.” The film sparked outrage across the Middle East and led to multiple death threats against Garcia. Upon voluntarily
dismissing her state court case after an injunction was denied, Garcia sought relief in federal court. The district court denied injunctive relief based on the unclear nature of Garcia’s copyright interest, the lack of redress an injunction would offer, given that the film trailer had already been on YouTube for five months, and because it found an implied license granted to the film’s director. A Ninth Circuit panel reversed, finding that Garcia’s contributions were creative, that she was likely to succeed on the merits of her copyright infringement claim, and that, rather than having granted the film’s creator an implied license, the creator in fact granted Garcia an implied license to perform his screenplay.

The en banc panel first noted the exacting standard for a mandatory injunction that would have required Google to take affirmative action and effectively change the status quo rather than maintain it, and that to obtain such relief the law and facts must clearly favor not only Garcia’s copyright claim but suppression of a highly controversial political film.

Addressing the merits, the en banc panel first noted that the Copyright Act defines a work so as to cover a film like “Innocence of Muslims,” but does not cover the five-second embedded performance of an individual actor. Relying in part upon Aalmuhammed v. Lee, 202 F.3d 1227 (9th Cir. 2000), the Court noted that copyright protection for each contributor’s performance would result in fragmented “legal morass” of copyright interests in a film. Picking up on the district court’s reasoning, the panel further noted that Garcia had not met the fixation requirements for copyright ownership, and that even if she had, it certainly had not been done “by or under her authority” under 17 U.S.C. §101 as she was not even aware the performance would be incorporated into “Innocence of Muslims.” The Court thus concluded that Garcia did not possess a valid copyright interest in her performance.

2. 16 Casa Duse, LLC v. Merkin, 791 F.3d 247 (2d Cir. 2015)

In the context of a film director’s claim of copyright ownership, the Second Circuit addressed an issue of first impression: whether a contributor to a creative work whose contributions are inseparable from, and integrated into, the work maintains a copyright interest in his or her contributions alone. Answering in the negative, the Court first recounted the history between the parties, including the initial solicitation by plaintiff’s principal Krakovski to Merkin to direct the film, Krakovski’s multiple attempts to have Merkin sign a work-for-hire agreement, Merkin’s sidestepping of the issue and eventual assertion of his own independent rights in his creative contributions to the work, and Merkin’s eventual copyright registration obtained on copies of the raw footage of the film he received from Krakovski for editing purposes.

The Court first addressed co-authorship, noting that under Thomson v. Larson, 147 F.3d 195 (2d Cir. 1998) the parties must (1) make independently copyrightable contributions, and (2) intend to contribute jointly to a work, and that even assuming the first factor had been met the record conclusively established that the second factor had not. The Court also found no basis for concluding that the work was one for hire, noting there was no writing in place and no common law employment relationship under Community for Creative Non-Violence v. Reid, 490 U.S. 730 (1989).
The Court then looked to the Copyright Act’s treatment of “works of authorship,” noting that while there was no definition within 17 U.S.C. §101, the non-exhaustive list of works provided therein “lists none of the constituent parts of any of these kinds of works as ‘works of authorship.’” The Court found further support for this conclusion in the definition of a “joint work,” which deals with contributions that are not independently copyrightable as well as explicit exceptions such as collective works constituting “separate and independent works.” The Court also addressed the legislative history of the 1976 Act, noting that a House Report mentions that “a motion picture would normally be a joint rather than a collective work.” While noting it was not binding, the Court also adopted the reasoning of a Copyright Office submission in the recent Garcia v. Google litigation, which argued that a contributor that intended to make inseparable contributions to a single work could only assert joint but not sole authorship. The Court went on to explicitly endorse the en banc reversal of the Ninth Circuit in Garcia v. Google, finding that the copyright in the film itself could be easily undermined by the multitude of copyrights subsisting in a separate interest for each contributor.

Finally, in addressing Merkin’s claim of copyright ownership in the raw film footage, the Court noted that in a multiple-author scenario such as this that is not identified in the Copyright Act, the Court must resort to a question of who the “dominant author” is. The Court noted that while the Second Circuit had never pronounced criteria for determining the dominant author, it noted that indicia of ownership and authorship such as (1) decision making authority, (2) billing and (3) written agreement with third parties as espoused in Larson are relevant to that inquiry. Applying those criteria, the Court concluded that while Merkin exercised a great degree of creative control, that was dwarfed by Casa Duse’s control of plot and theme, character elements, dialogue, song lyrics, initiating the project, acquiring screenplay rights, cast, crew, director, production schedule and publicity and release. As both parties intended to take credit for the work, the Court found the second factor neutral. As to the third factor, the Court found it favored Casa Duse decisively, in that all contracts with third party contributors to the film were entered into by Casa Duse and none by Merkin. The Court thus concluded that Casa Duse owned the rights to the raw footage as well as to the film itself.

B. Ownership Interest in Derivative Works


Greene, the solo author of “The Explosive Child,” adopted Ablon as a mentee and later the two partnered to work on a book “Treating Explosive Kids,” which, like Greene’s prior work, was based on Greene’s “CPS Approach” to parenting, but unlike the first book, was geared towards professionals. Ablon claims he made a substantial contribution to “Treating Explosive Kids,” and wrote more than one chapter. Greene, also the editor of “Treating Explosive Kids” alleged the work was basically all his own as Ablon’s contribution was substandard and largely not used. After their relationship soured, Greene brought suit claiming copyright infringement both in “Treating Explosive Kids” and “The Explosive Child,” the latter based on a PowerPoint presentation created by Ablon that included some slides with content from “The Explosive Child.”
The district court had earlier ruled partially in favor of Ablon, finding that “Treating Explosive Kids” was a joint work, but that this also precluded the possibility that “Treating Explosive Kids” could also be a derivative work of “The Explosive Child.” The claim based on the PowerPoint slides infringing only the solo work went to trial and resulted in a statutory damages award of $19,000.

The First Circuit affirmed the district court’s joint authorship finding, noting that “Treating Explosive Kids” was the sum of interdependent contributions from both Greene and Ablon, and the underlying prospectus, publishing contract, copyright notice, and the book itself all describe the two as co-authors. The Court held that the trial court erred in finding that a work could not be both joint and derivative. As a result, Greene had a viable claim against Ablon if the PowerPoint slides used material from Greene’s first solo book without permission. This error, however, did not affect the outcome at the trial court level.

Greene argued that when a derivative work is created by joint authors, each author only owns the contributions “he or she personally penned.” The Court rejected this argument, noting that joint authors acquire ownership in equal parts, but did concede that the district court had erred in excluding slides with material lifted directly from “Treating Explosive Kids” to show infringement, as Greene could have shown that “Ablon drew on expression from ‘Treating Explosive Kids’ that the co-owned ‘Treating Explosive Kids’ copyright did not encompass.” Nevertheless, the Court found this error harmless, given that the appellate record was not sufficiently preserved by Greene for the Court to assess the nature of the evidence excluded by the district court and whether it would have changed the outcome.

Greene’s claim for an accounting for profits and an injunction with respect to the joint work, “Treating Explosive Kids”, and was rejected.

C. Ownership Interest in Collective Works


Plaintiffs, copyright owners in the literary work that was published as part of a collection 20 years prior in an earlier edition of defendant's magazine, sued defendant for republishing that work in a later edition of the magazine. Defendant sought dismissal of the action under 17 U.S.C. § 201(c) arguing that its republication of the literary work in a later issue of its Yankee Magazine “constituted a privileged reproduction of the piece in a later collective work in the same series, namely, a later issue of [the magazine].” The Court relying on legislative history determined that pursuant to section 201(c) an author is presumed to have ceded a publisher the right to reprint a contribution in a later edition of the same magazine, absent an express agreement to the contrary. Accordingly, because Plaintiffs did not establish the existence of an express agreement limiting defendant to a onetime publication, the Court found the Plaintiffs’ complaint lacking and granted leave to amend.

VII. Infringement
A. Infringement of Derivative Works


The facts of the case are discussed supra at VI(B).

Ablon cross-appealed, challenging the infringement verdict based on the PowerPoint slides. The Court addressed his various arguments that some of the material claimed to be infringed was 1) too similar to the material in the work he co-authored and so could not support infringement as a matter of law, 2) not similar to Greene’s work and thus not infringement, 3) not protectable by copyright. As to the first, Ablon claimed the PowerPoint was a derivative work of the co-authored “Treating Explosive Kids”, but the Court disagreed. It noted that a “derivative work is simply an infringing work made non-infringing through the acquisition of permission to use the underlying preexisting expression,” and that a work derivative of multiple sources must have obtained permission as to each source, and so it is possible that the material in the PowerPoint was derivative of both Greene’s “The Explosive Child” and the co-authored “Treating Explosive Kids."

As to the second argument, the Court noted its deferential standard on appeal with respect to substantial similarity, finding that the similarities in many key phrases were enough to support a finding that the PowerPoint material contained minimally revised versions of the earlier work. As to his third argument, the Court rejected the idea that the expression was not sufficiently original, noting that Ablon’s attempt to isolate common tropes used in the work, like thinking in “black and white” and the seemingly minor overlap of the use of parents as “tour guides,” belies the context the protected expression and the slides share. As to Ablon’s argument that one slide copied unprotectable names and short phrases, the Court noted that these can be copyrightable under certain circumstances, namely where the name or short phrase is a “succinct articulation of a complex concept.”

B. Substantial Similarity


This case brought by Robin Thicke, Pharrell Williams and Clifford Harris, Jr. (“Thicke Parties”) against Nona Gaye, Frankie Gaye, and Marvin Gaye III (“Gaye Parties”), the children of Marvin Gaye, began as an action seeking a declaration that plaintiffs’ “Blurred Lines” did not infringe Marvin Gaye’s “Got to Give it Up.” The Gaye Parties counterclaimed for copyright infringement and a jury went on to find infringement and awarded $4,000,000 in damages to the Gaye Parties for infringement and over $3,000,000 based on various disgorgement theories against the several Thicke Parties. The Court also granted the Gaye Parties’ cross-motion for ongoing royalties, and prejudgment interest in part, while denying their motion for injunctive relief.

The only “works” in issue were the music lead sheets for the respective musical compositions, not the performances themselves.
Musicologist Testimony Supporting Substantial Similarity

Judith Finell, a musicologist, opined for the Gaye Parties that certain elements 1) existed in the sheet music for “Got to Give it Up” on deposit with the Copyright Office, and 2) were also present in “Blurred Lines.” Under the 1909 Copyright Act the lead sheets Marvin Gaye deposited with the Copyright Office defined the scope of the material protected by the copyright in the composition.

The Court found proper its admission of Finell’s revised inclusion of “Theme X” among the copyright’s protected elements, which Finell previously deemed absent from the deposit, noting the novelty of the “modified mirror relationship” theory upon which the revision was based went to weight, not admissibility. The Court also found proper the admission of Finell’s revision adding keyboard parts as protected elements “implied” from explicit chords and bass parts, rejecting claims that they were excludable as scenes a faire and noting the potential for protecting a combination of unprotectable elements.

The Court also rejected attacks on Finell’s inclusion of a bass melody and signature phrase from the sound recording that differed from the composition on deposit, noting a lack of prejudice, and found no issue with the use of unprotected lyrics based on a “word painting” theory where similar lyrics and notes were paired in the two songs. Finally, it found admission of Finell’s sound recordings proper as sufficiently, albeit not entirely, based on the deposited sheet music, and that any prejudice would be balanced by cross-examination. It also affirmed the admission of demonstrative edited sound recordings as insufficiently prejudicial to require exclusion. The Court reached the same conclusion regarding mash-ups finding them probative and not unduly prejudicial, and found proper its decision to bar the Thicke Parties’ evidence comparing other popular songs to “Blurred Lines” as cumulative.

Press Statements Supporting Substantial Similarity

Critically, the Court found proper the admission of a May 7, 2013 interview where Robin Thicke stated that:

Pharrell and I were in the studio and I told him that one of my favorite songs of all time was Marvin Gaye’s ‘Got to Give It Up.’ I was like, ‘Damn, we should make something like that, something with that groove.’ Then he started playing a little something and we literally wrote the song in about a half hour and recorded it.

Thicke later testified in his deposition that he lied in that interview because he “thought it would help sell records,” and the Court found this went to willfulness of infringement, to Thicke’s credibility, and to the Thicke Parties’ independent creation defense.

Incidental References to Similarity Not Barred
The Thicke Parties took issue with the admission of “lay opinions” of Janis Gaye (late wife of late Marvin Gaye) and Harry Weinger (employee of Universal Music Enterprises (“UME”), a division of counterclaim defendant UMG) on the similarity of the two songs. Janis Gaye testified as to ownership and the lack of a license granted, noting similarity of the songs only in the narrative of why she reached out to the Thicke Parties. Weinger testified in his capacity as an employee of UME and mentioned similarity of the songs only as to why he contacted UMG employees on a mistaken belief that “Blurred Lines” had licensed “Got to Give it Up.” The Court found the former incidental and not reasonably construed as evidence of similarity, and the latter evidence of UMG’s willfulness in infringing and a party admission, rather than evidence of substantial similarity.

The Thicke Parties also contested Nancie Stern’s testimony that the appropriate valuation of a license for “Got to Give it Up” was a 50% royalty based on how much of “Got to Give it Up” was in “Blurred Lines.” The District Court had previously struck the parts of her testimony relating to the portion of one song in another as that went to infringement. Thus, while the Thicke Parties made much of the fact that a jury note during deliberations asked whether Ms. Stern was an expert on infringement, but the Court relied upon a curative response answering in the negative and on the presumption that a jury would follow instructions.

**Jury Instructions**

The Court found that a jury instruction on “subconscious copying” was correct because subconscious copying was a legitimate theory, and that direct infringement requires no particular intent or state of mind. The Thicke Parties also objected to the instruction on substantial similarity, which stated that substantial extrinsic and intrinsic similarity must be found to support infringement, and which went through the objective/subjective distinction between the two as well as quantitative guidance relating to whether what was taken constituted the heart of the work. The Thicke Parties took issue with the instruction insofar as it encouraged “a freewheeling assessment of similarity” based on both protectable and non-protectable elements. In rejecting this argument, the Court noted that other instructions gave such guidance regarding protected expression, and that the instruction was proper in the context of the remaining instructions.

The Thicke Parties also contended that the instruction should have explicitly identified the unprotected elements of “Got to Give it Up,” but the Court rejected this, noting that a motion in limine to exclude unprotected elements had already been granted, and that the jury’s exposure to such elements was limited. The Court also found proper instructions stating the jury could “disregard similarities in ‘individual elements’ and instead decide ‘there is enough similarity between [the works]... to comprise a substantial amount,’” and also that “elements need not be identical to be substantial,” noting consistency with Ninth Circuit precedent as to both.

Finally, the Court rejected the Thicke Parties’ contention that an instruction was improper as it encouraged the jury to assess whether the portions copied were qualitatively and quantitatively important and that this should only occur after a jury determines if
similarities exist, noting that this applies outside the *de minimis* copying doctrine and goes to the “heart of the work” analysis as well.

**Verdict Supported by Substantial Evidence**

The Court concluded that substantial evidence supported the verdict. It noted that Finell testified that 130 measures of “Blurred Lines” contained protectable expression from “Got to Give It Up,” some of which was described as the “heartbeat of the song” and “moves the song forward.” As to the Thicke Parties’ challenge to the jury’s application of the intrinsic test, premised on insufficient evidence, the Court concluded that established precedent dictates that the application of the intrinsic test will not be disturbed in most cases and requires application of a highly deferential standard.

2. **Copeland v. Bieber, 789 F.3d 484 (4th Cir. 2015)**

Recording artist “De Rico” (Devon Copeland) wrote a song entitled “Somebody to Love,” in which he registered a copyright. Copeland discussed the recording, and at one point intended to tour, with well-known performer Usher, but those talks never materialized. Usher later prepared a demo version of the song and shared it with his protégé, Justin Bieber, who then recorded and released a similar song entitled “Somebody to Love.” Bieber recorded a remix of the song with Usher as well. These releases prompted Copeland to file suit claiming copyright infringement, which the District Court dismissed. The District Court first noted that substantial similarity in the Fourth Circuit was largely a question of fact and precedent permitted dismissal on the basis that no reasonable jury could find either extrinsic or intrinsic substantial similarity. It also considered the “relevant ‘intended audience’” in the case to be the general public and, consequently, that despite the extrinsic similarities between the songs, the “mood, tone, and feel” of each song precluded a finding of intrinsic substantial similarity as a matter of law.

In reversing and remanding, the Court began by noting that it would decline to entertain Copeland’s request to reconsider its precedent relating to intrinsic similarity and to engage in analytic dissection in the intrinsic analysis instead of approaching the work as one, and noted its current precedent was more favorable to Copeland regardless. The Court also declined to address whether it was reversible error to dismiss a complaint under Rule 12(b)(6) based solely on a lack of intrinsic similarity. The Court also rejected the argument that intrinsic similarity should be based on an “intended audience” of industry professionals: “[i]f ... industry professionals reject [Copeland’s] song because it is too similar to the [d]efendants’ songs, it would be because those companies fear that the public will find the songs to be overly similar.”

In reviewing the district court’s intrinsic similarity finding, the Court noted that the district court erred in holding that all three versions of the song - the demo, the Bieber track, and the Bieber/Usher remix - had to be separately compared to the Copeland track. It held that “by the unscientific intrinsic standard, the three tracks were similar enough to be treated as one,” and if any one of them were found substantially similar to Copeland’s track all the tracks would be so found. The Court concluded that the district court erred in according too much weight to “tone and feel” and not enough weight to the similarity of
the songs’ choruses. While Copeland’s is a distinctly R&B track and Bieber/Usher’s is “dance pop, perhaps with hints of electronica,” the Court found these genre distinctions were insufficient to preclude a finding of intrinsic similarity. The Court relied in part upon a parade of horribles that would flow from the alternative, e.g. profiteering from releasing all the Beatles music as a different genre, and “would risk deeming each successive work in a genre—whether it be R & B, ragtime, or bossa nova—an appropriation of the same-genre works that came before it.” Reviewing the many differences between the songs, the Court found that the similarity between a critical component of each song - the chorus - cannot be discounted, and emphasized the importance of the chorus as a highly-recognizable “hook,” which is central to a song’s economic success. Thus, concluding that the “heart of the compositions” were the choruses and that a reasonable jury could find intrinsic similarity, the court reversed and remanded.

C. Volitional Conduct


   Plaintiff author sued third-party distributor for direct and contributory infringement associated with the latter's online web locker service, which facilitated the download of a free sample of plaintiff's work after plaintiff had terminated the underlying distribution agreement permitting such dissemination. In finding that defendant had not infringed plaintiff's work, the Court noted defendant's lack of volitional conduct citing *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008). While referencing certain situations where passive hosting activity would suffice as volitional conduct for purposes of direct infringement, the Court noted that those cases were limited to situations where the host site had a "fundamental and deliberate role" in facilitating infringement. As to plaintiff's contributory infringement claim, the Court noted that the website here was capable of substantial non-infringing uses, citing the Supreme Court's seminal Sony Betamax decision in *Sony Corporation of America v. Universal City Studios Inc.*, 104 S. Ct. 774 (1984), and that this precluded a finding of contributory infringement.

VIII. Defenses

A. First-Sale and Copyright Misuse

A. *Omega S.A. v. Costco Wholesale Corp., 776 F.3d 692, 694 (9th Cir. 2015)*

   In the culmination of more than a decade of litigation, the Ninth Circuit again considered the unauthorized importation of Omega watches manufactured abroad by Costco and sold at discount prices at Costco stores. The Ninth Circuit had previously addressed the case in the context of the first-sale doctrine, finding that the doctrine did not apply to goods manufactured abroad, a decision left in place by a divided U.S. Supreme Court, and remanded to the district court. The district court proceeded to analyze the issue under copyright misuse, finding that “Omega misused its copyright of the Omega Globe to expand its limited monopoly impossibly” by affixing the Omega Globe to the underside of the 43 Seamaster watches in order to segment the prices of its
watches in different markets. In a separate opinion, the district court also granted Costco attorneys’ fees in the amount of $396,844.17.

After the district court decision but prior to the appeal to the Ninth Circuit, the U.S. Supreme Court addressed the first-sale issue in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), finding that the Copyright Act does in fact apply to goods manufactured abroad. Noting that *Kirtsaeng* did not overrule prior Supreme Court precedent, the decision was fully retroactive and applied here as well, thereby completing precluding Omega’s claims as precluded by the first-sale doctrine. When the case reached the Ninth Circuit for the second time the Court affirmed, holding that the Supreme Court's decision in *Kirtsaeng* established that Omega's limited monopoly was extinguished the moment it sold its watches to third parties abroad. While the majority opinion affirmed on separate grounds, effectively avoiding the copyright misuse rationale of the district court, a concurring opinion would have affirmed the district court's rationale, emphasizing that Omega engaged in “an obvious leveraging of a copyright to control an area outside its limited monopoly on the design.”

The Ninth Circuit further found that the district court “did not abuse its discretion in awarding attorneys’ fees to Costco. In awarding fees under the Act, the Court emphasized several factors that could be considered by a district court: “(1) the degree of success obtained; (2) frivolousness; (3) motivation; (4) the objective unreasonableness of the losing party's factual and legal arguments; and (5) the need, in particular circumstances, to advance considerations of compensation and deterrence.”

The Ninth Circuit noted that the district court had properly found that each of these factors weighed in Costco’s favor. The Ninth Circuit also affirmed the district court’s conclusions that “[b]y affixing a barely perceptible copyrighted design to the back of some of its watches, Omega did not provide — and did not seek to provide — creative works to the general public” but rather that “Omega sought to exert control over its watches, control which it believed it could not otherwise exert.” Also affirmed was the district court’s conclusion that it “should have been clear to Omega that copyright law neither condoned nor protected its actions, and the imposition of fees would thus further the purpose of the Copyright Act.”

A petition for certiorari in this case is once again before the U.S. Supreme Court.

B. DMCA Safe Harbor


Plaintiff rights holders secured a $25 million verdict against defendant providers of high-speed internet service to customers, contributory and vicariously liable for alleged copyright infringement taking place over its internet service. Plaintiffs alleged that users of Cox employ BitTorrent, a type of peer-to-peer (“P2P”) file sharing to illegally upload and download music files in violation of Plaintiffs’ exclusive rights. Plaintiffs further alleged that through an agent, Rightscorp, they sent Cox 2.5 million notices corresponding to instances in which Cox internet users offered one of Plaintiffs’ copyrighted works for download and its agent was able to download more than 100,000 full copies of music files from peers through Cox’s service.
In a 70-page opinion, the District Court found defendants ineligible for DMCA safe harbor protection. Section 512 (a) “limits the liability of ISPs when they do nothing more than transmit, route, or provide connections for copyrighted material.” The Court determined that section 512 (i) covered “at minimum, instances where a service provider is given sufficient evidence to create actual knowledge if blatant, repeat infringement by particular users, particularly infringement of a willful and commercial nature.” Applying this standard to Cox’s conduct, the Court determined that Cox did not reasonably implement a repeat infringer policy where the record showed Cox was relaxed in its enforcement, and its policy, although including penalties, did not in actuality impose termination as a penalty for repeat infringement. Moreover, BMG identified specific instances in which Cox knew accounts were being used repeatedly for infringing activity, but those accounts were not terminated. The Court also rejected Cox’s arguments that it should only be required to terminate user accounts only in cases of adjudicated infringers and that knowledge of infringement cannot be established by notices of infringement from copyright owners. Accordingly, the Court granted summary judgment as to BMG on Cox’s safe-harbor defense.

C. Fair Use


Plaintiff Adjmi is the author of “3C,” a play based on the 1970s show “Three’s Company,” and sued defendant copyright owner of “Three’s Company” for a declaration of non-infringement after receiving an offer to license and publish “3C”. The parties agreed that “3C” copies the plot, characters, sets, and certain scenes from “Three’s Company”. While the two have these facial similarities, the Court digs deeply into the substance of various episodes and scenes in both plays in an effort to distinguish the two. For example, the Court notes the tenor of the pilot of “Three’s Company” as “happy-go-lucky, carefree feel” with healthy amounts of playful sexual innuendo only to contrast it with “3C’s” dark and dramatic opening lines from Shakespeare and Genesis. The Court shows how, while the two touch on similar issues, they do it in a very different way, one with an upbeat and playful approach and the other with a despondent, sarcastic, and at times gruesome manner.

Moving on to the infringement analysis, the Court addressed the question of whether “3C” is a parody and fair use of “Three’s Company”. With respect to the four statutory fair use factors, the Court noted that while “3C’s” commercial nature disfavors fair use, its transformativeness does favor fair use, and that a parody needs to take a certain amount from the work being commented. While DLT argued that “3C’s” main themes and issues are taken from Three’s Company and any changes made were a mere gloss on the same story, the Court disagreed, instead finding that “3C” was a “nightmarish version” of “Three’s Company” and a commentary on the latter’s lighthearted handling of serious and difficult issues.

Ultimately finding that the first factor weighed heavily in favor of fair use, the Court considered the second factor, finding it weighed slightly against fair use due to the relatively typical characters in “3C” but was ultimately unimportant. As to the third factor, the Court noted that parody in general must take a substantial amount of the work and so the notion that “3C” took the heart of the work is unpersuasive. While finding DLT’s argument that “3C” took many minor, non-parodic elements of “Three’s Company” a more persuasive argument, the Court discounted this factor in light of the strength of the first and fourth factors favoring fair use.

The Court rejected Fox News’ fair use defense on summary judgment on infringement claim brought by the North Jersey Media Group, publisher of The Record and the Herald News and owner of a powerful photograph of three firefighters raising the American flag at the ruins of the World Trade Center site. On September 11, 2013, the photo was posted to the Facebook page of Fox News’ TV program “Justice with Judge Jeanine,” juxtaposed with the classic World War II photograph of four U.S. Marines raising the American flag on Iwo Jima.

The court held that the purpose and character of the use weighed against Fox because combining the two photos wasn’t enough to make it transformative, nor was placement next to the photos of the hashtag “#neverforget,” which the judge said was a “ubiquitous presence on social media that day.” Judge Ramos also noted that “Fox News’ commentary, if such it was, merely amounted to exclaiming ‘Me too.’”

C. *Lenz v. Universal Music Corp.*, 13-16106 (9th Cir. 2015)

Here the Ninth Circuit addressed whether an internet service provider (ISP) under the Digital Millennium Copyright Act (DMCA) is required to consider fair use in sending a takedown notification under Section 512(f). Plaintiff uploaded a video of her children dancing to a Prince song in the kitchen of their home on YouTube. Universal, the publisher of the Prince song “Let’s Go Crazy,” identified the video by determining that it “embodied a Prince composition” because it made a “significant use of . . . the composition”, “was in a significant portion of the video or was the focus of the video.” Universal did not consider whether the use was a fair use. The district court denied the parties’ cross motions for summary judgment on the 512(f) misrepresentation issue, leading to the decision on appeal.

The Court first went through the notice-and-takedown framework under the DMCA, including Section 512(c)(3)(A)’s takedown notification requirements, user notification requirements under 512(g)(1)–(2), and the counter-notification procedures under 512(g)(3)(C). The latter provides for a counter-notification whereby the user must include a statement of “good faith belief that the material was removed or disabled as a result of a mistake or misidentification,” requiring the content to be restored within “not less than 10, nor more than 14 business days” unless a lawsuit has been filed. Finally, 512(f) provides for liability for those that abuse the DMCA takedown procedures: “Any person who knowingly materially misrepresents under this section—(1) that material or activity is infringing, or (2) that material or activity was removed or disabled by mistake or misidentification, shall be liable for any damages . . . .” The decision relates to subsection 1 of that provision, which applies to copyright holders.

In considering whether 512(c)(3)(A)(v) requires copyright holders to consider whether the potentially infringing material is a fair use, the Court noted this was an issue of first impression in any Circuit. In finding that consideration of fair use was required, the Court noted that fair use is “not just excused by the law,” but rather is “wholly authorized by the law” and thereby encompassed within 512(c)(3)(A)(v)’s requirement that the notification state a good faith belief that the use is not so authorized. Accordingly, one “who . . . makes a fair use of the work is not an infringer” at all. The Court noted that while the common law fair use doctrine fell into the
excuse category, the statutory codification of fair use in the 1976 Act rendered fair use an affirmative right. Universal conceded that it must give due consideration to other uses “authorized by law,” such as compulsory licenses, and the Court analogized to that duty in reasoning that Universal as an ISP must consider fair use before sending a takedown notification under 512(c).

The Court went on to consider whether a material issue of fact existed as to whether Universal knowingly misrepresented to the plaintiff in its takedown notification that it had a “good faith” belief that the use of the video was not fair use. The Court cited cases interpreting the 512(c)(3)(A)(v) “good faith” requirement as encompassing a subjective rather than objective standard. That precedent held that the copyright owner must have actual knowledge of a misrepresentation and “cannot be liable simply because an unknowing mistake is made, even if the copyright owner acted unreasonably in making the mistake.” In short, the Court declined to impose an objective standard on the copyright owner’s legal determinations in sending a takedown notification. The Court noted that while subjective good faith does not require an investigation of the allegedly infringing content, a preliminary fair use analysis is not so complex as to stymie the efforts of rights holders like Universal in policing their voluminous catalogs. The Court also noted in passing that computer algorithms could still be feasibly employed to identify infringing content notwithstanding the requirement of a fair use review.

Finally, the Court determined that, generally speaking, a plaintiff can proceed under a willful blindness theory in determining whether the copyright owner held a “good faith belief” that the offending activity was not fair use, but that in this case plaintiff could not. The Court reasoned that plaintiff had failed to show Universal had a subjective belief that there was a high probability that the use was fair use, and noted the lower court’s denial of summary judgment to Universal on this issue because Universal failed to show that it lacked such a subjective belief was reversible error. The Ninth Circuit thus found the district court improperly placed the burden of persuasion upon Universal by requiring it to show that it lacked such a subjective belief, when in fact plaintiff was required to show that it had this belief.

Although the Court reversed the lower court’s ruling, it went on to find that a plaintiff could seek recovery of nominal damages for an injury incurred under 512(f). Despite the common law presumption that a misrepresentation plaintiff must show actual harm, the Court viewed the DMCA as “akin to a statutorily created intentional tort,” in which nominal damages are available, and concluded that the “any damages” language of 512(f) authorized the vindication of rights created under the DMCA through an award of nominal damages.


In 2005, plaintiffs brought suit against Google, Inc. for its Google Books Project (the "Project"), which digitized over 20 million titles in order to create the world's largest searchable database of books. Years of negotiation following the filing resulted in a class action settlement that was ultimately rejected by the district court in 2011 as unfair to certain represented class members. In 2012, the district court certified a class. Google appealed the class certification and cross-moved for summary judgment on fair use grounds. The Second Circuit vacated class certification without addressing its merits, instead awaiting the district court's fair use ruling, which in 2013 was decided in Google's favor.
The Court discussed the law of fair use and the first factor, noting the hierarchy of transformative works, and concluding that like a parody comments on a prior work to create something new, Google has similarly utilized other works – millions in this case – "to provide otherwise unavailable information about the originals." The Court rejected plaintiffs' response to this, namely that this infringed their right to create derivative works, noting that such rights "do not include an exclusive right to supply information." It noted that the Copyright Act provides examples of derivative works – including "any other form in which a work may be… transformed." 17 U.S.C. § 101. Distinguishing derivatives from fair use transformations, the Court noted that derivative works "generally involve transformations in the nature of changes of form."

The Court considered the myriad transformative applications of the Project, starting first with the search function and concluding it is transformative, doing so largely in reliance upon the Court's decision in Authors Guild v. HathiTrust, 755 F.3d 87 (2d Cir. 2014). The Court noted that, as was the case in HathiTrust, the Project provides information about the works at issue such as how often a word is used, ways to purchase a complete version, and enables Google's "ngrams," which provides historical statistics on usages of words and concepts by utilizing the Project corpus. While HathiTrust did not display "snippets" from the underlying work and was a non-profit endeavor, the Court found that snippets merely confirmed a potential buyer's interest in a work rather than effecting market substitution, and minimized the importance of the commerciality of the use as espoused in Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

The Court noted the minimal the importance of the second factor, stating it is not dispositive, it favors neither party, and only favors Google when considered in connection with the first factor and the transformative nature of the Project. As to the third factor, the Court first addressed the search tool, noting that the copying of the entirety of works does not preclude fair use, and that here it was critical to the transformative purpose of the fair use just as it was in HathiTrust. Moving on to the snippet function, the Court conceded that the manner in which this was executed could render it a market substitution for the author's work and thus not a fair use, but that as presently structured Google's snippet function was a fair use; snippets can only reveal less than one half of one page of a given work to a user for free, and are disabled in works like cookbooks where small amounts of a work will satisfy the user's need for it. Portions of all works on Google Books are also "blacklisted" so that access to the entirety of a work for free is effectively impossible, and the Court notes that researchers employed by plaintiffs were at no point able to access more than 16% of any work regardless of how many searches were performed.

In discussing the fourth factor, the Court noted the inverse relationship between the first and fourth factors, noting that transformative works that do something new, and different from the original are less likely to impede upon the commercialization opportunities of the author. The Court concluded that snippets in their current form do not significantly impede these opportunities, harkening back to the 16% or less of a work that snippet view could reveal, as well as the manpower it would require. While acknowledging some market substitution, the Court concluded snippets were not an "effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original." The Court further opined that this activity would be largely limited to searches for facts and other unprotectable aspects of works.

As to the plaintiffs argument based on its right to create derivative works, the court found it had no merit, noting that the definition of a derivative work under 17 U.S.C. 101 "implies that
derivative works over which the author of the original enjoys exclusive rights that re-present the protected aspects of the original work." In distinguishing plaintiffs' assertion of derivative works rights over mere information about the protected works, the Court resorted to listing various examples of derivative works including film adaptations of novels, translations into other languages, and reproductions of postcards from a painting. Distinguishing cases cited by the plaintiffs' in favor of a derivative works right in information about the works, the Court noted those cases dealt with appropriated expressive portions of works, whereas here the search and snippet functions serve the purpose of providing information and context collateral to the purposes of copyright.

As to plaintiffs' concern over security and hacking risks that could exposure their works, the Court lent that credence, but found that Google had "documented that Google Books' "digital scans are stored on computers walled off from public Internet access and protected by the same impressive security measures used by Google to guard its own confidential information." The Court further noted plaintiffs' failure to identify any thefts, and that the risk was largely hypothetical.

Finally, as to Google's grant of access to downloadable copies of Project books to various libraries through the Google Return Interface ("GRIN"), the Court noted that Google's agreements with those libraries require those institutions to act in accordance with copyright laws. The Court again relied upon its ruling in HathiTrust, concluding that "Google's creation for each library of a digital copy of that library’s already owned book in order to permit that library to make fair use through provision of digital searches is not an infringement."


TVEyes is a business tool that allows users to view broadcast news as data, and specifically to archive, download, share, and search for content by date and time, rather than by keyword. In a follow-up to its 2014 ruling on the core of TVEyes' service, the Court considered whether several ancillary functions of the service were also fair uses.

In 2014, the district court found that TVEyes' "core" function - "recording content, putting it into a searchable database, and upon a keyword query allowing users to view short clips of the content up to 32 days from the date of the airing" - was transformative. It relied heavily on the Google v. Hathitrust decision, finding that TVEyes’ 24/7 global news indexing and excerpting "serves a new and different function from the original work and is not a substitute for it," likening the snippets available in Google Books to news clips containing critical, non-verbal expression.

Here the Court turned to the other TVEyes functions, finding first that the archiving function was also a fair use, as search history retention was critical to TVEyes' "transformational purpose of media mentoring" pursuant to research and learning. The Court found similarly with respect to the emailed and sharing function of the service, as "parties must be able to transmit that information as part of comment, criticism and debate." Yet relying heavily on the fourth fair use factor, it noted that TVEyes could not carry its burden under section 107 until it developed protocols to limit sharing appropriately. The Court found the downloading function of TVEyes was not a fair use, as that mere convenience of the service was not integral to it while unduly endangering rightsholders. Finally, the Court found the date/time search - which essentially allows
users to locate a clip if they know the date and time of the program they seek - was duplicative of Fox’s service and injurious to its licensing market, thus finding against fair use on that component.

IX. Damages/Attorneys’ Fees

A. Contractual Attorneys’ Fees

1. Ryan v. Editions Ltd. W., Inc., 786 F.3d 754 (9th Cir. 2015)

Ryan, a graphic artist, sued Editions for contributory copyright infringement after unlicensed canvas transfers of his posters licensed to Editions began to become increasingly popular. Ryan prevailed on his contributory copyright infringement claim against Editions, the president of which effectively conceded at trial that Editions communicated to its customers that it was permissible for them to create canvas transfers of its posters. Yet earlier in the proceeding the Court determined that Ryan was not entitled to statutory damages or attorneys’ fees under the Act. However, the parties had also entered into an agreement with a fee-shifting provision in the event litigation arose. The district court found that Ryan was a prevailing party under the agreement and Editions appealed that decision.

In affirming, the Ninth Circuit addressed the question of whether the Copyright Act preempts state law fee-shifting provisions, which it noted was a largely unanswered question. The Court found that the purpose of the fee-shifting provisions under the Copyright Act was to encourage owners to make a public record of their ownership by registering before instituting infringement proceedings. The Court further found that such concerns were not germane here given that the right to be enforced was based on contract, not a right as against the world, thus mitigating the importance of making a public record of ownership in this case. The Court noted, however, that the result may very well be different in the case of a fee-shifting statute, i.e. where the right to attorneys’ fees was not based on private agreement.

B. Statutory Attorneys' Fees


Here the Court considered the Beastie Boys’ motion for attorneys’ fees and costs under both § 505 of the Copyright Act and § 1117 of the Lanham Act. A jury had already found for the band on both claims based on a 2012 Monster promotional event for its energy drinks called the “Ruckus in the Rockies.” The Court found fees were appropriate under the Copyright Act but not under the Lanham Act.

Artist Z-Trip had contracted in 2011 with the Beastie Boys to remix some of the band’s songs (the “Megamix”) to promote the band’s upcoming album, but not to transfer any rights to the songs themselves. In 2012 Monster marketing director Nelson Phillips used excerpts of the Megamix containing five (5) Beastie Boys songs, which comprised...
80% of the video, for a promotional recap video for “Ruckus in the Rockies.” Phillips claimed at trial that he received oral permission from Z-Trip at an after-party, which the latter denied, and that he truly believed such permission was sufficient authorization. Also on the record was Z-Trip's response to an email from Phillips containing the video, in which he simply wrote “Dope!” Monster eventually conceded to liability on the copyright infringement claims. The jury later found 10 “willful and wanton” acts of copyright infringement and awarded $1.2 million in statutory damages and $1 million actual damages in the alternative. The jury also awarded $500,000 under the Lanham Act finding “intentional deception, and bad faith in causing the false endorsement.

In awarding fees under the Copyright Act, the court looked to the non-exhaustive Fogerty factors, which include “frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence,” noting objective unreasonableness was paramount among these but that it is not necessary to a fee award. While the Court found Monster’s conduct and legal positions relating to willfulness and damages objectively reasonable, it found its conduct in disputing liability for infringement unreasonable, a ruling supported by Monster’s subsequent concession to liability. The Court found Monster's argument that Z-Trip had authorized the use was unreasonable given the lack of express, formal agreement with specific terms, and noted that this position prevented settlement and needlessly prolonged the litigation. The Court also noted that the willfulness finding supported a fee award, as that is the case under the Court’s precedent whether the willfulness is reckless or intentional, because liability was all but indisputable in this case, and because of the deterrent effect of such an award.

In denying fees under the Lanham Act, the Court noted the similarity of that standard to the 35 U.S.C. § 285 under the Patent statute, and cited the Supreme Court’s recent ruling in Octane Fitness. The Court also noted that Octane Fitness advised courts addressing patent fee-shifting disputes to consider the copyright-related Fogerty factors, thereby rendering those factors relevant to Lanham Act fee-shifting disputes as well. The Court concluded that the positions taken on the Lanham Act claim were neither unreasonable nor "exceptional" as required under that statute, and declined to award fees under the Lanham Act.

(The calculation of the fee award included reductions for “partner-heavy staffing," duplicative work, higher-than-normal paralegal billable rates, and a 20% reduction based on “The Court’s unscientific but carefully considered assessment" to account for Lanham Act claim-related billing, but denied reductions for “block billing” multiple tasks in a single time entry).

2.  


Plaintiff, a highly-skilled fish illustrator, brought suit against Defendant Zazzle, Inc., operator of a website “zazzle.com” which allows third party users to create buy and sell customized merchandise online, alleging that sixty-two of his life-like fish illustrations were copied and placed on defendant’s website. Plaintiff claims that Defendant engaged in direct, contributory, and or vicarious copyright infringement.
Defendant moved for summary judgment. Plaintiff’s claims were based upon seven copyright registrations for sixty allegedly infringed illustrations, and plaintiff sought an award of statutory damages for each infringed illustration on the basis that the illustrations have independent economic value and are sold separately. The Court noted a circuit split wherein the First, Ninth, Eleventh and D.C. Circuits employ a "separate economic value" test to determine the number of statutory awards for compilation copyrights, whereas the Second and Fourth Circuits hold strictly to the statutory language and only award based on the number of copyright registrations at issue. Ultimately, the Court declined to rule on the issue but indicated that a ruling would be necessary at a later date, after more factual issues had been resolved.

C. Willfulness


Eleventh Circuit affirmed district court’s summary judgment rulings finding that Olem infringed Washington Shoe’s copyrights in women’s rain boot designs, but with respect to damages did not do so with actual knowledge or reckless disregard. In so doing, the Circuit rejected the definition of “willfulness” from the Second Circuit as being when a party “recklessly disregarded the possibility’ that it was infringing a copyright.” Instead, the Court adopted the Federal Circuit standard from patent cases: “willful infringement requires a patentee to show ‘that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent . . . [and to] also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.” See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

D. Predicate Act Doctrine

1. *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 621 F. App’x 663 (Fed. Cir. 2015)

The “predicate act” doctrine in the copyright context entitles a copyright owner to recover damages flowing from foreign violations of the Copyright Act stemming from domestic acts of infringement. An amicus brief submitted in support of a petition for hearing in the lawsuit raised the issue of whether an extension of the presumption against extraterritoriality to damages was at odds with the predicate act. The petition for rehearing was denied, but the dissent argued that because WesternGeo’s damages flowed from the exploitation abroad of domestic acts of patent infringement under 35 U.S.C. § 271(f), “[t]he Courts denial of rehearing in banc unfortunately prevented consideration of the predicate act doctrine, which is of particular import given the historic kinship between patent law and copyright law.”

X. Miscellaneous
A. Administrative Deferece to Copyright Office Determinations


Case arose out of a 2009 proceeding to determine rates and terms for public performance by webcasters of digital sound recordings for the 2011-2015 period. Under the scheme established by Congress in the Copyright Royalty and Distribution Reform Act of 2004, parties unable to voluntarily agree on rates and terms, including Intercollegiate, were to have rates and terms set by the Copyright Royalty Board (CRB), consisting of three Copyright Royalty Judges appointed by the Librarian of Congress. In 2011, after receiving written submissions, testimony and oral argument, the Board set rates that included a $500 per station, per channel, annual minimum fee for all commercial and noncommercial webcasters. Intercollegiate appealed that ruling on the basis that the CRB was comprised of judges unconstitutionally appointed in violation of the Appointments Clause, and on the basis that the $500 fee was improperly applied across the board to “small” and “very small” noncommercial webcasters.

In 2012, Intercollegiate successfully appealed the decision to the D.C. Circuit, which found the judges “principal” officers of the U.S. as they were only subject to removal for cause, an office appointable only by the President under the Appointments Clause. The Court severed the statutory provision barring the removal of CRB appointments without cause, reversed the decision in light of its unconstitutional taint, and remanded for further proceedings.

Following the appointment of three new judges by the Librarian, the new CRB issued a Notice indicating that the record would be reviewed and a new decision rendered, and provided a ten-day comment period for objections to the CRB’s intention not to accept additional submissions on the record, based on specific examples of prejudice. The CRB rendered a decision consistent with the prior decision, again imposing a $500 fee on “small” and “very small” noncommercial webcasters, leading to the present decision on appeal.

The D.C. Circuit rejected Intercollegiate’s constitutional challenge that the subsequent decision by a newly constituted CRB remained tainted by a record amassed under the improperly constituted CRB, citing numerous cases where subsequent ratifications of decisions by newly constituted administrative bodies were upheld. While agreeing that review by a properly appointed body can be insufficient to cure an Appointments Clause violation, the Court noted that a new evidentiary hearing is not required where the properly appointed tribunal has the same (or more) discretion as the improperly appointed tribunal to review the record. The Court similarly rejected Intercollegiate’s contention that the CRB, even if constitutionally permitted to reach the same conclusion based on a tainted record, rendered a decision that was in this case tainted by the prior CRB, rejecting Intercollegiate’s generalized assertions of bias and “attempts to identify specific indications of the previous Judges’ hidden influence on their successors.” In response to Intercollegiate’s contention that the tainted CRB had made evidentiary rulings the new CRB could not reverse, the Court further noted that the newly
constituted CRB addressed the barred evidence relating to the finances of “small” and “very small” webcasters to which Intercollegiate primarily points and noted it would not change the outcome if admitted.

The Court further noted that neither the Administrative Procedure Act nor the Copyright Act required a new hearing, as was the case in prior decisions Intercollegiate cited. The Court also rejected Intercollegiate’s challenge to the across-the-board imposition of the $500 rate as a failure to distinguish between the various “types of services,” as 17 U.S.C. § 114 requires, noting that while the CRB set the annual minimum similarly across the board, it did not do so for per performance royalty rates. The Court noted that the Board simply had no evidence before it supporting the contention that the rate that would have been negotiated in the market - which is the standard to be applied by the CRB - would have been different from that which the commercial webcasters agreed upon. Concluding that the CRB decision was supported by substantial evidence, including testimony from SoundExchange’s chief operating officer as to its annual administrative costs per station or channel, and noting that the statute does not require the CRB to achieve “metaphysical perfection,” the Court affirmed the CRB decision.

B. Compulsory Licensing


Here the Court of Appeals addressed two issues relating to the compulsory licensing scheme for Internet retransmission: (1) whether a partial withdrawal of public performance licensing rights subject to the long-standing ASCAP consent decree was permissible, and (2) whether a royalty of revenue calculated at 1.85% for the 2011 to 2015 period was reasonable. In these cases the District Court found (1) the consent decree precluded such partial withdrawals, and also that the 1.85% royalty was reasonable, and the Second Circuit affirmed both decisions.

First, the Court looked to the 1999 consent decree to which ASCAP is subject based upon “ASCAP’s size,” which “grants it monopoly power in the performance-rights market.” The decree provides that ASCAP must “grant to any music user making a written request therefor a non-exclusive license to perform all of the works in the ASCAP repertory.” Critically, “ASCAP repertory” is defined as “those works the right of public performance of which ASCAP has or hereafter shall have the right to license at the relevant point in time.” The Court identified this language as what ultimately precludes publishers from picking and choosing what they want to license through ASCAP and what they want to license directly, namely because ASCAP is obligated to license its entire repertory to all eligible users.

Moving to the rate-setting issue, the Court noted the deferential standard that applied to the appeal, and that the presumption that a rate found reasonable for part of a licensing term is presumed reasonable for the entire term was not the basis for the district court’s decision. Rather, ASCAP merely failed to carry its burden that its proposed royalty
was reasonable. The Court held that the district court did not err based on the record before it.


The Court first recounted the BMI consent decree and the mechanisms in place for judicial rate-setting intervention where BMI and potential licensees cannot agree. It then recounted the growth of Internet-based radio broadcast services including iHeartRadio, Spotify and of course Pandora, and discussed the latter’s struggle with profitability in part resulting from the licensing fees it must pay, e.g. 60% of revenue in 2013. Noting that Pandora’s financial woes rendered it a far smaller contributor to BMI than broadcast radio stations or Spotify, the Court recounted Pandora’s decision to enter into BMI’s Form Website License as of 2005, and choose a 1.75% of its gross revenues from among several options. When BMI changed tack in 2011, it led to the parties’ inability to agree on a rate, thus precipitating the present court proceeding under the BMI consent decree.

The Court looked comprehensively at the entire market for Internet-based radio distribution over the past five or so years, recounting various publisher withdrawals from ASCAP and BMI repertories as well as negotiations between publishers and Pandora resulting in seven direct licenses, and briefly discussed negotiations of other streaming services with publishers as well. The Court gave greater attention to Pandora’s negotiations with various publishers, including agreement with EMI to 1.85% of Pandora’s gross revenue for its performance of EMI’s withdrawn ASCAP works effective in 2012, an agreement with EMI and Sony to 2.25% of gross revenues for its performance of works historically with BMI (a “BMI-adjusted Rate”), and an agreement for 3.38% of gross revenues at a BMI-adjusted rate to UMPG. “Round 2” agreements were also recounted between Pandora on the one hand, and Sony/EMI, UMPG, and BMG following the decision in **Pandora v. ASCAP** holding that publishers’ partial withdrawals were not permitted under the ASCAP consent decree. The Court used these various negotiations to attempt to identify a “reasonable” rate in its capacity as a rate-setting court under the BMI consent decree.

Moving to its analysis, the Court noted that the rates being set by BMI and ASCAP (performing rights organizations or “PROs”) during the relevant time period were generally perceived by publishers to be too low, which led to their unprecedented withdrawals from the PROs. The Court ultimately settled upon 2.5% as a percentage of Pandora’s revenues that was reasonable under the circumstances, and specifically in light of the aforementioned negotiations and associated terms.


In an action brought by Fox and other broadcast networks against a provider of Internet and mobile device streaming services for allegedly infringing plaintiffs’ copyrights in over-the-air free TV broadcasts, the Court held that neither the nebulous nature of the Internet, nor defendant’s failure to collect subscription fees during a free trial period,
disqualified the defendant from being classified as a “cable system” under § 111 of the Copyright Act. Thus, Defendants may be eligible for a compulsory license under the statute, provided it can meet the other statutory requirements.

The Court initially analyzed applicable case law and legislation, pointing to the seminal *Fortnightly* case, which held that a community antenna television (CATV) system, through its use of antennas that distributed and amplified broadcast TV transmissions in rural areas, did not infringe the broadcasters’ rights. *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 392 (1968). After Congress subsequent adoption of 17 U.S.C. § 111, which essentially overruled *Fortnightly* and provided qualified cable systems with access to a compulsory license, the Eleventh Circuit later analyzed this statute with respect to satellite retransmissions, finding that such retransmissions did not constitute a “cable system” and thus did not qualify for a compulsory license provision of § 111. *Satellite Broadcasting & Communications Association of America v. Oman*, 17 F.3d 344 (11th Cir. 1994) (deferring to the Copyright Office’s statutory interpretation that § 111 did not apply to satellite retransmission systems).

Congress responded with legislation that brought satellite retransmission within the scope of a compulsory licensing scheme. The Court noted its disagreement with both Second Circuit and the Copyright Office that an Internet retransmission system did not qualify for a compulsory license under § 111 because it was not a “cable system.” *See WPIX, Inc. v. ivi, Inc.*, 691 F.3d 275 (2d Cir. 2012). It thus declined to accord deference to the Copyright Office’s interpretation of the law (Chevron deference), instead applying Skidmore deference and ultimately finding unpersuasive the Copyright Office’s rationale for excluding Internet retransmission.

In rejecting the Second Circuit’s classification of Internet retransmission providers as non-cable systems, the Court reasoned that “no matter how strong the policy arguments for treating traditional cable services and Defendants’ service differently, 17 U.S.C. § 111(f)(3) simply does not draw the distinction Plaintiffs urge.” Ultimately, the Court rejected the Plaintiffs’ argument and the Second Circuit’s reasoning that the nebulous nature of the Internet excludes Internet retransmitters from the “facility” language in the Act defining cable systems under § 111. The Court said that Defendants do operate “facilities” insofar as they control the instrumentalities of Internet retransmission, much like a cable service. In particular, signals received by antennas in specific buildings wholly within particular states or even more than one state brought them within the Act’s purview. Therefore, the Court held that Defendants’ services could fall under the statutory language of a “cable system” under § 111.

Given the commercial importance of this decision, the Court’s divergence from the Second Circuit’s holding, rejection of the Copyright Office’s longstanding view, and the determinative nature of a summary judgment motion, the Court authorized immediate appeal to the Ninth Circuit and maintained Plaintiffs’ preliminary injunction over Defendants pending the outcome of the appeal.

Defendant FilmOn X, LLC, provides a service that allows viewers to watch over-the-air programming on any computer or digital device by capturing the signals of multiple television channels that are broadcast over-the-air and streaming them over the Internet to the public. Plaintiffs Fox Television Stations Inc. and other television broadcasters and programmers that owned the streamed content moved for summary judgment arguing that FilmOn X and its affiliates ("Defendants") for violation of their exclusive rights to public performance of their copyrighted programming because they retransmitted the copyrighted works without a license, and that Defendants were not entitled to a 17 U.S.C. § 111 compulsory license to retransmit Plaintiffs’ broadcast programming as a “cable system.”

The Court held that FilmOn X was not entitled to a § 111 copyright license because it relied on the Internet, which under the statute is neither a tangible nor physical entity. The Court first determined that defendants were not precluded from litigating their claim based on the doctrine of res judicata, although similar issues were litigated twice in New York, and although FilmOn X decided to bring actions in California and D.C. The Court found that the current lawsuit did not involve the same nucleus of facts as the New York action.

The Court also rejected Defendants’ argument that the Supreme Court's decision in *ABC, Inc. v. Aereo, Inc.*, 134 S. Ct. 2498 (2014) ("Aereo III") stood for the proposition that services like Aereo – including the service at issue here – were entitled to a Section 111 compulsory license. In determining whether FilmOn X was a “cable system” entitled to a compulsory license under Section 111, the Court established that a “cable system” is a physical facility that must “(1) receive signals transmitted or programs broadcast by one or more television broadcast stations licensed by the FCC, and (2) make secondary transmission of such signals or programs by wires, cables, microwave, or other communications channels to subscribing members of the public who pay for such service.” The Court found that because it relies on the Internet to deliver the video programming to the public FilmOn X was not a “facility” as contemplated by Section 111. In so holding the Court relied on the Copyright Office’s position that Internet-based retransmission services are not cable systems, and thus do not fall within Section 111.

Concluding that FilmOn X was not entitled to a Section 111 compulsory license, the Court next determined whether Plaintiffs’ public performance rights were violated. It was undisputed that (1) Plaintiffs owned copyrights in either the audiovisual works or scripts of television programs, and (2) the nearly-simultaneous retransmissions of over-the-air content were public performances for purposes of the Transmit Clause. Thus, Plaintiff’s exclusive right of public performance was infringed by the nearly-simultaneous retransmissions. Moreover the Court also found that FilmOn X’s time-delayed (DVR-like) service made to individual subscribers was also an unauthorized secondary transmission constituting infringement of Plaintiffs’ performance rights, regardless of the time delay.

C. Licensing By Joint Authors

1. *Corbello v. DeVito*, 777 F.3d 1058 (9th Cir. 2015)
The Ninth Circuit addressed here the question of whether a co-owner can unilaterally and exclusively license one of the six copyright interests enumerated in 17 U.S.C.

In 1988, Rex Woodward ghostwrote an autobiography of Thomas DeVito, who was an original member of the Four Seasons band (the "Work"). The rights in the Work passed to DeVito's widow, who sued to claim a percentage of the profits from Jersey Boys (the "Play") based on the story of the Four Seasons music group. Corbello claimed that the Play was a derivative work, and as a co-owner of the Work she should share in profits from the Play.

The district court found that 1) a 1999 Agreement between the four original members of the Four Seasons conferred a "selectively exclusive license" to use the Work such that Defendants were not owners in that right; and 2) the 1999 Agreement and 2004 Agreement (in which the band members committed to producing the Play), together with DeVito’s subsequent conduct, granted only an implied license to use the Work. On appeal the Court considered the question of whether DeVito's execution of the 1999 Agreement transferred his copyright interest to Defendant-Appellees, or whether a mere non-exclusive license was granted.

The Court first found that the language of the 1999 Agreement, which covered "biographies," in fact transferred an exclusive license or assignment of one of DeVito’s rights in the Work, specifically the right to create derivative works. The Court disagreed with the district court's conclusion, based on its precedent in Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137 (9th Cir. 2008), that a mere non-exclusive license was granted because DeVito could not unilaterally transfer his right to create derivative works. The Court noted that each of the § 106 rights is divisible among co-owners under 17 U.S.C. § 201(d); the "exclusive" nature of the transfer is only exclusive as to a particular co-owner-as-transferor, thereby leaving co-owner Corbello with a right to an accounting against the Defendant-Appellees.

The Court also considered whether the 1999 Agreement's reversionary clause divested Defendant-Appellees of ownership, thereby affording Corbello with a potential infringement claim, but found a material issue of fact based on testimony as to an oral agreement that could operate to extend the transfer indefinitely within the meaning of the reversionary clause. The Court also considered Defendants’ argument that DeVito's delivery of the Work to the Play’s producers created an implied license over-and-above the reversionary clause, but the Court found DeVito's intent both material to that determination and as yet unclear, thereby precluding summary judgment and warranting remand.

The concurring opinion took a different tack, finding ambiguity as to whether the 1999 Agreement's conferral of "biographies" covered the Work, finding three plausible meanings of the term "biographies." The concurring opinion also noted that the Court's precedent in Sybersound mandated a finding the the 1999 Agreement conferred a non-exclusive license to Defendant-Appellee's for use of the Work.

D. Pre-1972 Sound Recordings:

Two of the original members of the Turtles brought suit against Sirius XM, a satellite distribution platform with certain channels devoted exclusively to pre-1972 recordings. Sirius makes multiple copies of the works it licenses, including a buffer, onsite backup copy and an offsite disaster backup copy. Plaintiffs sued for copyright infringement and Sirius moved for summary judgment on the grounds that plaintiffs have no public performance rights in the Turtles’ pre–1972 sound recordings and that its backup and buffer copies do not violate plaintiffs’ rights.

The Court first notes that both the New York and California courts involved in separate litigation involving the same parties found that those respective state laws would recognize public performance rights in pre-1972 sound recordings. The Court distinguished itself from those jurisdictions, noting that it had neither legislation nor prior cases to rely upon in Florida in crafting a right to publicly perform sound recordings. The Court ultimately declined to grant plaintiffs “an unqualified property right,” noting its job was to interpret the law rather than craft new causes of action. The Court also noted the various potential pitfalls of doing so with respect to (1) who sets and administers the licensing rates; (2) who owns a sound recording when the owner or artist is dead or the record company is out of business; and (3) what, if any, are the exceptions to the public performance right. Concluding that the job was better-suited for the Florida state legislature, the Court declined to align with New York and California and refused to recognize such a right of performance.


The facts of this case are discussed in Point II(a)(3).

Plaintiff sued for federal copyright infringement of his “Iron Man” Theme musical composition and brought a state law claim regarding the sound recording, but the Court determined on a motion to dismiss that the federal copyright claims were subject to a statute of limitations defense based on the injury rule and were dismissed.

The Court first drew a distinction between “sound recordings” fixed before 1972, which are protected under state law and not preempted by the Copyright Act, and “audiovisual works,” which are preempted under state law. The Court ultimately concluded that the soundtrack was an “audiovisual work” and thus preempted by the Act, namely because it was recorded solely for the purpose of accompanying a television show and does not exist separately and independently from the television show itself.

E. Character Copyrights

1. *D.C. Comics v. Towle*, 2015 WL 5569084 (9th Cir. 2015)
The Ninth Circuit addressed the question of whether the famous Batmobile—Batman's famous futuristic, 'bat-like' vehicle—was entitled to copyright protection as a character. Defendant had built vehicles that appeared nearly identical to versions of the Batmobile as depicted in the 1966 television series Batman, starring Adam West, and the 1989 motion picture BATMAN, starring Michael Keaton. Both vehicles were originally contrived pursuant to licenses from D.C. that granted certain production rights and reserved those rights not specifically granted.

The Court began by noting that copyright law protects characters where they are particularly distinctive in terms of their attributes including cars as characters, citing the Court's findings as to the car Eleanor from Gone in 60 Seconds discussed in Halicki Films, LLC v. Sanderson Sales & Mktg., 547 F.3d 1213 (9th Cir. 2008). Importantly, it noted that Eleanor appeared as two entirely different makes and models of car, but remained consistent in its attributes in the movie narrative and was thus a unitary character protectable by copyright. Despite its various depictions over the years, the Court declined to review de novo the mixed question of law and fact of whether the Batmobile was sufficiently distinctive. The Court found it was consistently "Batman's crime-fighting super car that can adapt to new situations as may be necessary to help Batman vanquish Gotham City's most notorious evildoers."

Moving to an infringement analysis, the Court rejected defendant's arguments that D.C. had no standing to assert infringement because the vehicles depicted in the aforementioned television series and film were created not by D.C. but by its licensees noting that the owner of an underlying work retains an interest in derivative works. Thus, the Court found that because D.C. did not transfer its interest in the Batmobile character, it retained an interest in the Batmobile "as expressed in the 1966 and 1989 productions, at least to the extent these productions drew on DC's underlying work."

The Court also rejected defendant's argument that there was no infringement because the comic book versions of the Batmobile—directly owned by D.C.—look very different from defendant's creations, again harkening back to Halicki and the varying depictions of Eleanor. Thus, the Court reasoned that "[b]ecause Towle produced a three-dimensional expression of the entire Batmobile character as it appeared in the 1966 and 1989 productions, and the Batmobile character in each of those productions was derived from DC's underlying work, we conclude that Towle's replicas necessarily copied some aspects of DC's underlying works."

Finally, the Court summarily noted that it would not engage in a substantial similarity analysis as defendant had already admitted to the similarity of his creations to the Batmobile as it appeared in the 1966 and 1989 productions. Furthermore, it noted that defendants laches defense was properly rejected by the district court, namely because in cases of willful infringement such an equitable defense was not available.

F. ITC Enforcement Under Section 337 of the Tariff Act

1. ClearCorrect Operating, LLC v. ITC, 2015 WL 6875205 (Fed Cir. 2015)
This appeal addresses the question of whether cross-border data flows are actionable "articles" for purposes of preventing importation by way of section 337. ClearCorrect takes initial scans of a patient's teeth before sending them to their affiliate in Pakistan, which renders final and intermediate tooth positions before sending digital models back to ClearCorrect U.S. for 3D printing. While the case arose from a claim of patent infringement, the ITC decision went far beyond the scope of patents alone, discussing the potentially sweeping copyright implications for rendering data flows – including cross-border pirate downloads of copyright-protected content from foreign servers – actionable before the ITC.

In a 2 to 1 reversal of the ITC, the Federal Circuit panel found that data sets used to fabricate dental orthodontic appliances were not “articles” within the meaning of 337(a)(1)(B). The Federal Circuit applied the analysis set forth in *Chevron, U.S.A. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), finding that the ITC's interpretation of "articles" was not entitled to deference because Congress' intent in the Tariff Act was unambiguous, and despite the fact that "articles" is not defined in the Tariff Act. While noting that electrons comprising data flows have a certain molecular weight and appear to fit within the dictionary definition of "articles" as "material" things, the Court essentially found that "articles" was not intended to include data flows because when reading the Tariff Act in context a narrower definition of "articles" was intended. The concurring and dissenting opinions from this three-person panel highlight the Court's lack of consensus on this issue of apparent first impression.
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Recent Developments in Trademark and Unfair Competition Law

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Highlights of the Trailing Twelve Months

They include:

• the possible unconstitutionality of the content-based prohibitions on registration contained in Section 2(a) of the Lanham Act;
• the new—or not quite so new—possibly issue-preclusive effect of Trademark Trial and Appeal Board opinions;
• continued judicial disagreement over the evidentiary significance of registrations to the mark-validity inquiry; and
• the possible inadvertent clarification by the Supreme Court of the standard for awards of attorneys' fees under the Lanham Act.


No trademark ... shall be refused registration ... on account of its nature unless the mark ... [c]onsists of or comprises immoral, ... or scandalous matter; or matter which may disparage ... persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.

The Constitutionality of Content-Based Prohibitions Against Registration: The Statutory Text
A petition to cancel a registration of a mark ... may ... be filed ... [a]t any time if the ... registration was obtained ... contrary to the provisions of ... [Section 2(a)] ....


The PTO must consider the mark in the context of the marketplace as applied to the goods described in the application for registration. In addition, whether the mark consists of or comprises scandalous matter must be determined from the standpoint of a substantial composite of the general public (although not necessarily a majority), and in the context of contemporary attitudes, keeping in mind changes in social mores and sensitivities.

In re Boulevard Entm’t, 334 F.3d 1336, 1340 (Fed. Cir. 2003) (emphasis added) (citation omitted).

1) what is the likely meaning of the matter in question, taking into account not only dictionary definitions, but also the relationship of the matter to the other elements in the mark, the nature of the goods or services, and the manner in which the mark is used in the marketplace in connection with the goods or services; and
2) if that meaning is found to refer to identifiable persons, institutions, beliefs or national symbols, whether that meaning may be disparaging to a substantial composite of the referenced group.

There is no genuine issue of material fact as to the "may disparage" claim: the record evidence shows that the term "redskin," in the context of Native Americans and during the relevant time period, was offensive and one that "may disparage" a substantial composite of Native Americans, "no matter what the goods or services with which the mark is used."

In re Tam, 785 F.3d 567 (Fed. Cir.), rev’d, 808 F.3d 1321 (Fed. Cir. 2015) (en banc).

Congress shall make no law ... abridging the freedom of speech ....

U.S. CONST. amend. I.

It is clear that the PTO’s refusal to register appellant’s mark does not affect his right to use it. No conduct is proscribed, and no tangible form of expression is suppressed. Consequently, appellant’s First Amendment rights [are] not ... abridged by the refusal to register his mark.

In re McGinley, 660 F.2d 481, 484 (C.C.P.A. 1981).
Even though a person has no “right” to a valuable governmental benefit and even though the government may deny him the benefit for any number of reasons, there are some reasons upon which the government may not rely. It may not deny a benefit to a person on a basis that infringes his constitutionally protected interests—especially, his interest in freedom of speech.


When government speaks, it is not barred by the Free Speech Clause from determining the content of what it says. That freedom in part reflects the fact that it is the democratic electoral process that first and foremost provides a check on government speech.


According to Pro-Football:

- the decision to approve or deny registration to a mark is government speech under *Walker*, just as is the decision to approve or deny a specialty license plate;
- the content-based prohibitions of Section 2(a) therefore are immune from scrutiny under the Free Speech Clause;
- unregistrability does not affect a mark owner’s ability to use its mark; and, in any case;
- Section 2(a) is a legitimate exercise of plenary congressional spending authority.

According to Tam:

- the decision to approve or deny registration to a mark is not government speech under *Walker*;
- applicants and registrants pay their own way through user fees;
- mark owners denied registration under Section 2(a)’s content-based prohibitions are disadvantaged in numerous procedural and substantive ways; and
- the decision to deny registration to a mark under Section 2(a)’s content-based prohibitions therefore is subject to strict scrutiny.

The future:

- *Pro-Football* remains on appeal to the Fourth Circuit;
- the government’s deadline to file a cert. petition in *Tam* is March 21, 2016; and
- the Supreme Court has within recent memory denied a cert. petition filed by an applicant to register a potentially disparaging mark. See In re Geller, 751 F.3d 1355 (Fed. Cir. 2014), cert. denied, 135 S. Ct. 844 (2015).
Can a determination of the likelihood of confusion between two marks by the Trademark Trial and Appeal Board have issue-preclusive effect in later district court litigation?


Issue Preclusion (Collateral Estoppel) and Administrative Law

We look at five elements:

1. The party sought to be precluded in the second suit must have been a party, or in privity with a party, to the original lawsuit;
2. The issue sought to be precluded must be the same as the issue involved in the prior action;
3. The issue sought to be precluded must have been actually litigated in the prior action;
4. The issue sought to be precluded must have been determined by a valid and final judgment; and
5. The determination in the prior action must have been essential to the prior judgment.

So long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.  

*B & B Hardware*, 135 S. Ct. at 1310.

Should the outcome in *B & B Hardware* have come as a surprise?  

- No. See *Levy v. Kosher Overseers Ass’n of Am.*, 104 F.3d 38 (2d Cir. 1997).
- No. See *Jean Alexander Cosmetics, Inc. v. L’Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006).
- No. See *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984).
- No. See *Flavor Corp. of Am. v. Kemin Indus.*, 493 F.2d 275 (8th Cir. 1974).

If a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.  

*B & B Hardware*, 135 S. Ct. at 1308 (internal quotation marks omitted).
At trial, applicant cross-examined opposer’s witness regarding the nature of opposer’s products, deposed its own witnesses to introduce testimony regarding the differences between the products of the parties, and, in its brief, addressed the issue of the similarity or dissimilarity of the goods. Because applicant [sic: only “opposer” makes sense here] did not object and, in fact, participated in presenting testimony on this issue, we deem it to have been tried by consent.


Having reviewed the [parties’ supplemental] briefing, we now determine that the ordinary elements of issue preclusion have been met and the usages of the marks adjudicated before the TTAB were materially the same as the usages before the district court…. [*The TTAB compared the marks in question in the marketplace context when it determined the likelihood of confusion issue for purposes of trademark registration.*]

*B & B Hardware, Inc. v. Hargis Indus., 800 F.3d 427, 427 (8th Cir. 2015) (per curiam).*

The Board decides many issues other than likelihood of confusion using the same doctrinal tests as those applied by federal courts, including but not limited to:

- use in commerce;
- abandonment;
- genericness;
- acquired distinctiveness;
- functionality;
- deceptiveness;
- deceptive misdescriptiveness; and
- primarily geographically deceptive misdescriptiveness.
Issue Preclusion (Collateral Estoppel) and Administrative Law

In addition to the Eighth Circuit on remand, post-B & B Hardware courts have given issue-preclusive effect to findings by the Board of:

- fraud, see Nationstar Mortg. LLC v. Ahmad, No. 1:14-CV-1751, 2015 WL 9274920 (E.D. Va. Dec. 17, 2015); and

The Evidentiary Significance of Registrations to the Mark-Validity Inquiry

Does ownership of a federal registration that has not yet become incontestable shift the burden of proof or only the burden of production on the issue of mark validity under Sections 7(b) and 33(a) of the Lanham Act, 15 U.S.C. §§ 1057(b), 1115(a)?


The Evidentiary Significance of Registrations to the Mark-Validity Inquiry

Does ownership of a federal registration that has not yet become incontestable shift the burden of proof or only the burden of production on the issue of mark validity under Sections 7(b) and 33(a) of the Lanham Act, 15 U.S.C. §§ 1057(b), 1115(a)?

The federal trademark registration provides "prima facie evidence" of non-functionality. This presumption "shifts the burden of production to the defendant ... to provide evidence of functionality." Once this presumption is overcome, the registration loses its legal significance on the issue of functionality.

Apple, 786 F.3d at 994 (quoting Tie Tech, Inc. v. Kinedyne Corp., 296 F.3d 778, 782–83 (9th Cir. 2002)) (citation omitted).

Does ownership of an incontestable federal registration shift the burden of proof or only the burden of production on the issue of mark validity under Section 33(b) of the Lanham Act, 15 U.S.C. § 1115(b)?

The Evidentiary Significance of Registrations to the Mark-Validity Inquiry

The required averments of a declaration of incontestability under Section 15 of the Act, 15 U.S.C. § 1065:

- the mark must have been registered on the Principal Register for five years;
- the mark must have been continuously used for the five years prior to the execution of the declaration; and
- there must be no decision adverse to the registrant’s ownership of the mark and its entitlement to registration or any pending challenge to that ownership and entitlement.

Is there an exception to incontestability if a registrant has filed an inaccurate declaration under Section 15?


The Court ... agrees with Defendant that [Plaintiff] failed to present evidence that the [registered] mark was in continuous use in commerce for the five years subsequent to registration. As such, the ... mark is not entitled to incontestable status under [Section 15].

Netjets, 117 U.S.P.Q.2d at 1301.
The Evidentiary Significance of Registrations to the Mark-Validity Inquiry

Is there an exception to incontestability if a registrant has filed an inaccurate declaration under Section 15?

- No, under Section 33(b)(1) of the Act, which recognizes only a fraudulent Section 15 declaration as a defense to incontestability. See 15 U.S.C. § 1115(b)(1).

Liability: Likely Confusion

Can a federal registrant challenge the use of a confusingly similar mark in connection with goods not covered by the registrant’s registration?

- Yes. See CFE Racing Prods., Inc. v. BMF Wheels, Inc., 793 F.3d 571 (6th Cir. 2015).

Can the rejection of a defendant’s application to register an allegedly infringing mark be used as evidence of the defendant’s bad faith if the defendant continues to use its mark following the rejection?

- Yes. See CFE Racing Prods., Inc. v. BMF Wheels, Inc., 793 F.3d 571 (6th Cir. 2015).
Liability: Likely Confusion

Are the Federal Circuit and the Trademark Trial and Appeal Board loosening the rules governing the use of third-party registrations?


• Yes. See Juice Generation, Inc. v. GS Enters., 794 F.3d 1334 (Fed. Cir. 2015).

Liability: Likely Confusion

Extensive evidence of third-party use and registrations is powerful on its face, even where the specific extent and impact of the usage has not been established.

Jack Wolfskin, 797 F.3d at 1373-74 (emphasis added) (citation omitted).

Liability: Reverse Passing Off

Can the Lanham Act be used to protect the intellectual provenance of a product under a reverse passing off cause of action under Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A)?

• No. See Kehoe Component Sales Inc. v. Best Lighting Prods., Inc., 796 F.3d 576 (6th Cir. 2015).
It is undisputed that [the counterclaim defendants] manufactured the tangible cloned objects that [they] represented as having manufactured. The undisputed facts thus show that [the counterclaim defendants] never made a false designation of the products’ “origin” within the meaning of [Section 43(a)(1)(A)]. [The counterclaim defendants] represented that the cloned products originated with [the counterclaim defendants]; and even though the ideas and initial design may well have originated with [the counterclaim plaintiff], the tangible products themselves did not.

Kehoe Component Sales, 796 F.3d at 587 (citations omitted).

Can the Lanham Act be used to protect the intellectual provenance of a product under a false advertising cause of action under Section 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B)?

• No. See Kehoe Component Sales Inc. v. Best Lighting Prods., Inc., 796 F.3d 576 (6th Cir. 2015).
Liability: False Advertising

The statute does not encompass misrepresentations about the source of the ideas embodied in the object (such as a false designation of authorship); to hold otherwise would be to project the Lanham Act into the province of the Copyright and Patent Acts. … Because [Section 43(a)(1)(B)] does not impose liability for misrepresenting the intellectual progenitor of a tangible product, the district court erred in finding that [the counterclaim defendants’] conduct violated the statute.

Kehoe Component Sales, 796 F.3d at 588.

Remedies: Monetary Relief

Is a showing of actual deception necessary for an award of actual damages in a false advertising action under Section 43(a)(1)(B)?

• Yes, the plaintiff must demonstrate a significant portion of the consumer population was deceived. See Grubbs v. Sheakley Grp., 807 F.3d 785 (6th Cir. 2015).

Remedies: Monetary Relief

Did the Supreme Court’s clarification of the standard for awards of attorneys’ fees under federal patent law in Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749 (2014), change the standard for awards of fees under Section 35 of the Lanham Act, 15 U.S.C. § 1117?
An “exceptional” case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is “exceptional” in the case-by-case exercise of their discretion, considering the totality of the circumstances.

Octane Fitness, 134 S. Ct. at 1755.

Did the Supreme Court’s clarification of the standard for awards of attorneys’ fees under federal patent law in Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749 (2014), change the standard for awards of fees under Section 35 of the Lanham Act, 15 U.S.C. § 1117?

- Possibly. See Slep-Tone Entm’t Corp. v. Karaoke Store, Inc., 782 F.3d 313 (6th Cir. 2015).

The fee-shifting provisions in [the patent statute] and § [35(a)] are identical. And statutes using the same language should generally be interpreted consistently. Accordingly, on remand the district court should ... assess the applicability of Octane Fitness before determining whether it is necessary to reassess if this case qualifies as extraordinary under § [35(a)].

Slep-Tone Entm’t Corp. v. Karaoke Store, Inc., 782 F.3d 313, 318 (6th Cir. 2015) (citations omitted).
Remedies: Monetary Relief

Is there a Seventh Amendment right to a jury trial on a plaintiff’s request for an accounting of an infringing defendant’s profits?

- No, because the Seventh Amendment applies only “in Suits at common law,” rather than to requests for equitable remedies. See Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc., 778 F.3d 1099 (9th Cir. 2015).

- Yes, if the plaintiff’s pleadings establish it is seeking an accounting as a “proxy for damages.” See Black & Decker Corp. v. Positec USA Inc., 118 F. Supp. 3d 1056 (N.D. Ill. 2015).

Thank You

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MAINTAINING TRADE SECRET PROTECTION

I. Defining Trade Secrecy

Generally, a “trade secret” can include anything that provides value by virtue of its secrecy. Because historically trade secrets have been viewed as a common law property right, enforcing the right has been a tort for misappropriation.

A. Relevant Laws

Trade secret protection is generally considered as a protection against unfair competition in trade. In the US, laws which rely on the UTSA have been enacted by almost all states, although trade secrets are traditionally protected under tort law (see e.g §§757 and 758 of the Restatement of Torts (1939)). The Uniform Trade Secrets Act ("UTSA") defines a trade secret as “information, including a formula, pattern, compilation, program, device, method, technique, or process; (i) that derives independent economic value, actual or potential, from not being generally known to or readily ascertainable through appropriate means by other persons who might obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”

To assess whether a trade secret qualifies for protection, courts generally review:

- the extent to which the information is known (both in- or out-side of the enterprise);
- What measures were taken to keep the secrecy
- The value of the information
- How difficult it was to generate the information
- How difficult it would be to duplicate the information

In addition for qualifying as a protectable trade secret, in order to obtain protection a holder must prove that it took reasonable precautions to protect secrecy and that the secret was wrongfully acquired.

Under the UTSA, it must also be fit must be shown: (i) that the acquisition of a trade secret of another is by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent is by a person who (A) used improper means to acquire knowledge of the trade secret; or (B) at the time of disclosure or use knew or had reason to know that his knowledge of the trade secret was (I) derived from or through a person who has utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or (C) before a material change of his position, knew or had reason to know that it was a trade secret ad that knowledge of it had been acquired by accident or mistake.

Under the UTSA, “improper means” are “theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means.”

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1 Uniform Trade Secrets Act. (Drafted by the National Conference of Commissioners on Uniform State Laws, as amended 1985)
3 A separate act for espionage by foreign governments also exists.
B. What does the law NOT protect?

As discussed below, trade secrecy protection is not an exclusionary right. If a trade secret has not been either misappropriated by a third party or transferred because of a breach of a confidentiality obligation, then the use of that secret by a third party will not be illegal. For example, in the context of research, when a third party reverse engineers a process or particular machine configuration through use of publicly available information, it is not possible to protect against that type of use. In addition, if the ‘owner’ of the secret has not taken reasonable precautions against disclosure and a third party obtains it, then there is no protection.

C. Duration

Because it is so easy to lose any legal protections for trade secrecy, in many cases it is tempting to obtain a federally enforceable exclusionary right under either patents or copyrights in order to protect one’s rights in the market. The key benefit to trade secrecy is that it is not limited by term. Trade secret protection continues indefinitely until public disclosure of the secret occurs. This can be a very attractive option in instances where a secret is non-transparent, especially where it would be very challenging to enforce rights under patents or copyrights.

Examples of Trade Secrets include, among others: customer lists or other data compilations; manufacturing details; variables for a computer programs; research options that failed; strategic business plans; blueprints or similar designs; algorithms; instructional methods; product formulas or ingredient identity; and financial information. Each element of a combination need not be a secret in order for the combination to have trade secret status. For example, a formulation can have trade secret status because the specific quantity of components included is unknown, or even in some cases because the order or manufacture is relevant and undisclosed.4

D. When to rely on TS and when is it a bad idea

For technical information, because of the timeframe for protection it can be appealing to rely on trade secrecy as a key form of protection. This is particularly true in today’s era of curtailed patent protection in many more developed jurisdictions. That being said, unlike other forms of protection, trade secrecy is particularly prone to loss as a business grows. The decision to rely on secrecy is typically balanced with the desire to file for patent protection. In that balance, the following should be considered:

- Is the information patentable (in particular, is it patent eligible subject matter)
- If the information is potentially patentable, how broad would the scope of protection be
- Is there a high likelihood that the information could be kept secret over an extended period of time, preferably longer than 20 years
- Is the cost of patent protection higher than the value of the secret

Typically, manufacturing processes, software design elements, internal components or configurations of certain machines are more amenable to trade secret protection, while products, machines and methods of use are more readily protected by patents.

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4 The Gates Rubber Co. v. Bando Chemical Industries Ltd., 9 F.3d 823 (10th Cir 1993); Data General Corp. v. Digital Computer Controls, Inc., 297 A.2d 433 (Del. Ch. 1971); Rivendell Forest Prods. v. Georgia-Pacific Corp., 28 F.3d 1042
II. What are remedies if the information leaks?

Estimates of damage to industry for trade secret leakage is in the hundreds of millions of USD. Remedies for misappropriation of trade secrets include both equitable remedies (e.g. injunctions) and damages.

Remedies for trade secret misappropriation include direct damages, lost profits, reasonable royalties, and/or an injunction, and exemplary damages can be awarded. The problem with damages is that it is often impossible to compensate for the harm with only money. Unfortunately, even though injunctions are available, these are only available for so long as the information remains a trade secret. This can be critical in a context where information has been disclosed.

III. Where are the ‘pain points’?

A. Employees

Employees are often the cause of secrecy leaks. It is critical to have strong confidentiality provisions in employment agreements, however these need to be weighed against the risk of nonenforceable restrictive covenants. That being said, without confidentiality restrictions it will be likely that a court would find that the employer is not taking adequate measures to ensure secrecy and a third party would not be liable for misappropriation of the same.

B. Partners

Third Party suppliers misuse of or capitalization on confidential information is a major issue for multinational corporations. The cost has been estimated well above $350,000 for each incident of exploitation of confidential information by a supply chain partner and in some cases, have been shown to be significantly higher. In one instance, the unscrupulous use of data and confidential designs and specifications by a business partner cost a US manufacturer in excess of $100 million.

C. Independent third parties

IT hacking to obtain nonpublic information is a major threat, particularly in the era of overuse of email and cloud-based storage. Employees may not understand why certain access restrictions are required nor will they necessarily be savvy to the types of attacks that occur. IT departments are aware that the majority of people who hold confidential information will be motivated by something other than secrecy (e.g. providing a deliverable, accelerating a business discussion, etc.) and if the requirements for IT encryption are not aligned with that they will eventually violate these. For example, a policy requiring encryption of certain information may not be complied with if the employees do not understand what is to be encrypted, or if the IT department does provide guidance on how one would encrypt documents.

Indeed, except in the area of computer programming, employees holding confidential information are often unaware of how to even password protect simple documents and rely on an IT infrastructure that in their view is “safe” because of the IT department. This problem is exacerbated when the companies

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6 See e.g. discussion in [ ]
are global and when confidential information, especially technical information, must be shared across borders to execute on a deliverable.

IV. Protection in an international context

Trade secret protection in international contexts is especially challenging. The laws in many countries are less robust for protection of secrecy than those in the US and even in the context of effective legal protection, the more a company requires cross-border information transfer and open supply chains, the more difficult it is to keep information from being released to non-restricted third parties.

The TRIPS Agreement\(^8\) requires that WTO member countries enact laws commensurate with the obligations under the Agreement. TRIPS identifies trade secret protection as an effort of “ensuring effective protection against unfair competition” and requires members to ensure that information can be kept secret so long as it: a) is secret (in the sense that it is not generally known or accessible by persons that normally deal with that information); b) has commercial value in its secrecy; and c) has been subject to reasonable steps to keep it secret. Approximately 150 countries are members of the WTO and have enacted laws within the scope of TRIPS. However, countries have different requirements for what is required to satisfy that ‘reasonable steps’ are being taken to ensure secrecy, to prove what commercial value is, or to prove what information is truly ‘secret’. For example, Russia requires a “regime” of trade secrecy including definite listing of commercial secrets and tracked access. The Japanese courts require that a limited number of people have access to the information and have both notice and access restrictions.

In Europe, the European Commission has proposed a Directive that should, over the upcoming years, provide a centralized protection against trade secret misappropriation. At present, each European country has its own regime and enforcement practices, making the protection of trade secrets in Europe challenging. The proposed Directive lays down rules on protection against the unlawful acquisition, disclosure and use of trade secrets. Generally, technical information (such as manufacturing processes, recipes, chemical compounds, etc.) and commercial information (such as customer lists, marketing studies, product launch information, etc.) are envisioned under the Directive. Protections are for both intentional misappropriation and gross negligence, and the protection is against disclosure (i.e. by a pan-EU injunction) including for any breach of a confidentiality agreement. Products that were designed by unlawful use of a trade secret will also be subject to injunction. However, international trade and workers rights are protected and will continue to be applied within the jurisdictions, and a very short statute of limitations is set on bringing any suit.

Other regions have more challenges. The Office of the US Trade Representative (USTR) releases an annual report detailing the intellectual property concerns internationally which has kept China and India on a watch list due, in part, to lax enforcement of trade secrets.\(^9\)

V. What good is an NDA?

In order to qualify for protection, an owner must take “reasonable” precautions to protect the secrecy of the information that it has classified as a trade secret. In order to ensure that any protection at all is

\(^8\) Agreement on Trade-Related Aspects of Intellectual Property Rights, see Art. 39, §7
\(^9\) See 2015 USTR Special 301 Report
afforded to a secret, at a minimum non-disclosure obligations should be entered into with any employees and third parties that could reasonably be expected to have access to the secret. Indeed, even if the information cannot meet all the elements of being a true trade secret, the obligations to protect confidential information will likely remain and be enforceable, thereby reducing the burden on the owner.  

The key issue with a non-disclosure obligation with a third party is to identify the information that is covered by the obligation adequately. This can be particularly true in the event that certain elements of a combination are known but not the entire combination, or where a generic disclosure has been made but individual elements are still secret. In addition, the non-disclosure agreements must be appropriate for the relationship that exists. This can be a challenge in large, fast-moving companies in which the goal to achieve manufacturing and product launch can overcome the desire to properly support activities with agreements.

One issue that often comes up is the time limits typically included in nondisclosure agreements. In many states, NDAs are suspect under laws relating to restrictive covenants and therefore typical obligations of nondisclosure will expire in between 3 to 5 years. However, several courts have found that unless there is a separate perpetual timeframe identified, the term limit may invalidate any subsequent claim to secrecy. 

VI. What best practices can be employed?

The best practice for secrecy protection is to never let anyone know the secret. This is the most difficult manner of protection and certainly this is the most costly, but it is also the best way of protecting the secrets. For example, if a secret involves a multi-step process, it can be desirable not to ever allow the same individuals to be aware of each step in the process. Coding and encryption of information and, in particular, pieces of a whole, can be critical elements of a corporate strategy.

In any context, employment agreements including confidentiality provisions should be used. Courts have found that employers who do not take basic precautions cannot later claim trade secret status against third parties. In addition, any information that must be disclosed to a third party should be both under an obligation of confidentiality and should be tightly controlled. This can be particularly challenging when information is transferred to a supplier for use in a manufacturing process. To the extent that the information is incorporated in the suppliers processes it can become exceedingly difficult to determine whether it is being used outside of the existing system.

Steps to minimize risk of information loss include: Creating appropriate procedures for document management and protection (which can include standard repositories and encryption); Security measures including access restrictions to certain databases; establishing supply chain monitoring processes; and in depth training initiatives. New employee orientation is an ideal time to ensure that relevant procedures are discussed with each employee. In addition, a review of existing relevant

10 Orthofix Inc. v. Eric Hunter, ___________ (6th Cir., 2015).
11 See e.g. nClosures Inc. v. Block and Co., Inc. 770 F. 3d 598 (7th Cir., 2014)
policies on a regular basis can ensure that outdated processes or classification procedures are not propagated.
The Honorable Evan Wallach  
U.S. Court of Appeals for the Federal Circuit

Evan Wallach, is judge of the Federal Circuit. Prior to his 2011 appointment he served for sixteen years as a judge of the Court of International Trade. He holds an LLB (Public International Law) from the University of Cambridge, a JD from U.C. Berkeley and a BA (Journalism) from the University of Arizona, and completed the U.S. Army JAG Advanced Course.

At various times he was a Combat Engineer Reconnaissance Sergeant, an Army JAG officer in International Affairs dealing with Persian Gulf War POW and war crimes issues, a litigation partner specializing in media representation in the largest law firm in Nevada, a restaurant critic, and the General Counsel and Public Policy Advisor to Sen. Harry Reid. He has taught and published extensively on the law of armed conflict and maintains a web site on the subject, and has served as an Adjunct Professor at the University of Nevada Las Vegas, New York Law School, Brooklyn Law School, George Washington Law School and the University of Muenster.

He has been awarded the Bronze Star Medal, the Air Medal, the Meritorious Service Medal and the Nevada Medal of Merit. He is a member of the American Law Institute and of the Board of Directors of the Lieber Society of the American Society of International Law. His hobbies include fiction, song and poetry writing, photography, and long-distance hiking. Since 1999, he has section-hiked over 1500 miles of the Appalachian Trail.
Federal Circuit Review of PTAB Inter Partes Review Decisions

The Honorable Evan J. Wallach
Circuit Judge, United States Court of Appeals for the Federal Circuit

University of Akron
18th Annual Symposium on IP Law & Policy
March 14, 2016

Federal Circuit Appeals Filed, by Category (FY 2015)

Federal Circuit Appeals Filed, by Category (FY 2013)
1980s & 1990s: Increasing Patent Protection

- **Legislative:**
  - 1980: Bayh-Dole Act (university patenting)
  - 1982: Federal Circuit created; promotes greater uniformity of patent law
- **Executive**
  - 1980s: DOJ relaxes antitrust enforcement
  - 1994: Int’l TRIPS treaty → 20 year patent term
- **Judicial**
  - 1980: Diamond v. Chakrabarty (biotechnology)
  - 1981: Diamond v. Diehr (software)
2011 America Invents Act

• Congress says:
  – “Flaws in the [patent] system [have] become unbearable.”
  – Costs of patent litigation are “unwarranted” and “counterproductive”
  – There is “a growing sense that questionable patents are too easily obtained and are too difficult to challenge.”


The solution:

Inter Partes Review

• Provides administrative (rather than judicial) review of issued patents
  – Effective Sept. 16, 2012
• Advantages:
  – Starts with PTAB, not examiner
  – PTAB must decide usu. within 12 months
  – Allows for limited discovery (esp. depositions)
  – Both parties can appeal to Fed. Cir.
• Result:
  – Faster, cheaper (and less likely to be reversed?)
Cost

<table>
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<tr>
<td>Petition</td>
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<tr>
<td>If instituted</td>
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<tr>
<td><strong>~$0.5 million</strong></td>
<td><strong>~$3.0 million</strong>*</td>
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</table>

*through end of discovery where $25 million is at risk


Source ($500k): 10 reasons every defendant..., Venable LLP, Apr. 26, 2014 ($200k-750k).


IPR costs less than litigation

Ex Parte & Inter Partes Reexamination
2000-2004 (actual versus projected)

By comparison:
1737 Inter Partes Review petitions were filed in 2015
and
597 patent appeals from district court were filed in 2015

Number of PGR, CBM Review and IPR Petitions Filed, by Year
The number of patents challenged in the PTAB is even higher because of two other types of procedures:

1. CBM review
2. PGR

**Inter Partes Review Petitions by Type (2015)**

- Total Petitions Filed in 2015: 1897
- Electrical / Computer: 1193 (63%)
- Mechanical / Business Method: 443 (23%)
- Bio / Pharma: 167 (9%)
- Chemical: 90 (5%)
- Design: 4 (0.2%)

**PTAB Initial Disposition of Inter Partes Review Petitions**

- Denied
- Joined
- Instituted
Inter Partes Review
Sept. 16, 2012 to Sept. 30, 2015

- 2059 Total Petitions
- 1063 Trials Not Instituted
- 996 Trials Instituted
- 421 Terminated During Trial
- 575 Trials Completed

"Patent Death Squad"
- 414 Trials: All Instituted Claims Unpatentable
- 85 Trials: Some Instituted Claims Unpatentable
- 76 Trials: No Instituted Claims Unpatentable

39 Federal Circuit Opinions
(Addressing 59 IPR Final Written Decisions)
(Inception of IPR through Dec. 31, 2015)

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<tr>
<td>Rev'd &amp; remanded or vacated &amp; remanded</td>
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<td>(5%)</td>
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Possible Explanations for High Rate of Affirmance

1. IPR is new → clearing out backlog of improper patents
2. PTAB can choose to not institute review if challenge to patent is weak
   • Fed. Cir. cannot review institution decision
Possible Explanations for High Rate of Affirmance (cont.)

3. Deference: increased discovery in IPR versus reexam means deference is more important
   • IPR: anticipation (fact) + obviousness (factual underpinnings)

4. APJs are patent specialists
   • More likely to get claim construction correct (?)

5. PTAB sits in panels of 3 administrative patent judges (“APJs”) – district court has only 1 judge

6. Result: “Chevron-like” deference

Question & Answer

Keynote Address

Federal Circuit Review of PTAB Inter Partes Review Decisions

The Honorable Evan J. Wallach
Circuit Judge, United States Court of Appeals for the Federal Circuit

University of Akron
18th Annual Symposium on IP Law & Policy
March 14, 2016
Mark Powell
Deputy Commissioner for International Patent Cooperation
United States Patent and Trademark Office

Mark Powell is the Deputy Commissioner for International Patent Cooperation for the United States Patent and Trademark Office. In this recently created, senior position, Mr. Powell leads international cooperative efforts with an aim to improve the international patent system in terms of certainty and cost reduction for intellectual property stakeholders, work-sharing, improvements to the PCT system, and other harmonization matters. Prior to holding this position, Mr. Powell served as Special Advisor to the Commissioner for International Patent Cooperation Matters.

Mr. Powell began work at the USPTO in 1986 as a patent examiner in the area of high-energy physics, and became a senior examiner in high-definition television technology. In 1994, he became a supervisory examiner in what is now the main IT examining sector at the USPTO overseeing user-interface, artificial intelligence, source-code management, and computer graphics examination units. Mr. Powell served as a Technology Center Director from 2003-2011 in the telecommunications area, managing some 1,200 patent examiners, all while participating in international patent matters on behalf of the agency.

Mr. Powell holds a B.S.E.E from Clemson University and a Certificate in Advanced Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University.
International Patent Prosecution

Mr. Mark Powell
Deputy Commission for International Patent Cooperation
United States Patent & Trademark Office

Discussion Topics

– International Patent Prosecution System - Overview
– International Patent Prosecution Initiatives and Tools
  • Global Dossier
  • Collaborative Search Pilot Program (CSP)
  • Global Preliminary Search Concept
– Questions
International Patent Prosecution System – Overview

International Cooperation

- Cooperation among world IP offices
  - Trilateral
  - IPS
  - Multilateral
  - Group B+

- Cooperation with world IP industry groups
  - Global Dossier Task Force
  - Patent Harmonization Experts Panel

Office of International Patent Cooperation (OIPC)

Improve the quality, efficiency and predictability of patent family prosecution, thereby improving the certainty of global patent rights.

Improving Global Work Sharing

- Develop office processes to assist in global work sharing
- Increase efficiency of applicant processes to improve global work sharing
- Resolve legal issues hindering global work sharing
- Provide IT solutions to enhance global work sharing
Stakeholder Engagement

- Recent shift in focus from office-centric solutions to include the broader stakeholder community
- Central to the success of OIPC’s programs and mission
- Dedicated resources to ensure user-centric approach to all initiatives

International Patent Prosecution Initiatives and Tools

Global Dossier
Collaborative Search Pilot Program
Global Preliminary Search Concept

The IP5

First meeting held May 2007
Members:
- European Patent Office (EPO)
- Japan Patent Office (JPO)
- Korean Intellectual Property Office (KIPO)
- State Intellectual Property Office of the People’s Republic of China (SIPO)
- United States Patent & Trademark Office (USPTO)
Evolution of filings at the IP5 (2004-2014)

Global Dossier
Global Dossier is a set of business services modernizing the global patent system and delivering benefits to all stakeholders

Global Dossier Task Force
Members:
- **IP5 Offices**
  - United States Patent and Trademark Office (USPTO)
  - European Patent Office (EPO)
  - Japan Patent Office (JPO)
  - Korean Intellectual Property Office (KIPO)
  - State Intellectual Property Office of the People's Republic of China (SIPO)
- **Industry IP5 Members**
  - American Intellectual Property Law Association (AIPLA)
  - Intellectual Property Owners Association (IPO)
  - Japan Intellectual Property Association (JIPA)
  - Korea Intellectual Property Association (KINPA)
  - Patent Protection Association of China (PPAC)
- **World Intellectual Property Organization (WIPO)**
The Future of Work Sharing

Benefits of Global Dossier

- Cost savings - exploit more IP!
- Improved patent quality
- Higher value patents
- Decreased time to file internationally
- Increased ease of international filing

Global Dossier First Release

November 2015:
- Access to all available information about applications and patents in the participating offices with the first service – Dossier access
- Applicants can efficiently track and manage related applications across jurisdictions
- Easier and less costly to perform functions associated with due diligence, technology transfer, and litigation and appeal processes.
Global Dossier
First Release Demo

Global Dossier Family List

Global Dossier Family List
Global Dossier Citations

- Timeline view for applications
- Providing access to foreign publications
- Enhanced OA indicator
- Exchanging citation data between Offices
## IP5 Priorities for Global Dossier

- **USPTO** – “Proof-of-Concept for Inter-Office Exchange”
  - Sharing documents between offices including for example, prior art exchanges, bib data updates, and supporting documents. Viewed as a first step towards cross-filing.
- **EPO** – “Alerting”
  - Automated mechanism whereby each office alerts all the other offices, applicants, and representatives of changes in status to an application.
- **JPO** – “XML”
  - Enabling each office, and possibly applicants and representatives, to download all application-related data from applications pending in other offices in XML format.
- **KIPO** – “Applicant Name Standardization”
  - An automated mechanism that will assign a single, unique name to entities with applications pending in multiple offices, including on request where those entities may have used multiple names, or variations of a single name, to identify themselves.
- **SIPO** – “Legal Status”
  - A mechanism to allow users to view the legal status of an application in any office.

## Stakeholder Input on Global Dossier

  - IdeaScale is one of the ways that OIPC will be gathering stakeholder input and feedback on Global Dossier:
    - Vote and comment on the various ideas
    - Provide additional suggestions for services and features that would improve the ability to monitor and manage related cases around the world
- **Focus Sessions**
  - Conducted to gather input and feedback on services
- **Contact the Global Dossier Team**
  - [GlobalDossier@USPTO.gov](mailto:GlobalDossier@USPTO.gov)

## Global Dossier Access

Direct access link: [http://globaldossier.uspto.gov](http://globaldossier.uspto.gov)
Global Dossier Contacts

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Collaborative Search Pilot Program (CSP)

Potential Benefits

− Greater consistency in examination across Offices leading to more certainty of IP rights
− Applications will be taken out of turn resulting in expedited search results and final disposition
− It’s FREE to file Petition
Pilot Comparisons

Collaborative Search Pilots

− Pilots with JPO and KIPO
− Parallel Pilots testing prosecution efficiencies taking different approaches to initial search and examination
  • JPO – Serial search on substantially similar claims prior to Pre Interview Communication
  • KIPO – Parallel search on substantially similar claims
    − Both office’s searches sent to applicant for consideration in response to Pre Interview Communication

Collaborative Search Pilots

− Applications made special for first action
− Based on First Action Interview (FAI) Program
  • Claim Limits – 3 Independent/20 Total
  • Claim Matching – Claims must correspond (slight difference between JPO and KIPO)
− Applicant Requirements:
  • Petition in both offices
    − Applicant consents to permit the USPTO and its partner offices to share information with partner offices under portions of 35 USC 122
  • (a) for sending to KIPO search results from unpublished US Applications
  • (c) & (e) for receiving KIPO/JPO search results and commentary in published US applications
− Pilot Duration is Two Years
  • JPO Pilot started August 1, 2015
    − 200 applications per year per office of first search
  • KIPO Pilot started September 1, 2015
    − 200 applications for each office of earliest priority
CSP Stats - JPO
as of 26 February 2016

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CSP Stats - KIPO
as of 26 February 2016

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CSP Contacts

E-mail: CSP@USPTO.GOV

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Director, International Work Sharing Planning & Implementation
(571) 272-8050

Amber Ostrup
Program Manager, International Work Sharing Planning & Implementation
(571) 272-7984
Global Preliminary Search Concept

Suggested by a patent owner and frequent licensor

- Provide a mechanism by which an applicant could request that their invention, filed in a U.S. application for search and examination, be also searched by one or more foreign IP offices
- Results would be considered by USPTO
- Potential for increased quality of the prior art record

Questions
John B. Pegram is a Senior Principal based in Fish & Richardson’s New York office. He specializes in intellectual property litigation, licensing, opinion and counseling matters of all types. Pegram has successfully litigated cases in state and federal courts, and before the U.S. International Trade Commission in Washington, D.C. He also is registered to practice in patent matters before the U.S. Patent and Trademark Office.

John is a member of Fish’s Europe and Japan teams, helping U.S. clients with IP issues in those jurisdictions, and representing foreign clients in U.S. IP matters. For over 20 years, he has met regularly with officials of the European and Japanese Patent Offices and IP courts, as well as IP association leaders in those jurisdictions.

Representative technical subjects of matters that John has handled include: antibiotics; automobile components and systems; bar code reading and processing; cameras and lens systems; cathode ray tubes; centrifuges; coin and material testing; computer disk drives and controllers; computer logic; data compression; diagnostic kits; DNA polymerases; electronic displays and display systems; enzymes; fabric and fiber technologies; fiber optics; filtration systems; footwear; impact printers; inkjet printers; lighting devices; magnetic and optical recording; medical implants and instruments; microprocessor control systems; optical disc technology; orthopedic devices; packaging; photoconductive printers; photocopiers; pollution control systems; PTFE products; pumps; semiconductor devices and manufacturing; television broadcasting & receiving equipment; thyristors; and vending machines and systems.

**Education**

LL.B., New York University School of Law 1965

B.A., Columbia University 1960

Physics

**Admissions**

- U.S. Patent and Trademark Office 1969
- New York 1965
- Supreme Court of the United States
- U.S. Court of Appeals for the Federal Circuit
Patent owners should not fear the Unified Patent Court

12-01-2016

John Pegram

Fears over the Unified Patent Court, which have apparently led some practitioners to recommend opting out of the system whenever possible, are largely unfounded, suggests John Pegram of Fish & Richardson.

Fears of the unknown, such as qualms about the quality of Unified Patent Court (UPC) judges, the new court’s procedures and the substantive law it will apply, have contributed to a worry that a central attack might unreasonably lead to revocation by the UPC of a European patent in all participating states.
Realistically, however, those fears are unlikely to prove justified for most litigated patents, and automatically opting out of the UPC for all of an owner’s European patents is probably not a wise choice. Rather, a patent owner should consider the relevant factors as applied to each of the patents in its portfolio.

The UPC Agreement, a treaty among almost all EU member states, will create a single court for patent litigation in participating states, probably starting in early 2017. The UPC is intended to have exclusive competence in the participating states for all litigation involving infringement or revocation of European patents, including those issued before the court opens. Most significantly, the UPC can enforce a European patent in one action for all participating states and the final oral hearing is ordinarily expected to be within one year of filing.

At the first instance (trial) level, the UPC will have a central division, regional divisions of several cooperating states, and one or more local divisions in states with significant amounts of patent litigation. The central division will have three parts, each assigned to handle certain technologies. The headquarters will be in Paris, with other central division parts in London and Munich. The UPC will also have a single appellate level, based in Luxemburg.

The transitional opt-out

During a transitional period of at least seven years, article 83 of the UPC Agreement permits patent actions based on conventional European patents to be filed either in the UPC or in national courts. During that period patent owners may opt out of the UPC’s competence with respect to a conventional European patent. They will not be permitted to enforce the new European patent with unitary effect (the unitary patent) in national courts or to opt out from the UPC with respect to a unitary patent.

The opt-out will be registered with the UPC by an online procedure and payment of a fee, currently expected to be €80 ($87) for each European patent. It also will be possible to withdraw an opt-out, ie, to opt in to the UPC again. There will be no fee to opt in again.

An opt-out is superficially attractive, because it apparently provides patent owners with a choice of litigating in the UPC or national courts. That choice is somewhat illusory, however, because third parties have an unrestricted right to initiate an action for revocation or declaration of non-infringement in the court of their choice, and the place of first filing limits the choice for later-filed actions involving the same European patent. Unlike declaratory judgment actions in the US, there is usually no prerequisite requirement in the European Patent Convention (EPC) or national courts for a threat by the patent owner.
Opting out could lead to a worse result than a central attack on a patent in the UPC, because a party desiring to attack an opted-out European patent probably would choose the court that is least attractive for the patent owner. Any national court action filed during an opt-out would prevent enforcement of that European patent in the UPC against any defendant, because the patent owner can no longer withdraw its opt-out when an action has already been brought before a national court. It appears likely that a patent owner would have more ability to sue in the UPC after a national revocation action is filed if it has not opted out. (Details of the laws governing competence of the UPC and national courts during the transitional period, some of which are unclear, are beyond the scope of this article.)

**Analogous experiences**

The fear of central attack is a counterpart to similar fears that were expressed about the European patent and trademark systems when they were being established. It was said that few IP right owners would use either of those systems because of the risk of central attack. Yet, both those systems quickly became a major success. The advantages of obtaining broad protection at a reasonable cost and the establishment of a high-quality system in each case quickly overcame the fears of most IP right owners. The same result appears likely in the case of the UPC.

Experience in the US also points to the success of the UPC. Approximately 26% of European patent applications in 2015 were from the US. That statistic suggests that the behaviour of the owners of US-origin European patents will have a significant influence on the success of the UPC and unitary patent.

“Article 33 of the agreement and latest versions of the rules appear to provide adequate steps to minimise the risks of an early injunction following bifurcation.”

Americans are accustomed to grants of federal IP rights for all 50 states and enforcement by litigation in a single federal court. We have lived for many years with the possibility of attack on patent validity in a single court. US IP managers are also accustomed to a variety of local court procedures and many different judges, most of whom are less experienced in patent law than those in major European states.

US owners of European patents are also likely to favour the UPC because English is much more likely to be the language of the case in the UPC than in national courts other than in the UK and Ireland. This author suggests, therefore, that—subject to cost factors—US companies are likely to embrace the UPC and the unitary patent.
High-quality judges

It is not surprising that the UPC is attracting high-quality judicial candidates. At least in the beginning, many UPC judges will work part time in that court and the rest of the time in their national patent court or—especially in the case of technical judges—as private practitioners. Joining the UPC offers the opportunity to participate in some of the fundamental decisions of that court.

A UPC judicial position is likely to be prestigious and the pay is likely to be good compared with that in most national courts. Safeguards have been built into the UPC Agreement so that it is very unlikely that a party could be trapped in a regional or local division dominated by inexperienced judges. For example, declaratory actions for revocation or declaration of noninfringement can be filed only in the central division. Although counterclaims for revocation or declaration of non-infringement can be filed in the other divisions, the patent owner will have chosen the division, and various safeguards for fair adjudication of validity issues are provided by article 33 of the agreement.

Well-considered procedures

The procedural rules of the UPC are nearly complete after an extensive consultation process and 18 drafts. They have been written and reviewed by experienced judges and lawyers, which is likely to create a rational system.

Probably the biggest fear among IP right owners regarding UPC procedures was the possibility of bifurcation and an injunction being granted in an infringement action before a decision on validity in a revocation proceeding, as is possible in Germany. In particular, some feared that German judges would be inclined to bifurcate the issues of validity and infringement, because patent litigation is always bifurcated that way in Germany.

More than one German judge, however, has pointed out that those issues are bifurcated in Germany because the law requires it, by placing competence for revocation in the Federal Patent Court and competence for deciding infringement cases in district courts. German judges have told the author that they see advantages in deciding validity and infringement issues in the same case, and they would rarely bifurcate those issues in the UPC. Article 33 of the agreement and latest versions of the rules appear to provide adequate steps to minimise the risks of an early injunction following bifurcation.

Substantive law

The differences between the substantive patent law that will be applied in the UPC and national courts are not large, especially with respect to issues of validity. The primary sources specified in article 24 of the agreement are the EPC and other international agreements applicable to patents that are binding on all the contracting member states. Such differences
Patent owners should not fear the Unified Patent Court

relate primarily to infringement and remedies, such as grant of permanent injunction being at
the discretion of the court in the UPC, the conditions for the grant of provisional injunctions,
the scope of exemptions for research purposes and computer programs, and different
approaches to competition law defences.

Therefore, differences in substantive law between the UPC and national courts are unlikely to
have a major effect on the substantive law applied in revocation actions. Indeed, those
differences from existing national laws appear to be smaller, in this author’s opinion, than
existed in patent and trademark law before the establishment of the European Patent Office
and the Office for Harmonization in the Internal Market, respectively.

Fears over the UPC do not appear to justify universally opting out of that court and there will
be advantages to not opting out. Therefore, the possibility of opt-out should be studied for
individual situations. Indeed, this author believes many European patent owners will find that
they would prefer the ability to avoid national courts, which will be possible only during the
transitional period for a unitary patent.

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Good progress is being made toward the first grant of EU Unitary Patents (UPs) and the opening of the Unified Patent Court (UPC). In particular, several important steps were taken in the last quarter of 2015 and activity increased in the last ten days, following the holidays. Currently, the best estimate of the start date is in early 2017.

On October 1, 2015 a Protocol to the Unified Patent Court Agreement (UPCA) was signed, which will permit some parts of the UPCA to be applied during a transitional period of approximately three to four months from the day after the UPCA reaches minimum ratification until the UPCA enters into full force and the court opens. That will permit organizational activities, including the recruitment of judges, testing of IT systems, and early registration of opt-out demands. Later in October, the UPC Preparatory Committee agreed on the Rules of Procedure. The Rules are subject to future amendments setting the court fees and final approval by the UPC itself, when it is established.

EPO President Battistelli has announced that the EPO is now ready to begin granting Unitary Patents when the UPCA comes into force. The UP Select Committee met on December 15, 2015 and completed the final steps necessary to implement the UP, including adoption of (1) Rules relating to Unitary Patent Protection, (2) Rules relating to Fees for Unitary Patent Protection, (3) Rules relating to the distribution of fees amongst the participating Member States, and (4) Budgetary and Financial Rules. Most importantly, the Rules relating to Fees formally adopt the “True TOP 4” schedule, which provides fee levels generally corresponding to the sum of the renewal fees that now have to be paid for France, Germany, Netherlands, and the United Kingdom. (See our Costs page for more information).

Looking ahead, the UPC Preparatory Committee is aiming to complete its work by June 2016. After that, when the minimum ratification requirements are met, the transitional measures for organizing the new court will proceed as permitted by the Protocol.

The next big step for the UPC will be selection of judges. Approximately 1,300 persons have indicated an interest, including many highly qualified judges, attorneys-at-law and patent attorneys. The Preparatory Committee is expected to adopt a selection procedure at their meeting on February 24-25, 2016 and begin the process immediately thereafter.
After months with no formal progress toward ratification, Finland became the ninth state to deposit its ratification on January 19, 2016. Eight participating states, including France, had previously ratified. Additional ratifications by Germany, the United Kingdom, and three other states are required to start the start-up procedures envisioned by the Protocol and the period of approximately three to four months until opening of the UPC and grant of UPs begins. One complication, which may be delaying some ratifications, is that revisions of some national laws are required. For example, many of the judicial positions will be part-time, but current laws in some of the participating states do not permit their judges to do other work. Good news from the UK is that they have completed consultations on implementing legislation, and have published reports and draft legislation.

* From a Fish & Richardson Update. © 2012-2016 Fish & Richardson P.C. See our website, which is updated periodically: http://www.fr.com/global/unitary-patent/
Opt-Out from the UPC

One of the objectives of the Unified Patent Court (UPC) Agreement was to establish a court system for all litigation involving a European Patent in the participating states. However, Article 83 of the UPC provides a transitional period during which patent owners will be able to “opt-out” of the UPC with respect to conventional European Patents, but not with respect to a Unitary Patent (UP). A party who opts-out for a patent may later opt-in. The opt-out request fee will be €80. The transitional period will be seven years; however, the UPC Administrative Committee may extend that period up to an additional seven years.

Patent applicants who wish to avoid the UPC after the transitional period should consider filing national patent applications rather than European applications.

The Opt-Out Procedure

Articles 10 and 83 UPCA, and Articles 22-24 of the annexed Statute, provide that the UPC will maintain a Registry. Owners of conventional European Patents, both those now in force and those validated in the future, will be able to file opt-out requests with the Registry. Once an opt-out statement is filed, the UPC will not have jurisdiction over the patent, and it can only be enforced and attacked through national procedures. Article 83 also permits a European Patent owner to later withdraw its opt-out (i.e. opt-in), as discussed further below.

A fee will be charged to opt-out. It has been set at €80 per European Patent.

Pursuant to a Protocol announced October 1, 2015, patent owners will be able to file opt-out demands within a period of approximately three to four months before the UPC opens. That could avoid the possibility of an invalidation or noninfringement proceeding being filed in the UPC before the patent owner can opt-out. (The earlier proposal that the UPC would initially delegate to the EPO the task of maintaining the opt-out registry has been cancelled).

Therefore, in order to opt-out of the UPC:

1. Owners of European Patents granted before the UP system starts, or who receive a mention of grant issued before that time, will file an opt-out request and the opt-out fee(s) at the UPC; and

2. Owners of European Patent applications who receive a mention of grant issued by the EPO after the UP system starts will need to validate the EP as national patents (not as a UP), and
file an opt-out demand and the opt-out fee. That could avoid the possibility of an invalidation or noninfringement proceeding being filed in the UPC before the patent owner can opt-out.

It will be possible to withdraw a UPC opt-out request (“opt-in”) after opting out. Therefore, some persons have suggested a tactic of opting out as soon as practical and then-if the patent owner wishes to enforce a conventional EP in the UPC-opt-in immediately before filing a Complaint. However, that procedure would only offer a head start and forum selection advantage. Once an infringement action is filed in the UPC, the defendant can raise invalidity and noninfringement defenses and counterclaims in that court.

**Potential Effects of Article 83**

Some potential effects of Article 83, providing for opt-out during the transitional period, have been under discussion in interested groups during 2013-2015. The two principal questions have been:

1. Should an opt-out be effective only for the transitional period or continues for the life of the patent? The majority opinion is that it seems fairly clear from Article 83 itself that opt-out for the life of the patent is intended. That opinion has been adopted in the FAQ part of the Preparatory Committee’s website here. An alternative view is based on the fact that the opt-out is a part of transitional provisions and, therefore, should only have effect in the transitional period. The issue will have to be resolved by the courts.

2. What law should be applied in national courts in cases involving a patent opted-out from the UPC? Should those courts apply the law specified for application by the UPC in the UPC Agreement? Should the UPC and national courts apply the only same substantive law and, if so, which provisions are substantive and which are procedural?

On 29 January 2014, the UPC Preparatory Committee issued an Interpretative Note on “Consequences of the application of Article 83 UPCA” (copy at that date here). It reached the conclusion that if an opt-out is in effect “(or during the transitional period the case is brought before a national court), the [UPC] Agreement no longer applies to the application for a European patent, the European patent or the Supplementary Protection Certificate concerned. As a consequence the competent national court would have to apply the applicable national law” (emphasis added). That Note, however, is not binding and there is considerable disagreement among commentators about its conclusion. Some commentators are urging harmonization of
national laws with the UPC Agreement. Probably, we will simply have to wait and see how these issues are decided.

Deciding Whether or Not to Opt-Out

There are a number of factors to be considered in deciding whether or not to validate European Patents as Unitary Patents, and whether or not to opt-out of the UPC for conventional European Patents. Patent owners are likely to apply a cost-benefit analysis. Some of the principal factors now under discussion, including costs, and fears of poor quality judges, unfamiliar rules and procedures and central attack are discussed in the article here and below.

Costs

In order to opt-out of the UPC after the UP system comes into effect, the patent owner will have to give up some of the advantages of a Unitary Patent. In particular, the owner will have to give up the ability to obtain patent protection for 13 or more participating states at a lower cost and with less maintenance complications than would be possible for a smaller number of those states using the conventional route of validation as national patents. Of course, as discussed on our Costs page, many owners do not pay for broad coverage now and may continue that practice in the future. The level of opt-out fee set by the UPC Organizing and Administrative Committees also will be a cost factor in deciding whether to opt-out.

Judges

During the negotiations leading to the UPC Agreement, fears were expressed concerning the quality of judges, especially judges from smaller states who may have little patent litigation experience.

That type of fear is not new. We heard similar expressions of fear about EPO and the OHIM examiners before those offices opened, but the high quality in those offices quickly became apparent and those fears faded away.

The UPC drafters were very much aware of the need to have quality, experienced judges on the UPC from the very beginning. As a result, the UPC system practically guarantees high quality judges. Judicial panels in the local and regional divisions in smaller states will only have one local judge. A judicial training center is being established. But most importantly, for several reasons, the UPC is attracting highly qualified persons to be judges. Over 1000 persons have applied for a position as a legally- or technically-qualified judge. Perhaps, the first reason is the
prestige of being an EU judge. The UPC judges’ salaries will be significantly higher than those of most national judges. At least in the beginning, many UPC judges will work in the UPC on a part-time basis, and can continue to work the rest of the time in a National court.

**Unfamiliar Rules & Procedures**

At least some of the fears concerning lack of familiarity with the UPC rules and procedures are analogous to the fears concerning judges. In the beginning, judges and professional representatives will have to learn new rules and procedures. It may be harder for a professional representative to advise concerning the UPC rules and procedures as compared with advising about those of his or her national court.

However, that problem is no more difficult than that of comparing EU national court rules and procedures today, and many professionals will very quickly develop UPC expertise.

From a patent owner’s perspective, the ability to focus on a single set of rules and procedures in the UPC is likely to prove advantageous. An analogous example is trademark litigation in the United States. Although both the federal and state courts have subject matter jurisdiction over trademark litigation, most of that litigation is in the federal courts, where the same federal rules of procedure and evidence are applicable.

As noted above, in the discussion of Potential Effects of Article 83, there are also questions of what law will be applied by the national courts in cases involving opted-out European patents, which may take some time to resolve.

**Central Attack**

The possibility of “Central Attack,” a single proceeding in which a patent can be attacked for multiple jurisdictions, is always raised when transnational IP proceedings are proposed. The transitional UPC opt-out procedure is a way of avoiding Central Attacks, other than an opposition in the EPO in the nine months following grant of a European Patent.

Objections based on the potential for “Central Attack” are not new. Similar objections were raised before the EPO and OHIM (the EU community trademark office) were established; however, those objections have had little effect in deterring use of those offices.
Conclusion

As a practical matter, harmonization of IP laws in the EU and increasing communication between European IP judges have reduced the likelihood of different results with respect to the same European Patent in different EU states. For those reasons and because of the cost of multiple litigations, fear of Central Attack probably will not be a significant consideration for most patent owners.

For further discussion, see our Costs page here.

Updated January 21, 2016.

* From the Fish & Richardson website, which is updated periodically.
EU Unified Patent Court (UPC) and Unitary Patent*

In early 2013, the European Union adopted a package including two regulations that will create a European Patent with unitary effect (“Unitary Patent”) for participating states, and may lower translation and post-grant costs for parties electing to use the Unitary Patent. The package also includes a Unified Patent Court (UPC) Agreement (UPCA—a treaty) for signature by the interested EU states that will create a Unified Patent Court, which eventually will handle all litigation involving patents issued by the European Patent Office that are validated in participating EU states, including both the regular, nationally validated European Patents and the new Unitary Patents.

Because Spain and Italy were unwilling at that time to give up translation into their languages, the EU package proceeded under the principle of “enhanced cooperation,” which permits a majority of EU states to proceed by agreement when unanimity cannot be achieved. Of the 27 EU member states in 2013, 25 indicated their intent to participate.

Italy initially did not intend to participate in the Unitary Patent, but did sign the UPC Agreement. After four decisions by the Court of Justice of the European Union (“CJEU”), rejecting objections by Spain and Italy to the UP and UPC, Italy sent a letter to the EU Council on July 7, 2015, asking to participate in the UP and on September 30, 2015, the EU Commission announced that Italy had joined the Unitary Patent scheme. (See here and here). Rumors began circulating in Spain in August 2015 that it also was moving toward UP and UPC participation.

Final EU regulations establishing the Unitary Patent and related translation regime, and the final version of the UPC Agreement were published January 11, 2013. The Agreement was signed by all EU states at that time except Spain and Poland.

The Unitary Patent regulations specify that they will be effective on the same date as the UPC Agreement (UPCA). That agreement and the Unitary Patent regulations will enter into force for the ratifying states on the first day of the fourth month after minimum ratification by 13 EU states including France, Germany and the United Kingdom. In accordance with a Protocol on provisional application of parts of the UPC Agreement, signed on October 1, 2015, some parts of the UPC Agreement will be applied on the day after the UPCA reaches minimum ratification. That will permit organizational activities before the UPCA enters into full force and the court opens, including the recruitment of judges, testing of IT systems and early registration of opt-out
demands. The announcement of the Protocol by the UPC Preparatory Committee also indicated that the target date for UPC opening is “at the start of 2017. (See our Chronology page).

Because of the work necessary to establish the new court, the UPC Agreement and regulations are now not expected to come into force before early 2017. On January 19, Finland became the ninth state to deposit its ratification. The states that previously reported their ratification are: Austria, Belgium, Denmark, France, Luxembourg, Malta, Portugal and Sweden. The Netherlands has started the ratification process and has posted a draft ratification proposal (in Dutch) online. The United Kingdom has given the Secretary of State authority to ratify the UPCA. On January 15, 2016, the results of the UK consultation on legislation to implement the UPC were announced and draft legislation has been published. Earlier, the British government signed a lease on space to be occupied by the London part of the UPC Central Division and a Local Division. Germany is not expected to deposit its ratification until about September 2016, as part of a plan to assure that the UPC is ready to open on the first day of the fourth month after minimum ratification is achieved, when the court must open as provided in the UPCA.

The UPC Preparatory Committee adopted the final version of Rules of Procedure [link—copy from Chronology] on October 27, 2015. The Rules are subject to future amendments setting the court fees and final approval by the UPC itself, when it is established.

For more information, please see our EU Official Documents, Resources and FAQs 27-40. See the European Council’s website here for information on the progress of ratifications as they are officially deposited with the Council and reported to the Commission.

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* From the Fish & Richardson website, which is updated periodically. http://www.fr.com/global/unitary-patent/ © 2012-2016 Fish & Richardson P.C.
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**ACADEMIC EXPERIENCE**

**Professor of Law / Drexel University School of Law** (with tenure) (2014-present)
Director of the Intellectual Property Law Program

**Professor of Law / University of the Pacific/ McGeorge School of Law** (2004-2014)
(Distinguished Professor of Law with tenure)

**PUBLICATIONS**


*The Interconnections between Entrepreneurship, Science and the Patent System, ___ UTAH L. REV. ___* (forthcoming)


Jason Sweet is a founding partner of Booth Sweet LLP, providing counsel on issues related to the increasingly complex laws governing intellectual property and Internet practices, specifically issues related to copyrights and trademarks. He also counsels clients on transactional issues, including television production and software development agreements; and a variety of Internet-based contracts.

Jason understands the day-to-day obstacles businesses face and works to develop individualized legal strategies to help meet and overcome these challenges. Much of his practice consists of working as outside general counsel for businesses that need a legal mind as part of their team, but are not large enough to justify a full time in house counsel.

Prior to his career in law, Jason spent a decade as a writer for several national advertising agencies, earning several awards along the way. He is also an avid vinyl junkie (3,000+) and can be found haunting record stores throughout New England.
Arty is a partner in our London office and heads up the UK's tech + media practice. Arty advises on the full range of IP rights, and has extensive experience in patent and trade mark litigation. She has acted in several high profile cases, some of which are listed below.

In respect of patent matters, Arty has handled multi-jurisdictional cases involving diverse technologies such as electronics, computer graphics, user interfaces, ergonomics, image processing, software, and mechanical security systems.

In respect of other IP matters, Arty has acted in several trade mark and design cases, particularly relating to FMCG products and consumer electronics, and acted in litigation involving breach of confidence, database rights and copyright infringement, particularly relating to software.

Philips Electronics v Nintendo (High Court – infringement and validity of human-computer interaction and virtual reality patents)
Nokia v HMRC (High Court, Court of Appeal, CJEU - counterfeit mobile phone products in transit through the EU)
Diageo v ICB (High Court, Court of Appeal – the Vodkat alcoholic beverage case on extended form passing off)
Glaxo Group v Genentech (High Court, Court of Appeal – the 'Glaxo guidelines' case on stays of patent revocation actions pending EPO decision)
GPS Industries v ProLink (PCC - infringement and validity of location tracking patent)
Julius Samann v Tetrosyl (High Court - Magic Tree air freshener shape mark and use of survey evidence in trade mark cases)
Dyson v Qualtex (High Court - unregistered design rights and right to repair spare parts)
Glaxo Group v Dowelhurst (High Court, Court of Appeal - parallel imports of pharmaceuticals)
ANIMAL Trade Mark (High Court - trade mark infringement and non-use in the garments industry)

Arty also has extensive experience of obtaining emergency relief, and has executed and supervised several Search Orders, Freezing Injunctions and Norwich Pharmacal Orders.

She has published articles in In-House Lawyer, MIP, and IAM's Patents in Europe. Arty has also spoken at conferences held by UK Trade & Investment, Thomson Reuters and PTMG.

**Professional Qualifications**
LLB, Coventry University
LPC, College of Law, Chester
Admitted to the Roll of Solicitors in England and Wales
Phil Swain is a partner at Foley Hoag LLP in Boston, Massachusetts. He is an experienced patent litigator, specializing in patent litigation, primarily for clients in advanced technology applications, including telecommunications, computer technology and medical devices. He is also an adjunct professor of law at Suffolk University Law School, where he teaches patent litigation.

Phil received his law degree from Northwestern University in Chicago in 1984, and his undergraduate degree from Tufts University in Medford, Massachusetts in mechanical engineering in 1981. After graduating from law school, he served as law clerk to the Honorable Giles S. Rich, Circuit Judge of the United States Court of Appeals for the Federal Circuit.

He is currently the Chair of the AIPPI-US Division of the American Intellectual Property Law Association. He also serves as the Chair of the Amicus Committee of the American Bar Association, Intellectual Property Law Section, and is a former Council Member of the Section. He is the former President of the Federal Circuit Bar Association and the Federal Circuit Historical Society.
Washington passes a Patent Troll Prevention Act

In December, 2015, the Washington legislature approved a Patent Troll Prevention Act. The statute prohibits baseless demand letters, and allows the state Attorney General to enforce the statute under Washington’s Consumer Protection Act.

Oregon enacts statute to make improper patent license demands a violation of its unlawful trade practices law

In March, 2013, Senate Bill 1540 was signed into law by the governor of Oregon. The law makes patent trolling a violation of the Oregon’s Unlawful Trade Practices Act, and allows an individual or business targeted by a patent troll to sue and recover attorneys’ fees.

The statute makes it a violation of the Unlawful Trade Practices Act to send a letter demanding that someone license a patent without identifying the patent or explaining why the recipient infringes. It is also a violation to demand payment of a patent licensing fee within an "unreasonably short" period of time. The statute also allows state Department of Justice attorneys and the attorney general to investigate whether the accusing entity has acted in bad faith.

California adopts legislation urging the President and Congress to reduce abusive and frivolous patent litigation; and introduces bill against bad faith patent enforcement

In October, 2013, California legislators first began meeting to discuss the effect that patent trolls are having on California businesses. In July, 2015, the California legislature adopted Assembly Joint Resolution Number 9, which is a measure which urges the President and the Congress of the United States to “craft a balanced and workable approach to reduce incentives for and minimize unnecessary patent litigation while ensuring that legitimate patent enforcement rights are protected and maintained.”

In February, 2015, the California Senate introduced S.B. 681, a bill that would make it unlawful to send a written communication that states or represents that the recipient may have infringed a United States patent if the sender, in bad faith, makes specified statements, seeks compensation for specified conduct, or fails to include specified information in the communication. The violation of the statute would only be enforceable by the state attorney general. The bill appears to pending in the Senate Judiciary Committee.

Arizona introduces statute prohibiting bad faith patent infringement allegations

In January, 2016, Arizona introduced HB 2386, the “Patent Troll Prevention Act,” which would prohibit patent infringement allegations made in bad faith. It would allow the state attorney general to
investigate and enforce violations using consumer fraud statutes. The statute passed the Arizona House of Representatives and has been passed on to the Arizona Senate.

**Colorado adopts statute punishing bad faith patent assertion**

In June, 2015, the Colorado legislature passed HB 1063, which gives the state Attorney General’s Office enforcement authority to prosecute bad faith patent enforcement demands.

**Idaho passes bill making it unlawful to assert patent infringement in bad faith**

In March, 2014, Idaho approved Bill 1354, which made it unlawful to assert patent infringement in bad faith.

**Montana adopts anti patent trolling legislation**

In April, 2015, Montana approved SB 39, prohibiting bad faith assertions of patent infringement, allowing the state attorney general to enforce the statute through civil investigation and actions, and allowing for private civil causes of action, punitive damages, and attorneys’ fees.

**Utah passes Distribution of Bad Faith Patent Infringement Letters Act**

In April, 2014, effective May, 2014, Utah enacted a statute that prohibits the distribution of bad faith demand letters asserting patent infringement. The statute allows a person who has been the recipient of a demand letter asserting patent infringement to file an action, provides remedies, and allows for punitive damages.

**Wyoming introduces bill against patent trolling**

In February, 2016, Wyoming introduced a bill prohibiting bad faith assertion of patent infringement. The statute allows for a private cause of action, including exemplary damages, as well as enforcement by the state attorney general. The bill has passed the Wyoming Senate, and is pending in the Wyoming House of Representatives.

**North Dakota approves legislation barring bad faith assertions of patent infringement**

In March, 2015, North Dakota approved HB 1163, which prohibits bad faith assertions of patent infringement. It creates a list of factors that the courts may consider in determining whether an assertion is made in bad faith. It allows for a private cause of action, and also allows the state attorney general to enforce the statute. It also provides that a variety of entities are exempt from the statute, including institutions of higher education, and publicly traded companies, among others.

**South Dakota passes legislative ban on bad faith assertions of patent infringement**

In March, 2014, South Dakota approved Senate Bill 143, effective July, 2014, making it unlawful to assert patent infringement in bad-faith. The statute authorizes the state attorney general to investigate and bring civil actions for bad faith assertions, and also allows for private causes of action.
Minnesota reaches settlement agreement with patent troll; and introduces bad faith patent assertion legislation

In August, 2013, after initiating an investigation, Minnesota Attorney General Lori Swanson became the first state Attorney General to reach a settlement agreement with a patent troll. The agreement required the troll, MPHJ (the “scanner troll”) to give the attorney general's office 60 days' notice and obtain its consent before it sends any letters targeting Minnesota businesses.

In March, 2015, the Minnesota state Senate and House of Representatives introduced bills that would prohibit bad faith assertions of patent infringement authorize the courts to consider various factors in determining whether an assertion of patent infringement in bad faith or good faith has been made. Those bills have been referred to the Senate Commerce Committee (SF 1321) and the House Commerce and House Regulatory Reform Committee (HF 1586), respectively.

Iowa introduces legislation on bad-faith assertions of patent infringement

In January, 2015, the Iowa legislature introduced a bill, Senate Study Bill 1028, that would create a private right of action for bad-faith assertions of patent infringement, and provide remedies and penalties. Thus far, that bill has not yet been approved.

Nebraska Attorney General investigates patent troll; and introduces legislation to make baseless claims of patent infringement

In July, 2013, Attorney General Jon Bruning initiated an investigation into the business and patent enforcement activities of Farney Daniels, based on the state’s belief that letters sent by Farney Daniels to Nebraska businesses violated the state’s unfair competition law. The investigation was based on both the state Consumer Protection Act and the Uniform Deceptive Trade Practices Act. As part of the investigation, the Attorney General issued a cease and desist order against Farney Daniels. Farney Daniels responded by adding members of the Nebraska Attorney General’s Office as parties to a patent lawsuit brought on behalf of Activision TV in federal court. On September 30, the federal judge presiding in that case held that the cease and desist order violated the constitutional rights of Activision TV and enjoined its enforcement. The Attorney General appealed that decision to the US Court of Appeals for the Eighth Circuit, but voluntarily withdrew his appeal in November, 2013.

In January, 2014, Bruning proposed a bill in the Nebraska state legislature that would make it a crime to allege patent infringement in bad faith. The Nebraska Patent Abuse Prevention Act, which was introduced by state Senator Heath Mello at Bruning's request, would make it a violation of Nebraska's existing state consumer protection law to send letters making baseless allegations of patent infringement. The bill sets out numerous criteria for courts to consider as evidence that a patent infringement allegation was made in bad faith. The factors include sending a demand letter that does not identify the patent owner or patent number and does not provide factual allegations about how the recipient infringes. In addition, demanding a license fee "within an unreasonably short period of time" or offering to license the patent for an amount that is "not based on a reasonable estimate of the value of the license," would count as bad faith under the bill, as would making an infringement allegation the patentee knew or should have known was meritless. As of the end of 2014, the legislation was still pending.
Missouri Attorney General announces investigation of impact of patent trolls on Missouri businesses; passes statute prohibiting bad faith assertions of patent infringement

In November, 2013, Attorney General Chris Koster announced that he is actively engaged in investigating the impact of trolls on Missouri businesses.

In July, 2014, the Missouri legislature passed Bill 706, prohibiting the bad-faith assertion of patent infringement, effective August, 2014. The statute specifies certain factors as examples of bad-faith, such as: (1) the demand letter’s not identifying the patent number, name and address of the patent owner, or factual allegations concerning the specific areas in which the target infringes; (2) the person offers to license the patent for an amount that is not based on a reasonable estimate of the value of the license; or (3) the demand letter requires payment of a license fee or response within an unreasonably short period of time. The statute also authorizes the state attorney general to investigate bad faith assertion, and prosecute it as a civil action under the Missouri antitrust law. In addition, the statute provides for a civil cause of action for targets of bad faith assertions.

Kansas approves legislation on bad-faith assertions of patent infringement

In May, 2015, Kansas approved legislation amending the Kansas Consumer Protection Act, allowing a civil cause of action for persons against whom a bad-faith assertion of patent infringement has been made. It also allows the state attorney general to investigate and bring an action for bad-faith assertion of patent.

Oklahoma Governor passes signs legislation protecting against bad-faith patent infringement claims

In May, 2014, the Governor of Oklahoma signed HB 2837, effective October 2014, protecting businesses from abusive and bad-faith assertions of patent infringement. The measure prohibits bad faith patent infringement claims, and lists the factors a court may consider as evidence of a valid claim.

Texas passes law prohibiting demand letters alleging a claim of patent infringement in bad faith

Texas SB 1457, which became Sections 17.951 to 17.955 of the Texas Business and Commerce Code, effective September 1, 2015, defines bad faith claims of patent infringement as communications that falsely state that the sender has filed a lawsuit in connection with the claim, or make a claim that is objectively baseless, and are likely to materially mislead a recipient because of the communications. In addition, the Texas statute provides that a claim is objectively baseless when the sender, or the person represented by the sender, lacks current patent licensing or enforcement rights, the patent at issue has been held invalid or unenforceable, or when all of the allegedly infringing activity occurred after the patent at issue expired. In addition, a demand letter is materially misleading when it lacks material information regarding who is asserting the claim, the patent allegedly infringed and the product, service or technology that is allegedly infringing the patent.

The statute also allows the Texas Attorney General to bring an action on behalf of the state seeking a civil penalty for bad faith patent assertions, including injunctions and up to US $50,000 for each violation, as well as seek reimbursement for the cost of investigation and prosecution. Although the statute provides no private cause of action, the Attorney General can seek restitution for a victim’s legal and professional expenses related to the bad faith infringement claim.
Louisiana passes statute prohibiting bad-faith assertions of patent infringement

In May, 2014, Louisiana passed a statute, LA Rev Stat § 51:1428, providing that no person shall make a bad faith assertion of patent infringement against an end-user. The statute is an amendment to the state unfair or deceptive trade practice act, and provides that the state attorney general shall have the sole authority to investigate and pursue any violation of the statute.

Mississippi passes bad faith assertion legislation

In 2015, the Mississippi House of Representative passed HB 589, which made it unlawful to send bad faith patent assertions. It exempts institutions of higher learning. The statute also authorizes the state attorney to investigate and institute civil actions to enforce the statute.

Wisconsin passes law restricting patent-licensing demand letters

In March, 2014, the Wisconsin State Assembly and Senate passed a bill making it a crime to send patent-licensing demand letters that contain false or misleading information. The law requires, among other things, an analysis setting forth in detail how the recipient of the letter allegedly infringes. It also authorizes the state attorney general to investigate misleading demand letters, and imposes penalties of up to $50,000.

Illinois passes statute prohibiting unfair or deceptive patent demand letters

In August, 2014, the Illinois Senate approved Bill 3405, amending the existing Consumer Fraud and Deceptive Business Practices statute, to prohibit a sending deceptive patent demand letters. The statute defined deceptive or unfair assertions of patent infringement as those without a reasonable basis in law or fact, or if the person making the assertion is not, or does not represent, a person with a current right to license the patent, or the claim fails to make certain other disclosures.

Michigan introduces bill to prohibit bad faith assertions of patent infringement

In 2014, the Michigan House of Representatives introduced legislation against bad faith patent infringement claims (HB 4587), which has been referred to the Committee on Michigan Competitiveness. In 2015, the Michigan Senate introduced a companion bill (SB 289), which has been referred to the Senate Judiciary Committee. The legislation would provide remedies for the bad-faith assertion of patent infringement, including private causes of action, as well as allow the state attorney general to investigate and enforce bad-faith assertions.

Indiana passes statute prohibiting bad faith assertions of patent infringement

In May, 2015, Indiana approved a patent troll statute, which allowed for a private cause of action by a targeted company if a party asserts a claim of patent infringement in bad faith. The statute includes a list of factors for the courts to consider when determining if the party claiming infringement acted in bad faith. It also requires the troll to post a bond of up to $250,000 if the target establishes a reasonable likelihood that the troll made an assertion of patent infringement in bad faith. And it also allows for punitive damages of up to $50,000 or treble actual damages (and also allows the court to award attorneys’ fees to the prevailing party of the suit.) The statute does not apply to patent assertions by
postsecondary educational institutions, technology transfer organizations affiliated with a postsecondary educational institution, pharmaceuticals or medical devices.

**Ohio General Assembly introduces bill to prohibit bad faith assertions of patent infringement**

In May, 2014, the Ohio General Assembly introduced H.B. 573, which would prohibit a person from making “a bad faith assertion of patent infringement.” The bill provides that a patent infringement claim has been asserted in bad faith based on consideration of several factors, including whether a demand letter is vague or detailed, whether information regarding the patent is provided to the recipient of the demand letter upon request, whether the demand letter imposes an unreasonably short period of time for the recipient to pay the amount demanded, and whether the demand exceeds a reasonable estimate of the value of a license on the patent. In addition, if there is a reasonable likelihood that a patent infringement claim has been asserted in bad faith, a court can require an alleged patent troll to post a bond to cover the targeted alleged infringer’s expected cost to litigate the case. If the recipient of the bad faith assertion ultimately prevails, the recipient can ask the court for, among other remedies, injunctive relief, compensatory damages, costs, attorneys’ fees, and punitive damages.

**Kentucky introduces bill to make bad faith assertion of patent infringement an unfair trade practice**

In February, 2014, Kentucky state senator Whitney Westerfield introduced a bill that would criminalize making bad faith patent infringement allegations or making baseless demands for licensing fees. The bill would also render groundless infringement accusations a violation of the Kentucky Consumer Protection Act, and would enable purported infringers to sue the non-practicing entities, or patent trolls, that have approached them and to recover tripled damages, court costs and attorney fees. “Making or threatening to make a bad-faith assertion of patent infringement shall be deemed an unfair, false, misleading, or deceptive act or practice in the conduct of trade or commerce,” the unofficial copy of the bill stated.

**Tennessee passes bad faith patent assertion statute**

In May, 2014, the Tennessee legislature passed a statute to protect against bad faith” assertions of patent infringement. The statute is codified as T.C.A. § 29-40-101 through 104, effective May 18, 2014. It provides that a person or company cannot send a written or electronic demand letter stating that another person or company is infringing a patent (1) when there is a “consistent pattern” of false threats of patent litigation; (2) containing false communications that litigation has been filed; or (3) where assertions are made in the letter that “lack a reasonable basis in fact or law.” The statute allows actual and punitive damages.

**Alabama passes bill prohibiting bad faith assertions of patent infringement**

In April, 2014, Alabama passed Bill Number 121, prohibiting the assertion of a claim of patent infringement in bad faith, and authorizing the state attorney general to investigate claims, issue subpoenas and file civil enforcement actions. In addition, the statute allows targets of patent infringement assertions in bad faith infringement assertions to seek civil remedies in the state circuit court for damages, including exemplary damages.
New York Attorney General investigates and settles investigation of patent troll

New York Attorney General Eric Schneiderman initiated and eventually settled an investigation of alleged patent troll MPHJ Technology, which resolved hundreds of law suits MPHJ had threatened to file against the state's small and mid-sized businesses.

Massachusetts Attorney General begins research into whether existing consumer protection Law protects against patent trolls; and legislature introduces legislation that would protect Massachusetts businesses from abusive patent infringement claims

In November, 2013, Massachusetts Attorney General Martha Coakley announced that her office was exploring ways to end baseless patent trolling. The initiative included investigating Massachusetts’ existing consumer protection statute, Chapter 93A, which deals with consumer rights and business rights, to bring legal actions against unfair or deceptive business practices by a business against a consumer, or against another business, as well as reviewing the statutes enacted by states such as Vermont and Nebraska, and the lawsuits the attorneys general those states have brought.

In April, 2015, the Massachusetts Senate introduced legislation that would protect Massachusetts businesses from abusive patent infringement claims, SB 178. That legislation has been referred to the Joint Committee on Consumer Protection and Professional Licensure, and is still pending.

Vermont passes amendment to state consumer protection statute to address patent trolls, and Attorney General files lawsuit against patent troll

In May, 2013, Vermont amended its consumer protection statute to address patent troll activity, setting forth factors to help judges identify bad faith claims. Vermont Act 44 provided, in relevant part, that “a person shall not make a bad faith assertion of patent infringement,” and established a variety of factors to be considered by a court in determining whether an assertion was in bad faith. It also provided that a target of a bad faith assertion who had proved a reasonable likelihood that the assertion was in bad faith could request that require the sender to post a bond in an amount equal to a good faith estimate of the target’s costs to litigate the claim and the amounts reasonably likely to be recovered in a civil action for damages by the target. The statute also allowed for enforcement by the Vermont state attorney general.

Also in May, 2013, Vermont Attorney General William Sorrell filed a lawsuit suit under the state consumer protection law against an alleged patent troll, Vermont v. MPHJ Technology, Inc. The first effort by an attorney general to use state consumer protection law to stop a patent troll, the complaint alleged that MPHJ sent letters containing false and misleading statements about, among other things, the asserted value of the license it was offering and the response the sender had received from the business community. Vermont also alleged that the letters’ threats of imminent litigation were false. The case was filed in state court, but the defendant removed it to federal court. The defendant also moved to dismiss for lack of personal jurisdiction. That decision was eventually litigated all the way to the Federal Circuit, which has now sent the case back to the Vermont state court.
New Hampshire approves statute prohibiting bad-faith assertions of patent infringement

In July, 2014, New Hampshire approved Bill 303, prohibiting bad-faith assertions of patent infringement. The statute also allows a civil cause of action, and allows for investigation and enforcement by the state attorney general.

Maine approves legislation to allow state lawsuit for bad faith patent infringement claim, and to allow state Attorney General to bring action for bad faith patent assertion

In April, 2014, Maine Bill 654 became law, effective August 1, 2014, allowing a company or person to file a lawsuit in superior court against someone who has made a bad faith assertion of patent infringement against them. It also allows the state Attorney General to bring an action for a bad faith assertion in violation of the state’s Unfair Trade Practices Act.

Rhode Island introduces legislation prohibiting bad faith assertions of patent infringement

In March, 2014, the Rhode Island Senate introduced a bill to prohibit bad-faith assertions of patent infringement. That bill passed the state Senate in June, 2014. It would authorize the state attorney general to bring civil actions for bad-faith patent infringement assertions, and also would allow for private causes of action for the targets of bad faith assertions. That bill passed the Senate in June, 2014, and was referred to the Rhode Island House Judiciary Committee. In January, 2016, it was reintroduced, and referred to the House Judiciary Committee.

Connecticut introduces legislation to provide compensation for bad faith patent assertion

In April, 2014, the Connecticut Senate introduced legislation to provide judicial relief to persons who are the targets of bad faith claims or assertions of patent infringement. In April, 2014, that bill was (apparently) passed by the Connecticut Senate. It is not clear what the status is with the Connecticut House of Representatives.

New Jersey advances bill to prohibit bad faith assertions of patent infringement

In February, 2014, the New Jersey General Assembly introduced a bill (AB 2462) to prohibit bad faith assertions of patent infringement. A similar bill was also introduced in the New Jersey Senate in February, 2014. In February, 2016, the Commerce and Economic Development Committee advanced bill A310 unanimously out of committee. Also in February, 2016, the New Jersey Senate introduced a similar bill, which was referred to the Senate Commerce Committee. The bills each provide that among the factors a court could consider as evidence of bad faith would be the lack of detailed information in a demand letter (such as a patent number, information about the patent holder, or a description of how the patent is being infringed). In addition, demanding payment of a license fee within an unreasonably short amount of time, or offering a license at an unreasonable price, could also be considered evidence of bad faith. A court could require a bond of up to $250,000 for bad faith assertion of patent infringement, and could award exemplary damages of $50,000 or three times the total of damages, costs and fees. And the New Jersey attorney general’s office could also conduct its own investigations of claims under the proposed statute, and bring civil actions and obtain injunctions under the state’s Consumer Fraud Act.
Pennsylvania introduces bill to limit frivolous patent lawsuits

Pennsylvania Senate Bill No. 1222, introduced in February 2014, would limit and discourage frivolous patent infringement lawsuits. It would allow a target of a demand letter, someone threatened with patent infringement, or a defendant in a patent infringement lawsuit to bring an action in state court (the court of common pleas) for bad faith. The bill has been referred to the Senate Judiciary Committee.

Maryland

In May, 2014, Maryland approved Bill 585, a statute prohibiting bad-faith assertions of patent infringement. In addition, the statute authorizes the state attorney general and its Division of Consumer Protection to investigate and bring civil or criminal actions for bad-faith assertions of patent infringement. In addition, the statute creates a civil cause of action for persons who have been injured or sustained a loss as a result of bad faith assertions of patent infringement.

Virginia approves legislation to prohibit bad faith patent claims

In January, 2014, the Virginia House and Senate approved legislation to prohibit patent trolls or anyone from making in bad faith an assertion, claim, or allegation that a resident of the Commonwealth is infringing a patent. The statute, Virginia Code §59.1 - 215.3, allows the Attorney General issue a civil investigative demand to enforce compliance with the patent trolling statute. It does not create a private cause of action.

In January, 2016, the Virginia Attorney General’s office announced the formation of a Patent Troll Unit, which would be empowered to investigate cases of patent trolling and seek financial penalties and injunctions against those who assert patent infringement claims in "bad faith," even if those persons or businesses are based outside of Virginia.

North Carolina approves statute against bad faith assertions of patent infringement

In April, 2014 the North Carolina General Assembly began examining a proposed “Patent Abuse Bill,” which would create civil and criminal causes of action for bad faith assertions of patent infringement. In August, 2014, Bill 1032 was approved and signed into law. It provides for a private cause of action in state court for a target or person who has been threatened or received a bad-faith assertion of patent infringement, and also allows the state attorney general to investigate and bring an action for bad-faith assertion.

South Carolina advances bad faith assertion of patent infringement statute

In February, 2015, bad faith patent assertion legislation was introduced in the South Carolina House of Representatives, and passed the House in April 2015. It was introduced in the South Carolina Senate in April, 2015. In January 2016, the Senate Judiciary Committee reported favorably on the bill. The statute would prohibit bad faith assertions of patent infringement, create a private cause of action, and allow for enforcement by the state attorney general.
Georgia prohibits bad-faith assertions of patent infringement

In April, 2014, Georgia passed House Bill 809, prohibiting bad-faith assertions of patent infringement. Under the statute, bad-faith can be based on facts such as: (1) a demand letter not identifying the patent number, name and address of the patent owner, or fact allegations concerning the specific areas in which the target infringes; (2) prior to sending the demand letter, the person failing to conduct an analysis comparing the claims in the patent to the target’s products, services and technology; (3) a demand letter requiring payment of a license fee or response within an unreasonably short period of time. Also, the state attorney general is authorized to issue civil investigative demands under the statute. In addition, the statute allows for a civil cause of action for targets of bad-faith assertions of infringement.

Florida enacts Patent Troll Prevention Act

In June, 2015, Florida approved HB 439, the Patent Troll Prevention Act, prohibiting bad faith assertions of patent infringement. The statute allows for a private cause of action, and provides a detailed list of factors that a court may consider in determining whether an assertion of infringement was made in bad faith. A determination of bad faith can include damages and reasonable attorney fees. It specifically exempts from the bill’s provisions an institution of higher education, a technology transfer organization owned by or affiliated with an institution of higher education, or a demand letter or assertion of patent infringement that includes a claim for relief relating to patents for pharmaceutical or biological products.

Summary


As of March, 2016, in addition to the 27 states that had enacted anti-patent troll legislation, there have been a total of at least 15 additional states that have introduced some form of anti-troll legislation at some point, as listed above.

National Association of Attorneys General submits letter from 42 states supporting federal legislation to curb patent trolls


The states who did not participate were California, Delaware, Georgia, Montana, North Dakota, Ohio, Oklahoma, South Dakota, and West Virginia.
Litigation information:

According to RPX Corp., trolls filed more than 3,600 suits in 2013 -- about 67 percent of all patent lawsuits. That is an increase of 18 percent from 2012. They sued over 4,800 companies, an increase of 13 percent. (Source: 2013 NPE Litigation Report, RPX Corporation)

In 2014, the total number of cases filed by patent trolls decreased to about 2,800, but the total volume of patent cases also dropped, from 5,500 in 2013 to 4,500 in 2014. So the percentage of troll cases remained about the same (65% in 2013, 62% in 2014). Trolls sued about 3,800 unique defendants in 2014. (Source: 2014 NPE Litigation Report, RPX Corporation)

In 2015, trolls were responsible for 66% of all infringement claims filed in the US courts, according to a report by Unified Patents. (2015 Annual Year End Patent Dispute Report, Unified Patents)
Patent trolls

- Responsible for more than 60% of all patent litigation
- Subject of a John Oliver HBO report
- Mentioned by President in State of the Union
- Caused 42 states to introduce anti-troll statutes
- Current cause of federal patent legislation

Patent trolls have a long history

- Early “non-practicing entities”
  - Charles Goodyear sold patent on vulcanized rubber
  - Thomas Edison sold patents on light bulb to General Electric (and sold many other patents)
- Jerome Lemelson perfected submarine patents in 1980’s
- VE Holdings (1990) changed patent venue to nationwide venue
  - Held that patent venue statute, 28 USC 1400(b), restricting venue to where a defendant “resides,” was overruled by 1988 statutory amendments to the general jurisdiction statute
  - Created nationwide jurisdiction for virtually any patent case
- Patent plaintiff’s bar discovered Eastern Texas by late 90’s
- Peter Detkin coins the term “patent troll” in late 90’s
- Blackberry case put patent trolls in the public eye
**In Re TC Heartland (Fed. Cir. 2016)** could change troll litigation

- Appeal from patent infringement suit filed by Kraft Foods in Delaware against TC Heartland (Indiana-based company)
  - TC Heartland moved to transfer to Indiana, but request was denied
  - Then filed petition for mandamus, seeking transfer
- Mandamus petition has challenged Federal Circuit's previous interpretation of patent venue statute 28 USC 1400(b) in VE Holdings v Johnson Gas Appliance Co. (Fed. Circ. 1990)
  - Including in light of change in general venue statute in 2011
- Federal Circuit accepted mandamus petition in January 2016
- Merits panel (?) will hear argument at 2 pm on March 11, 2016
- Note: Altera v. Pabst Licensing (Fed. Cir.) could also change law on personal jurisdiction concerning license demand letters
  - current Fed. Cir. law suggests sending letter not enough

**Characteristics of trolls and troll patents**

- Trolls tend to have no business other than monetizing patents
  - Only motivation is money
  - No incentive to resolve dispute through business transaction, or cross-license
  - Not vulnerable to counterclaims for infringement
  - Little discovery costs
  - Until recently, not concerned with threat of attorney fees of opposing party
- Frequently represented by contingency fee counsel
- Favor Eastern District of Texas
  - 44% of patent cases filed in Eastern Texas in 2015, most assigned to one judge
- Troll patents tend to involve software, computer-implemented inventions or services, business methods, or generally smaller parts of larger, complex systems
  - Harder for technology companies to analyze or identify in advance whether they will be target
- Frequently acquired from another party (often through bankruptcies, spinouts, etc.)
  - may be unknown inventorship, standing/title, or other problems with patent
- Often older patents
- Seek to cover newly developed technologies
- Granted prior to current subject matter eligibility principles

**Troll tactics**

- Take advantage of the cost of patent litigation – "the sport of kings"
  - $900,000 small patent litigation (less than $1 million at risk)
  - $3.5 million medium patent litigation ($10 – 25 million at risk)
  - $6.3 million large patent litigation (more than $25 million at risk)
- Use multiple entities to disguise real owner of patent
- Use threat of injunction (reduced since eBay v MercExchange (2006))
- Send license demand letters without creating jurisdiction
- In litigation – multiple defendant strategies
  - Multi-party lawsuits, or after AIA, consolidation
  - Patent and claim stacking
  - Shortened trials (better for plaintiffs)
  - At trial – the power of the gold seal and ribbon
  - Litigation in plaintiff friendly venues (E.D. Texas)
Troll defense strategies

- Challenge infringement investigation
  - Ask for claim chart
  - Rule 11 challenge
- Challenge standing/title
- Challenge patentability (subject matter, lack of novelty/non-obviousness, and indefiniteness)
  - Remarkable success of Alice motions at summary judgment and in PTAB challenges
- Threaten PTAB challenge
- In litigation
  - Joint defense arrangement to share costs
  - Prior art investigation, other defense costs and strategies
  - Seek to transfer out of Texas
  - Raise subject matter eligibility challenge via motion to dismiss or early summary judgment or in PTAB
  - Pursue PTAB challenge
    - Inter Partes Review or Covered Business Method challenge
    - Target key patent claims through early claim construction hearing or summary judgment
    - Seek discovery of inventorship, invalidating prior art (public disclosure, early sales)
    - Narrow case and develop simple theme for trial
    - Move for attorney fees if you prevail
  - Build reputation for being "tough out"

Other tactics for dealing with trolls

- Patent troll defense insurance
  - Requires opinion that insured has 51% chance of winning
  - Covers only "non-core" activities (for example, Internet connection and computer)
- Other patent defense insurance policies
  - Require extensive underwriting
- Seek indemnification from suppliers
- Patent risk pools
  - RPX provides insurance and can become involved in settlement of existing litigation
- Not-for-profit networks to shield members from trolls
  - "LOT" Network: Shields members from patents transferred to trolls through conditional license agreement
  - Unified Patents: Network that also challenges patents owned by trolls
- Standard defense strategies
  - Design around claims to limit damages/exposure
  - Limit discovery and focus on dispositive issues
  - Budget and plan litigation
  - Use ADR techniques to seek business resolution

"PTAB" trolls

- Parties not involved in patent litigation are using inter partes review (IPR) procedure after court case over
- Alleged infringer uncovered prior art in litigation that wasn’t used in IPR challenge (due to expiration of 12-month window for filing IPR, etc.)
- PTAB troll uses same art to file IPR (or threatens IPR), then negotiate withdrawal/settlement with patent owner (who could be troll)
- Kyle Bass-type challenges in the PTAB
  - Hedge fund manager challenged patents in PTAB
  - Bet that challenges would drive down the patent owners’ stock prices
The end of the patent “troll” era (?)

- TC Heartland (and Altera) may change venue rules
- State bad faith patent assertion litigation may begin to have some effect
  - Private causes of action, consumer protection statutes with treble damages, attorney general investigations
- Federal anti-troll litigation (fee shifting, new federal requirements for demand letters) may get enacted

Thank You
Trademark trolls – a new phenomenon?

Aggressive trademark litigation started by so-called ‘trademark trolls’ is an increasingly irritating problem. Arty Rajendra, partner at specialist IP law firm Rouse, looks at the issue.

We have all heard of patent trolls, but this writer had not come across the term ‘trademark trolls’ until recently.

A trademark troll is a convenient moniker for those who indulge in vexatious trademark litigation and trademark squatting. However, you would have thought victims of trademark trolls were in a better position than their patent counterparts. For example, many countries require trademark applicants to file an intention to use statement, which they don’t have to for patents. Further, if a trademark registration is not put to genuine use for a certain period, it can be revoked. Finally, trademark registrations can be invalidated based on prior rights. With all these weapons it looks deceptively simple to stop a trademark troll in his tracks. However, the examples which follow show that is not always the case.

Trademark trolls appear to fall into three broad categories:

1. Those who register trademarks for names obviously belonging to a well known third party, with the clear intention of deploying those marks against the ‘true’ owner.
2. Those who register trademarks speculatively, do not use them, but look to deploy them against traders who later adopt the same name.
3. Those who register trademarks and actually use them but seek to enforce the marks more widely than is legitimate (often against parties operating in different sectors).

In many jurisdictions, the first two categories are likely to be an irritant but not a genuine threat to business. In places such as Russia and China, where trademark squatting is rife, untangling this sort of activity can be time-consuming and costly. It can also pose a threat to expansion and sales.

Not all businesses have the foresight to register their marks in these now lucrative markets, meaning that the troll who got there first can block entry and hamper their ability to do business. In these types of cases, the trademark registrant is generally seeking to sell back the mark to the ‘true’ owner rather than license it, but this can still be characterised as troll-like behaviour.

Claiming wider rights than those to which you are entitled

The third category of troll behaviour only slightly differs from the behaviour of the more aggressive well known brand-owners. But there is a difference.

For example, Tim Langdell, whose antics have reached near legendary status, is the founder of Edge Games, whose earliest use of the mark ‘Edge’ appears to date back to the 1980s. Whether or not the mark has been continuously used since then is unclear but the rights for this highly prized mark have paid dividends.

According to Edge Games’ website, Langdell has licensed ‘Edge’ to a PC manufacturer, a gaming peripherals maker, a film studio, a gaming organisation and a comic book publisher. Parties who refuse to take a licence find themselves in court. For example, in 2010 Langdell tried to assert his rights against Electronic Arts, makers of a video game entitled ‘Mirror’s Edge’. Langdell applied for a preliminary injunction based on his alleged rights in ‘Edge’.

Langdell’s application failed, with the judge citing “compelling evidence of fraud” by Langdell’s company in obtaining the trademarks relied upon. In one instance, Langdell had submitted a fake magazine cover to the United States Patent and Trade Mark Office (USPTO) as evidence of his company’s use of ‘Edge’ in class 16 (printed matter). It is hard to mitigate this type of situation. Electronic Arts could have gone on the offensive prior to launch of their game by seeking invalidation/revocation of the prior marks by the USPTO if it felt it posed a genuine threat. However, it was only in the context of court litigation, where the disclosure rules are stronger, that Langdell’s deception of the USPTO was uncovered.

One ex-licensee who turned the tables on Langdell is Future Publishing, which has published the gaming magazine Edge in the UK since 1993. Future Publishing took a licence from one of Langdell’s companies in 1996, to cover its magazine business, after being sued for trademark infringement for its use of the ‘Edge’ name. In 2004 Future Publishing paid Langdell and his company £275,000 for an assignment of the marks it had previously licensed.

Fast forward to 2011 when Langdell was sued personally by Future Publishing for copyright infringement and passing off by attempting to associate his company with Edge magazine. His company had used an obvious imitation of Edge magazine’s logo and made misleading statements, such as “EDGE is extremely well known for its other game products and services such as EDGE magazine”.

The judgment, in which Langdell was found to have committed copyright infringement and passing off, is notable for setting out a highly amusing story of another example of Langdell faking evidence of his rights (one year after the Electronic Arts debacle).

One of Langdell’s defences had been that he had actually created the Edge magazine logo in 1991, pre-dating the magazine’s launch in 1993. After being repeatedly pressed for evidence of this, Langdell finally identified a floppy disk which contained the logo, which his computer expert confidently dated back to 1991. However, when Future Publishing’s expert got hold of the floppy disk, he was able to identify that the logo had been created using Windows 95, a software that didn’t even exist in 1991.

Langdell had deliberately back-dated the disk to support his case. Langdell’s expert, presumably contrive by this stage, later conceded that the logo could not have been created in 1991, as Langdell had originally suggested. Langdell has since published a justification for his activities but his application for permission to appeal against this judgment was dismissed.

While it’s interesting to read about Langdell’s exploits as a bystander, one can only sympathise with his targets. The trial of
the Future Publishing case took seven days and its impact on the management and financial resources of Future Publishing must have gone beyond that of a mere irritant. All large responsible companies have an IP budget but a case of this nature could not have been foreseeable. This makes setting aside a sizeable litigation fighting fund even more important.

Registering famous names
Leo Stoller is another individual who has been described as a trademark troll, but refutes the characterisation.

He takes a far more prosaic attitude to extracting licences and money from established companies. Through a variety of companies controlled by him, Stoller registered a multitude of marks, ranging from ordinary words to famous brands. In his heyday in 2007 he was involved in 55 US federal district court trademark infringement actions. Stoller met his match, however, in Google who sued Stoller for false advertising, unfair competition and racketeering. Google took exception to Stoller’s claims that he owned rights in the ‘Google’ name and alleged that he ran a scheme which involved “falsely claiming trademark rights for the purpose of harassing and attempting to extort money out of legitimate commercial actors, both large and small”. The precise status of this litigation is unclear because, midway through, Stoller was declared bankrupt. Needless to say, when that happened, he ceased to be a thorn in Google’s side.

This type of troll behaviour is relatively easy to handle in sophisticated jurisdictions. In the UK, a party on the receiving end of such a claim can obtain fairly quick relief by suing under the ‘unjustified threats’ provisions or seeking a declaration of non-infringement while simultaneously invalidating the trademark registration on the grounds of bad faith.

Trademark squatting in China
There have been horror stories, with brand owners hamstrung from acting against counterfeiters of their products being made in or exported from China because the Chinese mark is in the hands of a squatter. Worse still, some brand owners have had their genuine goods seized by the authorities or stopped or exported from China because the Chinese registration of ‘POND’S’ cosmetics since 1994. The local bad faith registration of ‘POND’S’ dated from 2003. In lucrative markets like China and Russia, proactive trademark registration is vital. It is also key to have trustworthy trading partners in these jurisdictions, keep good records of evidence of use and, where required, record any exclusive licences.

Apparent speculative trolling
Closer to home, and an example of more speculative registration, is the recent case of Never Give Up. Never Give Up had registered a number of food and drink trademarks in the UK, including ‘Energy Juices’, ‘Naturally Good’ and “it’s all about the fruit”4. The company sought to deploy two of their marks, ‘Juiceling’ and ‘Juiced Up’, against two Scottish companies trading, respectively, under these names, threatening them with expensive trademark litigation if they did not take a licence or buy the registrations.

Interestingly, at this time, both marks were at the application stage, which meant that they could not be relied upon in a trademark infringement action. Never Give Up was subjected to a BBC undercover sting5, in which a reporter posed as an agent trying to buy one of the marks. By the time of the sting, the price sought by Never Give Up for the mark had doubled to around £60,000. When exposed by the reporter, Never Give Up’s agent denied any wrongdoing and denied threatening the juice bars with legal proceedings.

Never Give Up still owns registrations for ‘Juiceling’. It does not however still own registrations for ‘Juiced Up’. This mark was opposed6 by the owner of the Juiced Up bar, who succeeded on the grounds of prior common law rights and bad faith. In particular, the hearing officer found that bad faith succeeded because there was “sufficient evidence” that “in all probability [the application was made] with the intention of inducing [the juice bar owner] to part with money to continue use of the name”. The evidence from the BBC undercover sting was useful here, and victims of trademark troll approaches should keep all emails and notes of verbal communications.

Deceitful greedy people really do exist, even in the seemingly innocuous world of trademarks. Generally, the courts/registries will come to the aid of a brand owner whose rights have been hijacked. Always try to conduct a trademark search and set aside a fighting fund if it reveals a problem. Register your brand as soon as possible in key markets. In the age of the global marketplace, these are more than you might have once thought. Finally, do not underestimate your common law rights, and ensure that, in order to rely on them, you keep good, easily accessible, records of use. Then you should be able to defeat the trolls, if you stumble across them.

Footnotes
2. Edge Games Inc v Electronic Arts Inc, No C 10-02614 WHA
3. Future Publishing Limited v The Edge Interactive Media Inc & Others (2011) EWHC 1489 (Ch)
5. Lewison Li, March 2012
6. For more comprehensive analyses on Stoller, see Banner & Sterba, Intellectual Asset Management, June/July 2007; and Folgers, Seventh Circuit Review, Vol 3 Issue 1, Fall 2007
8. Opinions of the Supreme People’s Court on trademark registration to be a defence to a trademark infringement claim. Similarly Unilever was recently successful in overturning a Trademark Review and Adjudication Board decision dismissing its application to cancel a Chinese individual’s registration of ‘POND’S’.
9. Unilever had marketed POND’S facial cosmetics since 1994. The local bad faith registration of ‘POND’S’ dated from 2003. In lucrative markets like China and Russia, proactive trademark registration is vital. It is also key to have trustworthy trading partners in these jurisdictions, keep good records of evidence of use and, where required, record any exclusive licences.

Author
Arty Rajendra is a partner in Rouse’s London office. She has extensive experience of trademark, design and patent litigation in the UK, and has acted in a number of leading cases. Arty has a particular interest in the IP issues facing fast-moving technology companies and acts for a number of clients in the TMT sector.

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PROFESSIONAL
Experience: **Associate Solicitor, U.S. Patent & Trademark Office (USPTO), Alexandria, VA**
April 2014 – present

Represent the USPTO Deputy General Counsel and Director of the Office of Enrollment and Discipline (OED) in matters arising under the Agency’s Rules of Professional Conduct governing the behavior of registered patent attorneys, registered patent agents, trademark attorneys, and other persons practicing before the Agency. Serve as primary counsel in representing the OED Director in disciplinary proceedings before administrative law judges, the Director of the USPTO, United States district courts, and the United States court of appeals. Assist Assistant United States Attorneys in federal district court litigation and federal appellate cases. Provide policy advice on ethics and discipline related matters to senior management. Advise and assist the OED Director in enrollment and disciplinary matters, including legal issues, policy advice, and drafting and revising regulations. Provide legal guidance and assistance to OED staff attorneys during their investigation and analysis of allegations of disciplinary rule violations. Provide general legal and litigation support to other attorneys within the Office of the Solicitor. Perform various legal and administrative duties for the Agency.

**Senior Counsel, Attorney Registration & Disciplinary Commission, Chicago, IL**
August 2000 – April 2014

Investigated and prosecuted licensed attorneys for unethical or illegal conduct pursuant to the Illinois and ABA Model Rules of Professional Conduct. Responsible for cases from inception of investigation through completion of public litigation proceedings. Annual caseload involved 60-100 investigations, resulting in 10-18 trials per year. Conducted investigation of all allegations of professional misconduct: review bank and financial records, interview witnesses, review court records and other documentary evidence, take sworn testimony of attorneys, and research underlying legal issues. Prepared summaries and concluding correspondence for investigations closed without referral to the Inquiry Board. Prepared Inquiry Board referral documents and appeared on behalf of the Administrator on files referred to the Inquiry Board. Prosecuted disciplinary cases against attorneys before the Hearing Board in matters where sanctions sought ranged from disbarment to reprimand. Engaged in full litigation practice before the Hearing Board; drafted pleadings, conducted and defended depositions, briefed and argued motions, and litigated contested trials. Represented the Administrator in proceedings before the Illinois Supreme Court, such as petitions for interim suspension, and motions to approve and confirm reports issued by the Hearing Board post trial.
Prosecuted confidential disability hearings against Illinois attorneys who were alleged to be incapacitated from continuing to practice law as a result of mental infirmity, mental disorder, or addiction to drugs or intoxicants. Litigated issues such as transfers to disability inactive status or retirement status.

Supervised, led and managed seven direct reports including paralegal, law clerks, administrative and investigative staff team, and coached and applied corrective action as needed. Drafted e-mail alerts and press releases for ARDC website, created/implemented internal MCLE programs, drafted internal policy and procedure guidelines, presented programs on ethics related topics to various national, state and local organizations, and participated on joint task forces with various state and federal governmental agencies.

Regional Counsel, Illinois Department of Children & Family Services, Chicago, IL
December 1999 – August 2000

Served as legal advisor for issues related to the Juvenile Court of Cook County, both criminal and civil, and represented the Department’s interests in court, including the preparation of caseworkers for testifying and explanation of DCFS regulations and procedures. Interpreted DCFS policy and procedures, responded to court inquiries, and mediated among State’s Attorneys, Guardian ad Litem, Public Defender, families, caseworkers and other parties. Conducted legal research, prepared discovery and legal memoranda and opinions. Supervised staff team of four direct reports.

EDUCATION
New England School of Law, Boston, MA
J.D., Dean’s List, CALI Excellence for the Future Award

Northwestern University, Evanston, IL
B.A. History and Art History (Honors Graduate)

PROFESSIONAL ACTIVITIES & MEMBERSHIP
Adjunct Professor of Law, American University, Washington College of Law – Legal Ethics – January 2015 to Present

Bars of the U.S. Supreme Court, State of Illinois & U.S. District Court, Northern District of Illinois

Member of the National Organization of Bar Counsel (NOBC)

Member of the American Bar Association (ABA) & Center for Professional Responsibility (CPR)
Commission Member of ABA Standing Commission on Legal Assistance Programs (CoLAP) – 2015-present, Advisory Committee Member 2012-present, CoLAP Senior Lawyers Committee Co-Chair—2013-present, CPR-CLE Committee Member – 2012-present, Chair of CPR-CLE Committee – 2013-present; NOBC Liaison to CoLAP – 2009-2011, NOBC Liaison to CPR Committee on Ethics & Professional Responsibility – 2011-2012, NOBC Liaison to CPR Committee on Professionalism – 2012-2013, NOBC Liaison to CPR Committee on Client Protection— 2013-2014, Chair of CPR Annual Meeting Planning Committee – 2015-present, Planning Committee Member – 2013-present
LEGAL ETHICS

MOST OF WHAT YOU REALLY WANT TO KNOW ABOUT IP ETHICS, YOU ALREADY LEARNED IN KINDERGARTEN

Tracy L. Kepler
Immediate Past President
National Organization of Bar Counsel

ROADMAP

DISCIPLINARY OVERVIEW
- NOBC History
- Fun Facts & Statistics
- New USPTO Rules

KINDERGARTEN RULES
- Keep Your Hands to Yourself!
- Tell the Truth!
- Don't Tell Secrets!
- Play Well With Others!
- Be Nice or Don't Be a Potty Mouth!
- Don't Steal!
- Don't Tattle...unless you HAVE TO!

REVIEW OF A LAWYER'S CONDUCT

- Civil
- Contempt
- Criminal
NOBC MISSION

OUR MISSION: The National Organization of Bar Counsel (NOBC) is a non-profit organization of legal professionals whose members enforce ethics rules that regulate the professional conduct of lawyers who practice law in the United States, Canada and Australia.

NOBC “REAL” MISSION

Preserve the integrity of the profession
Protect the public
Promote the Public Interest

(1) Protection of public & courts v. unethical conduct
(2) Protection of attorneys v. unfounded complaints
(3) Exchange of information
(4) Joint action - amicus, legislative, etc.
(5) Education - internal/external
History of NOBC

Genesis in late 1950s - bar counsel met at ABA meetings

Informal formation in 1964 to enhance professionalism & effectiveness of lawyer disciplinary systems

501(c)(6) on March 11, 1977 in DC

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There are Lots & Lots of Attorneys in the US

- Approximately 1,300,705 lawyers
  - As of December 31, 2015 – ABA Lawyer Demographics
    - 1878 – only 64,137
    - CA, NY, TX, IL – largest
    - American Samoa – 102
    - USPTO – It depends

- Law Schools – 205
  - Graduates – 2014 – 43,832
  - 2013 Enrollment – 39,675 - lowest since 1977

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“Senior Tsunami”

- Michigan – 2010
  - 55.4% of the active members of the State Bar were born before 1961, 11.1% born before 1944

- Washington – 2012
  - 71% are 50 or older, 21% are 61 or above

- Florida – 2012
  - 33% are 55 or older, 21% are 60 or older and 11% are 65 and older

- California – 2013
  - 244,016 attorneys – 20% of lawyers are 65 or older, 22% are 55-64
WHAT AREAS OF LAW GET THE MOST GRIEVANCES?

Source: ABA Standing Committee on Lawyers' Professional Liability 2012

RULES IMPLICATION-MALPRACTICE

Most Common Alleged Errors - 2012

Source: ABA Standing Committee on Lawyers' Professional Liability 2012

RULES IMPLICATION-MALPRACTICE

Claims by Type of Alleged Error - 2012

Source: ABA Standing Committee on Lawyers' Professional Liability 2012
WHERE DO GRIEVANCES COME FROM?

Most grievances = ANGRY former clients

Also based upon:
- Reports from members of general public
- Reports from attorneys’ spouses
- Self-reports
- Newspaper articles
- Reports from disciplinary agencies in other jurisdictions
- Reports from other attorneys

NEW RULES

Final Rules Effective: May 3, 2013
- 78 Federal Register 20179
- 37 C.F.R. §§ 11.101-901
- Old rules (37 C.F.R. Part 10) apply to activity prior to effective date
- Based on 2011 Update to ABA Model Rules
- Comments and Annotations to ABA Model Rules
  - non binding, but may be useful information

NEW RULES

- Section 1: Client - Practitioner Relationship §§ 11.101-11.118
- Section 2: Counselor - §§ 11.201, 11.203-204
- Section 4: Transactions with Persons Other Than Clients §§ 11.401-11.404
- Section 5: Law Firms and Associations - §§ 11.501-11.507
- Section 7: Information About Legal Services §§ 11.701-11.705
- Section 8: Maintaining the Integrity of the Profession §§ 11.801-11.804
- Savings Clause - § 11.901
Most of what you really wanted to know about politics, you already learned in kindergarten.

Keep your hands to yourself!
Tell the truth!
Don’t tell secrets!
Play well with others!
Be nice or don’t be a potty mouth!
Don’t steal!
Don’t tattle ... unless you have to!

Rule #1

Keep your hands to yourself!

Head Coach of Private School Crew Team + Teenage Girls + Wine = Trouble

In Re Haigh, USPTO Proceeding No. D2009-05
Lawyer posted job description for legal secretary for his law firm on the adult gigs classified ad section of Craig’s list:

…in addition to the legal work, you would be required to have sexual interaction with me and my partner, sometimes together sometimes separate. This part of the job would require sexy dressing and flirtatious interaction with me and my partner, as well as sexual interaction. You will have to be comfortable doing this with us...

In re Samir Zia Chowhan,
M.R. 24851, 2009PR00053 (Nov. 22, 2011)

Emails requested in person interview: “…we’ve decided that as part of the interview process you’ll be required to perform for us sexually…”

Other misconduct:
Also neglected two immigration matters & not truthful with disciplinary investigation

What was the charge?
Conduct which tends to defeat the administration of justice or to bring the courts or the legal profession into disrepute

And the discipline is?
1 year suspension & until further order

In re Scott Robert Erwin,

Attorney allowed client to perform striptease dances for him in his office in exchange for credits against his fees for legal services & lied to law enforcement about the conduct

What was the charge?
Conflict – material limitation by lawyer’s own interest, overreaching, breach of fiduciary duty, committing a criminal act, engaging in conduct which tends to defeat the administration of justice or to bring the courts or the legal profession into disrepute

And the discipline is?
15 month suspension
North Carolina State Bar v. David Shawn Clark

Attorney allowed client to perform striptease dances for him in his office in exchange for credits against his fees for legal services & lied to law enforcement about the conduct.

What was the charge?

Conduct which tends to defeat the administration of justice or to bring the courts or the legal profession into disrepute, in violation of Supreme Court Rule 770.

And the discipline is?

1 year suspension UFO

In re William L. Ketcham, PDJ 2014-9104
(Arizona, March 2015)

- Retained to advise on late husband’s IP matter
- Dinner invitation...“obstacles to becoming involved”
- End our “perfect business connection for the more magical, personal one”
- Sanction: Consent agreement for 30-day suspension and one-year of probation
Rule 1.8(j) – No Sex with Clients

37 CFR § 11.108(j) [reserved]

Rule #2

TELL THE TRUTH!

True  False

In re Sylvester D2005-06 (USPTO March 15, 2006)

• 1997/98 - $4,700 paid to file and prosecute a patent application
• Sent a letter to the client:
  "enclosed is a copy of the application contents sent to the patent office... I should be receiving information regarding your application number any time."
• Office Action rejecting claims - prior art
• Subsequent misrepresentations re status and filings all leading to abandonment
• Client learns of abandonment, R offers to re-file free of charge
• More misrepresentations - redoing, revising, revival
• 2003 - enough is enough
• Sanction: Six month suspension
In re Hicks D2013-11 (USPTO Sept. 10, 2013)

- Trademark attorney
- Sanctioned by EDNY for non-compliance with discovery orders
- On Appeal to the Federal Circuit, the sanction was affirmed
  - Rates Technology v. Mediatrix Telecom, 688 F.3d 742 (2012)
- Federal Circuit also found that the appellate brief contained "misleading or improper" statements
  - Appellate brief headings misrepresented findings of lower court judges
  - Appellate brief failed to inform court that a case citation was nonprecedential
- Sanction:
  - Public Reprimand & 1 year probation

In re Loren Elliotte Friedman, M.R. 23785 2008 PR 00032 (Ill. May 18, 2010).

- Made a misrepresentation on his law school application when he allegedly forgot to disclose he had flunked out of medical school.
- Made a material misrepresentation on his application for admission to the Illinois bar by failing to disclose that he submitted altered law school transcripts to prospective law firm employers.
- His actual grades would not have qualified him to earn a job interview with those employers.
- Mr. Friedman, who was licensed in Illinois in 2006, was suspended for three years and until further order of Court.

In re Massicotte, D2012-22 (USPTO May 16, 2012):

- 3 trademark applications went abandoned
- Petitions to revive filed claiming Office Actions were not received prior to the expiration of response periods
- Office grants petitions based on attorney’s false statements
- Mitigation - High-risk pregnancy with complications
- Sanction: 24 month suspension
**In re Edelson** D2011-13 (USPTO Dec. 15, 2011)
- Neglected four patent and trademark matters for a client and made misrepresentations to that client about two of the matters he was handling for him
- Made false statements about what he did on behalf of the client to OED during its investigation into his conduct
- 3 year suspension - with leave to petition for reinstatement after 6 months

**In re Goldstein** (USPTO D2014-10)
- Falsely informed clients he filed patent and TM applications on their behalf and that applications were being examined
- Created and sent clients fake filing receipts for patent applications
- Created fake cease-and-desist letters allegedly sent to potential infringers
- Created phony response to fictitious inquiry from patent examiner
- Billed clients for services he did not perform and fees he did not pay
- Sanction: Exclusion

**In re Wick** (USPTO D2011-03)
- 20 years @ Leydig Voit & Mayer in Chicago
  - Domestic & International IP
- Starts at Wildman Harrold Allen & Dixon
  - Billing requirements=1,800-2,000 annual billable hours
  - 1/4-1/3 in client development & other activities
  - Overbilled 2 clients for work obtaining and monitoring foreign trademarks
  - Overbilled at prior firm to the tune of 1 million
- Sanction: Exclusion
In the Matter of Robert A. Mintz
No. 110,111 (KS, 2/7/14)

Tell the Truth!

You Made a Mistake... Now What do You Do?
DON’T COVER IT UP

In re Manghera, D2012-22 (USPTO May 16, 2012):

- 1998-2008 - Respondent represents 2 closely related corporate clients
- Lots of work – prepared/updated spreadsheets for clients to track status
- Too much work - embarrassed and ashamed to admit to clients he was falling behind
- What do I do?
  - Tell the client and cut back on workload
  - Place false information about the status & send to the clients
  - Create false billing statements & time entries and turn them into my firm
- Sanction: 2 year suspension, with leave to file reinstatement petition after 90 days

Rule #3

Don’t Tell Secrets!
In re Kristine Ann Peshek, M.R. 23794, 2009 PR 00089 (Ill. May 18, 2010). Ms. Peshek, who was licensed in 1989, was suspended for sixty days.

Kristine Peshek served as a Winnebago County Public defender for about 19 years. After being assaulted by one of her clients, she began publishing an Internet blog, about a third of which was devoted to discussing her work at the public defender’s office and her clients. Her blog was open to the public and was not password protected. Peshek posted numerous entries about conversations she had with clients and various details of their cases, and she referred to her clients by either their first name, a derivative of their first name, or their jail ID number.

In re Cohen, D2015-12
- Patent Attorney with Eli Lilly
- Leaves Company
- With his pictures, diplomas, and plants, he also copies and takes confidential information that was the property of Lilly
  - Not authorized to possess or control
- Mitigation: Returned info, no intent to share or use, thought it was already in public domain, and 24 years no prior discipline
- Sanction: 90 day suspension

In re Cipriani, D2012-20
- Represents Lowe’s on defense of patent infringement suit and finds potential false marking claims against another company, Stringliner
- Leaves firm and files, in his and another own names, a false marking qui tam case v. Stringliner & Home Depot
- Problem?
  - Information acquired while working on behalf of Lowe’s, not generally known, used for basis of own lawsuit
- Sanction: Censure
New Orleans U.S. Attorney resigns
(Dec. 6, 2012)

Jim Letten, a Bush-appointed U.S. Attorney for the Eastern District of Louisiana, resigned in the wake of a scandal involving two of his underlings (one of which was his First Assistant) who made thousands of anonymous comments on local newspaper website (NOLA.com).

The two staffers, former Assistant U.S. Attorney Sal Perricone and former First Assistant Jan Mann, reportedly created anonymous user names so that they could post comments, many about sensitive cases, to Nola’s website. It appears that the duo may have believed they could sway public opinion, and thus a jury vote, by leaking information in the comments.

FASCINATING CASE

- “Anonymous” NOLA posts trashed defense attorneys working on the case and criticized judges
- In one 6-month period, one of the anonymous parties posted over 598 posts = 3 or 4 per day
- Folks at the courthouse quickly realized the internet warriors seemed to know a lot about the case and had an uncanny knowledge of how the U.S. Atty’s office worked
- Forensic linguist brought in (worked on the Unabomber case) = evidence showed a “high likelihood of authorship”

BUT...

Tragic ending of an otherwise illustrious and unblemished career

GENERALLY KNOWN

- Barack Obama is the President of the United States
- NOT
  - Personal information relating to the client that the client would not want disclosed - Peschek case
  - Information learned from the client, and information learned from interviews, documents, photos, observation & other sources - Belcher case
  - Information acquired before the representation begins (such as preliminary consultation) and after the representation terminates
  - Notes or memoranda that the lawyer creates relating to the matter
Contract attorney with firm, full access to firm’s computer system
Wrongful death case, autopsy photos of grossly obese man, nude on ER OR table
Using firm’s email system, forwards photos to pals with lewd & disparaging comments, potentially damaging to firm and client
Charges:
1.6 (§11.106) - revealing confidence or secret
4.4 ($11.404) - no substantial purpose other than to embarrass
Sanction:
6 months stayed

Relationship w/former Special Asst. to Karl Rove
Smith represents Benkie
During both relationships, Smith learns confidential details, reveals in book
Defense - Benkie gave permission “That's a great idea! Write a book and Make me famous!”
Disbarred

Rule #4
Play well with others!
**PLAY WELL WITH YOUR CLIENTS**

*In re Radanovic (USPTO D2014-29)*

- Patent attorney
- Represented two joint inventors of patent application - No written agreement regarding representation
- Attorney became aware of a dispute wherein one inventor alleged that the other did not contribute to allowed claims - Continued to represent both inventors
- Expressly abandoned application naming both inventors in favor of continuation naming one
- Sanction: Public reprimand

*In re Blackowicz (USPTO D2015-13)*
*In re Newman (USPTO D2015-14)*

- Day Pitney: Partner (NY) & Associate (MA)

- Clients 1 & 2=Co-Owners of Trademark
- Client 3=Client 2’s Father
- Client 4=Client 2’s Uncle
- Client 5=Client 3 & 4’s LLC

- No disclosures to & no consent from Clients 1 & 2
- No Conflict of Interest Check
- Time for representation of Clients 1 & 2 BILLED to Client 5
- DISPUTE - Withdraw...Nope
- Series of emails & phone conferences...let’s file
  - an Express Abandonment
  - new trademark applications seeking same trademark on behalf of new client, Client 6 - another LLC of Client 3
  - Oops...Petition to Reinstate
- Problem...
  - NEVER tell Client 1 about any of it
  - If Petition granted, directly adverse to new applications filed on behalf of Client 6
- Sanction: 30 days + MPRE + 13 month probation
In re Jaeger D2012-29 (USPTO Feb. 6, 2013)

- Patent Attorney & Licensed in MN - Suspended in Both
- Continues to represent 9 clients
- Complaint filed, R served - no Answer, Notification that will file for Default Judgment
- Extensions of time
  - 1st - “I need one month”
  - 2nd - Ill health, recuperating, need 1 month
  - 3rd - Please suspend this matter...I tried to settle with PTO but “they basically blew me off.”

4th Request

“Please have the ALJ factor in the fact that I then worked for the Federal Communications Commission (FCC) as an attorney, but they ran short of engineers, so I was then appointed to be an FCC inspector. I have had a very good government career. I do not like to be trashed by the Patent Office. I do not know why the Patent Office will not settle this matter, expect that [sic] the client who filed the complaint does not want to pay its bills.”

5th Request

“When can I have an oral hearing (date and time)? I will need to make travel arrangements. I would like to know What evidence you people are relying on. Please consider this an FOIA [sic] request for all of your files. I am waiting for a hearing date and time from the Minnesota Supreme Court.”
PLAY WELL WITH OED/SO

6th Request

“How soon can we have a hearing? The motion for default judgment was not well thought out, because the same matters are now pending before the Minnesota Supreme Court.”

In re Jaeger D2012-29 (USPTO Feb. 6, 2013)

4th-6th Requests never served on OED Director
Mtn for Default entered - Excluded

In re John M. Caracappa (USPTO D2014-02)

Registered patent attorney - counsel of record in inter partes review proceeding
Co-counsel sent an email to PTAB email address, naming a specific judge as the addressee
The email explained a mathematical error in a paper filed by the opposing side
Opposing counsel was not copied on the email
Attorney authorized and had full knowledge of the email, including the fact that opposing counsel was not copied
PTAB held that the email was an improper ex parte communication
Sanction: Public reprimand
In re Druce (USPTO D2014-13)

- Formerly registered patent attorney - responsible for the supervision of a non-lawyer assistant at his law firm
- Non-lawyer assistant submitted knowingly false statements to the USPTO in patent applications that Attorney was responsible for prosecuting on behalf of clients
  - Fabricated communications (e.g., facsimile transmissions, express mail labels, etc.) for papers that were never sent to the Office
  - Fabricated USPTO receipts/postcard stamps for papers that were never filed with the USPTO
  - Backdated certificates of mailing
  - Signed patent attorney’s signature to USPTO filings
- Attorney acknowledged that he failed to adequately supervise non-lawyer assistant.
- Sanction: 2-year stayed suspension and 2-year probation upon reinstatement

Rule #5

BE NICE!

Are you drunk? No seriously...are you drinking scotch with a side of crack cocaine while you “examine” patent applications? (Heavy emphasis on the quote). Do you just mail merge rejection letters from your home? Is that what taxpayers are getting in exchange for your services? Have you even read the patent application? I’m curious. Because you either haven’t read the patent application or you are...I don’t want to say the “R” word

In re Schroeder, D2014-08 - 6 month suspension
In re Tassan (USPTO 2003-10)
- Represented a neckwear company before TTAB
- TTAB denied a motion filed by R to extend the testimony period
- R left 2 VM for Board Attorney
  - Inappropriate
  - Presentation of merits
  - Personal attacks on Board attorney
- Final Decision
- R's VM to Judges Simms, Holtzman & Walters

---

Hey Mr. Simms, this is Bruce Tassan, I've just received an opinion by the Board on a [case name]. Can you tell me why you didn't mention in your opinion the fact that we're already registered for this mark. I mean are you an absolute imbecile or what, GODDAMN YOU STUPID F***ING PEOPLE!

In re Tassan, D2013-10 = Public Reprimand + Complete Anger Management Course

---

Hey Miss Holtzman. This is Bruce Tassan. I just received a on an opinion regarding [app. No.]...you guys have just absolutely ignored the fact that I have a goddamn registration for this mark...so could you please give me a F***IN CALL, GODDAMIT (yells the phone number). You guys are absolutely F***IN worthless.

In re Tassan, D2013-10 = Public Reprimand + Complete Anger Management Course
In re Tassan (USPTO 2003-10)

One month after VM, sent flowers to each of the Judges and a letter apologizing for behavior

- My assistant was out with the flu
- I was sick
- I was taking powerful prescription cough medicine

Gerstein Part I

...Or, at least don’t be a potty-mouth!

When opposing counsel had Gerstein excluded from an arbitration hearing, Gerstein, sent a letter to his opponent that included the following remark:

More importantly, as far as I am concerned, in the twenty-six years that I have practiced law, I have never met, in a limited basis, a more despicable self-made piece of dog s*** than you. You are a f****** slime-ball and a f****** slime-bag and I p*** on your existence. What I want to tell you specifically is to take this letter and jam it up you’re a******, resulting in severe paper cuts. You are a used condom of the highest order.

In re Marvin Ira Gerstein, M.R. 7626, 91 SH 354 (1991) = censure
Gerstein represented a client before the Human Rights Commission in a discrimination claim against the Illinois Department of Public Aid.

He wrote a letter to Special Assistant Attorney General who was representing the Department.

- A copy of the letter was sent to the Administrative Law Judge presiding in the case.
- The letter provided as follows:

I don’t know if because you feed off the public trough, you have your head so far up your ass you think it’s a rose garden, but I don’t appreciate the unnecessary commentary included in the aforesaid pleading filed with the Illinois Human Rights Commission......


---

**DISORDERLY BEHAVIOR**

_In re Spangler (USPTO D2005-03) (PA)_

- 2000: Road Rage - Simple assault conviction - brandished a gun and threatened another driver
- 2001: Disorderly conduct – parking lot scuffle & used obscene language and kicked a car
- 2002: Simple assault by physical menace: Dog walking – used offensive language & maced dog and walker

Disciplinary Action: 18 month suspension
DON’T STEAL!

RULE 11.115

SAFEKEEPING OF PROPERTY
- Hold property of clients & third persons SEPARATE
- Is it Commingling?
  - Paying bank fees
- Paid in Advance - Retainers/Costs
- Prompt Notification/Delivery/Accounting
- Dispute over Funds

IN RE REARDON (USPTO D2012-19)
- Patent agent & president of non-profit organization
- Disciplinary complaint alleged
  - Misappropriated at least $116,894 from non-profit org. for personal use
  - Used non-profit’s credit card for personal use without authorization
  - Submitted false annual financial reports to conceal his conduct
- Sanction: Exclusion
IN RE HAMILTON (USPTO D2009-49)

- Over 2 year period...
  - Submitted 3 NSF checks for fees
  - Commingled personal with client funds
  - Mitigation: Relapse after a 20-year period of sobriety

IN RE CARACAPPA (USPTO D2015-37)

- NV Attorney
- 2008-2013: The Players:
  - X: an employee of major corp & authorized to hire outside contractors to do patent work on behalf of corp
  - Caracappa [C]: an outside contractor who did legal work on behalf of the corp
- The Scheme:
  - X assigned work to C, but performed the work himself
  - X then authorized payment to C for work that C did not do
  - C rerouted the majority of the payment back to X
  - Fraud on corp: $2.4 million dollars
- The Sanction:
  - Plea of guilty in PA: 1 count conspiracy to commit wire fraud & 1 count conspiracy to commit money laundering
  - Exclusion

GOOD PRACTICE TIPS:

- Select Trust Account Checks that are Distinguishable from Business Account Checks
- Let Deposits Clear Before Writing Checks
- Reconcile Monthly
- Establish an Accounting System that You Understand and Can Follow Even if You Delegate Bookkeeping Tasks
- Know Your Financial Institution’s Charges and Fees for Maintaining the Trust Account
- NO Debit Card on Trust Account
Rule #7: **DON’T TATTLE**
...UNLESS YOU HAVE TO!

**Rule §11.803 Reporting Professional Misconduct**

- Requires disclosure by a practitioner of information relating to another practitioner's conduct that raises a substantial question as to that practitioner’s
  - Honesty
  - Trustworthiness or
  - Fitness as a practitioner in other respects

**SHALL** inform OED Director and any other "appropriate professional authority"

- (b) Judges, hearing officer, ALJ, patent/TM judge
- Violation of rules of judicial conduct
- Question as to fitness for office

**Knowledge Standard:**

More than mere suspicion;
Less than absolute certainty;
Timing—reasonable under circumstances
NO DISCLOSURE OF INFORMATION PROTECTED BY §11.106 OR AS PART OF A LAP PROGRAM

OK... §11.106... BUT

- Purcell v. Dist Atty for Suffolk County, 676 N.E.2d 436 (Mass 1997)
- Rule 1.6 (c) – SHALL reveal - information to the extent the lawyer reasonably believes necessary to prevent certain death or substantial bodily harm
  - Purcell represents janitor for apartment building
  - Threats for safety
  - Calls police
  - DA indicts janitor
  - Calls Purcell to testify

QUESTIONS?

TRACY L. KEPLER
TRACY.KEPLER@USPTO.GOV
571.272.8466
In the
Indiana Supreme Court

No. 29S00-1201-DI-8

IN THE MATTER OF:

JOSEPH STORK SMITH,

                    Respondent.

Attorney Discipline Action
Hearing Officer Bruce Pennamped

July 17, 2013

Per Curiam.

We find that Respondent, Joseph Stork Smith, engaged in attorney misconduct by, among other things, revealing confidential information relating to his representation of a former client by publishing the information in a book for personal gain. For this misconduct, we conclude that Respondent should be disbarred.

This matter is before the Court on the report of the hearing officer appointed by this Court to hear evidence on the Indiana Supreme Court Disciplinary Commission's "Verified Complaint for Disciplinary Action." Respondent's 1976 admission to this state's bar subjects him to this Court's disciplinary jurisdiction. See IND. CONST. art. 7, § 4.
Background

In 2010, Respondent authored a book purporting to be a true autobiographical account of Respondent's relationship from roughly 1990 through 2010 with a former client ("FC"), who was active in politics and at one point held a high-level job in the federal government. A sexual relationship between FC and Respondent began around 1990 and continued until about 2001. After their sexual relationship began, Respondent represented FC on various legal matters during these years. They maintained a personal relationship for a time thereafter. Respondent's professed motivation for writing the book was at least in part to recoup legal fees FC owed him and money FC had obtained from him over the years.

The Commission filed a "Verified Complaint for Disciplinary Action" against Respondent on January 9, 2012, charging Respondent with violating these Rules of Professional Conduct,\(^1\) which prohibit the following misconduct:

1.7: Representing a client when there is a concurrent conflict of interest due to the lawyer's personal interests without obtaining the client's informed, written consent.

1.9(c)(1): Using information relating to the representation to the disadvantage of a former client except as rules permit or require, or when information becomes generally known.

1.9(c)(2): Revealing information relating to the representation of a former client except as rules permit or require.

7.1: Making a false or misleading communication about the lawyer or the lawyer's services.

8.4(c): Engaging in conduct involving dishonesty, fraud, deceit or misrepresentation.

8.4(e): Stating or implying an ability to influence improperly a government agency or official.

The hearing officer filed his "Report of Findings of Fact, Conclusions of Law, without Recommendation Concerning the Disposition of the Case or Discipline to be Imposed"

\(^1\) Two additional rule violations were charged, which we conclude are not supported by sufficient evidence.
("Report") on February 28, 2013. Neither party filed a petition for review of the hearing officer's report, although the Commission filed a brief on sanctions. When neither party challenges the findings of the hearing officer, "we accept and adopt those findings but reserve final judgment as to misconduct and sanction." Matter of Levy, 726 N.E.2d 1257, 1258 (Ind. 2000). Having considered the hearing officer's conclusions of law, we approve and adopt them as well.

Discussion

Improper disclosures in the book (Rule 1.9(c)(1) and (2)). Respondent admits that portions of the book contain information about events involving his representation of FC. The book describes several criminal cases against FC in which Respondent represented FC. Respondent revealed such details as his negotiations regarding bail and plea agreements, conversations with a police detective, conversations with FC pertaining to the charges and her incarceration, FC's mental and physical state, the source of funds for restitution, discussions about his fees, and his personal thoughts about FC and about the matters. The book revealed that Respondent provided his legal files pertaining to his representation of FC in criminal cases to FC's husband at one point.

Respondent also represented FC for the purpose of reviewing a divorce agreement. In the book, Respondent revealed details of his conversations with FC, details about her marriage, and his personal opinions and thoughts about FC's conduct.

Respondent asserts that FC gave her consent to the disclosures of confidences when she said, in response to his statement that he might write a book about her, "That is a great idea! Write a book and make me famous!" The hearing officer concluded, however, that Respondent has not demonstrated that FC gave the level of informed written consent necessary to permit Respondent to disclose and publish the confidential information in the book.

Respondent argues that the disclosures related to his representation of FC were permitted under Prof. Cond. R. 1.6(b)(3), which states:
A lawyer may reveal information relating to the representation of a client to the extent the lawyer reasonably believes necessary . . . to prevent, mitigate or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime or fraud in furtherance of which the client has used the lawyer's services.

(Emphasis added.)

Respondent asserts that he believed FC had provided false information about her criminal history and other matters to get her job with the federal government. Respondent admits however, that he has no evidence that any document was falsified by FC. The hearing officer found no credible evidence that FC's employer relied on a false or misleading security application. In addition, Respondent's disclosure of the alleged fraud years after FC left her employment would not serve to "rectify" or "mitigate" the alleged fraud, and there was no evidence that FC's employment caused substantial injury to the financial interests or property of another or that FC used Respondent's services "in furtherance" of any fraud. The hearing officer concluded that Respondent's purpose in seeking to market the book arose from Respondent's desire to recoup financial losses allegedly caused by FC rather than to prevent, mitigate or rectify her alleged fraud.

Conflict of Interest (Prof. Cond. R. 1.7). From 1990 through 2001, Respondent represented FC on numerous legal matters and maintained a personal relationship with her. During this period, Respondent advanced money, made personal loans, permitted his credit card to be used, and provided personal assistance to FC. Although FC owed Respondent legal fees, he continued to lend her additional funds and to provide additional services. Respondent grew increasingly frustrated with FC over her lack of payments but continued to represent her in order to increase his opportunity to be repaid. Respondent did not consider whether their personal relationship, including FC's financial reliance on Respondent, would materially limit his ability to represent her professionally. The hearing officer concluded that Respondent's actions created a conflict between his own interests, the interests of third persons, and his duty of loyalty to his then-client, FC.
Statements regarding improper influence (Prof. Cond. R. 8.4(e)). Respondent revealed in the book that he had a conversation with a person at the Marion County Bail Commissioner's Project regarding the bail of FC. The book stated that Respondent "dropped the names" of several people, including a person he knew who used to work for the Project and a criminal court judge who was a friend of his. The hearing officer concluded that Respondent's purpose in doing so was to imply the ability to influence improperly the Bail Commissioner Project agent by claiming some influence due to friendships with certain public officials and judges, in violation of Prof. Cond. R. 8.4(e).

False statements (Prof. Cond. R. 8.4(c)). In the book, Respondent stated that he had conversations with a leader of a state political party during a time when FC was employed as a fund-raiser by the party. Respondent stated, among other things, that the leader told him that FC had lied regarding political contributions she had claimed to receive and that the leader hired FC due to fear that she would make unfounded accusations against him. At the hearing in this case, the leader denied making these statements to Respondent. The hearing officer found the leader's testimony to be credible on this disputed issue of fact and concluded that Respondent knowingly made false statements in the book in violation of Prof. Cond. R. 8.4(c).

False claim regarding his qualifications (Prof. Cond. R. 7.1). Respondent stated in the book that he is a "Certified Domestic Law Mediator." Alternative Dispute Resolution Rule 2.3 permits civil and domestic mediators to be "registered" with the Indiana Supreme Court Commission for Continuing Legal Education, and mediators must meet certain requirements to be registered. There is no "certification" provision. Respondent admitted he has never been registered as a mediator and never acted as a mediator in his career. The hearing officer found that Respondent violated Prof. Cond. R. 7.1 by making misleading statements about his qualifications in the book.

Aggravating and mitigating facts. The hearing officer found the following facts in aggravation: (1) Respondent improperly revealed information about a former client for self-serving reasons; (2) Respondent engaged in multiple offenses; (3) Respondent testified falsely in this disciplinary matter; (4) Respondent refused to acknowledge the wrongfulness of his conduct;
(5) Respondent had been a lawyer for approximately 35 years when he published the book and thus knew or should have known his obligations regarding safeguarding client information; and (6) Respondent's conduct in revealing information about his former client's legal matters was not an impulsive or sudden act; rather, it was planned and executed over an extended period of time. The hearing officer found the following facts in mitigation: (1) Respondent has no prior discipline; and (2) Respondent ceased efforts to sell the book when the verified complaint was served.

**Discipline.** The American Bar Association's *Standards for Imposing Lawyer Sanctions* (as amended in 1992) ("Standards") provide the following guidance misconduct warranting disbarment:

*Disbarment* is generally appropriate when a lawyer, with the intent to benefit the lawyer or another, knowingly reveals information relating to representation of a client not otherwise lawfully permitted to be disclosed, and this disclosure causes injury or potential injury to a client.

Standard 4.21 (emphasis added).

*Disbarment* is generally appropriate when a lawyer knowingly engages in conduct that is a violation of a duty owed as a professional with the intent to obtain a benefit for the lawyer or another, and causes serious or potentially serious injury to a client, the public, or the legal system.

Standard 7.1 (emphasis added).

In the book, Respondent revealed personal and sensitive information about FC that was obtained in confidence as her attorney, and its revelation had the potential of causing her public embarrassment and other injury, such as impairment of her employment opportunities. Respondent's selfish motivation in deliberately attempting to reveal this confidential information to a wide audience for monetary gain, his false statements in the book and in this disciplinary matter, and his lack of any remorse lead us to conclude that that disbarment is appropriate for Respondent's misconduct.
Conclusion

The Court concludes that Respondent violated the Indiana Professional Conduct Rules by, among other things, revealing confidential, sensitive information relating to his representation of a former client by publishing it in a book for personal gain and by engaging in conduct involving dishonesty or misrepresentation.

For Respondent's professional misconduct, the Court disbars Respondent from the practice of law in this state effective August 28, 2013. Respondent shall not undertake any new legal matters between service of this order and the effective date of the disbarment, and Respondent shall fulfill all the duties of a disbarred attorney under Admission and Discipline Rule 23(26).

The costs of this proceeding are assessed against Respondent. The hearing officer appointed in this case is discharged.

The Clerk of this Court is directed to give notice of this opinion to the hearing officer, to the parties or their respective attorneys, and to all other entities entitled to notice under Admission and Discipline Rule 23(3)(d). The Clerk is further directed to post this opinion to the Court's website, and Thomson Reuters is directed to publish a copy of this opinion in the bound volumes of this Court's decisions.

All Justices concur.
In the Matter of:

KRISTINE ANN PESHEK,                               Supreme Court No. M.R. 23794
Attorney-Respondent,                             Commission No. 09 CH 89
No. 6201779.

PETITION TO IMPOSE DISCIPLINE ON CONSENT

Jerome Larkin, Administrator of the Attorney Registration and Disciplinary Commission, by his attorney, Lea S. Black, pursuant to Supreme Court Rule 762(b), with the consent of Respondent, Kristine Ann Peshek, and with the approval of a panel of the Hearing Board, petitions the Court to enter an order suspending Respondent for sixty (60) days.

I. SUMMARY OF PETITION

1. Respondent was admitted to practice law in Illinois in 1989, and she is 53 years old. Between June 2007 and April 2008, Respondent wrote and published an Internet web log ("blog"), one-third of which was devoted to discussing her work at the Winnebago County Public Defender's office and her clients. In the work-related blogs, Respondent provided some information about her clients' identities and posted confidential information about their cases or her discussions with them. Respondent also failed to disclose to a tribunal that one of her clients had made false statements about her drug usage during the course of a guilty plea. A full description of Respondent's conduct is set forth in section II, below.

2. Respondent has not been previously disciplined and has been cooperative during the disciplinary proceedings. She has expressed remorse for her misconduct. A discussion of mitigating and aggravating factors is included in section III, below.

3. In consideration of Respondent's conduct and the factors in mitigation, a sixty (60) day suspension is warranted and is within the range of the sanctions imposed in comparable

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cases, including In re Nelson, M.R. 19657, 02 CH 12 (November 17, 2004), In re O'Connor, M.R. 19328, 01 CH 96 (May 17, 2004), In re Koziol, M.R. 8797, 92 CH 549 (January 27, 1993), and In re Barringer, M.R. 17621, 00 SH 80 (September 21, 2001). A full discussion of the discipline recommended is set forth in section III, below. Respondent's affidavit is attached as Exhibit One.
4. At the time this petition was prepared, a two-count complaint was pending before the Hearing Board of the Commission. The members of the panel assigned to consider the matter have, as required by Supreme Court Rule 762(b)(1)(b), reviewed this petition and approved its filing with the Court. A copy of the Hearing Board order approving the submission of this matter to the Court is attached as Exhibit Two. A copy of the transcript of the Hearing Board proceedings is attached as Exhibit Three.

II. FACTUAL BASIS FOR RECOMMENDATION

A. Publishing client confidences or secrets on the Internet

5. Between June 2007 and April 2008, Respondent, who was an assistant public defender in Winnebago County, wrote and published a blog on the Internet, one-third of which was devoted to discussing her work at the Public Defender's office and her clients; the remaining content of the blog concerned Respondent's health issues and her photography and bird-watching hobbies. In the work-related blogs, Respondent referred to her clients by either their first name, a derivative of their first name, or their jail identification number.

6. Respondent's blog was open to the public and was not password protected, and the contents of her blog were continuously available to anyone with access to the Internet. Respondent maintained a site meter on the blog that counted the number of visits to the blog, and Respondent knew that her blog received approximately 35 visits per day.

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7. On March 14, 2008, while Respondent represented a college student in relation to allegations that he had possessed a controlled substance, she published an entry on her blog that referred to that client by his jail identification number. The blog entry stated that the client was not guilty but was pleading to the drug charges to protect his older brother, whom Respondent knew from prior dealings involving charges that the brother had possessed drugs and guns.

8. On March 28, 2008, while Respondent represented a diabetic client in relation to his drug charges, she published an entry on her blog that referred to that client by his first name. The entry stated that the client had lied to the court about his drug use, which Respondent and others involved in the case discovered when the client's drug test later came back positive for cocaine. The entry also stated that the client had been under the influence of cocaine when he appeared before the judge.

9. On April 9, 2008, while Respondent represented a woman in relation to allegations that she had violated the terms of a previous order of probation, she published an entry on her blog that referred to that client by a derivative of her first name, and stated that the client had lied to the judge during sentencing by telling the judge that she was not using drugs. Respondent's blog entry said that immediately following sentencing, the client had informed Respondent that she was using methadone, and that the client had asked Respondent if she could go back before the judge and inform him that she was on methadone. Respondent told the client that she could not inform the judge that she was on methadone because the judge would put the client in jail for having just lied to him about being under the influence of drugs.

10. Although Respondent was aware that her client had misinformed the court regarding her drug usage, at no time did Respondent call upon her client to rectify her

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misstatement to the court, nor did Respondent inform the court that her client had admitted using methadone.

11. The information that Respondent revealed about her clients in the blogs referred to in paragraphs seven through nine, above, was confidential, and Respondent knew that the information was confidential, or that its revelation would be embarrassing or detrimental to her clients.
12. In addition to the blog entries described above, in a blog entry dated February 5, 2008, Respondent referred to a judge as being "a total asshole," and in a blog entry dated March 11, 2008, Respondent referred to a judge as "Judge Clueless."

13. On April 18, 2008, Respondent's supervisor became aware that Respondent was publishing blogs containing information about her clients, and Respondent was terminated from her employment as an assistant public defender based upon those publications.

14. Respondent's blog entries contained sufficient identifying information such that Respondent's co-workers, employees of the State's Attorney's Office, police, bailiffs, or other participants in the Winnebago Circuit Court system could determine the identity of the clients and judges to whom Respondent's blog entries referred. The blog entries also contained sufficient information such that a motivated person who was not involved with the Winnebago County judicial system could, using other publicly available information, determine the identity of the judges and clients referenced in Respondent's blog entries.

B. Conclusions of Misconduct

15. By reason of the conduct described above, Respondent has engaged in the following misconduct:

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a. failing to call upon a client to rectify a fraud that the client perpetrated on the court, in violation of Rule 1.2(g) of the Illinois Rules of Professional Conduct;

b. using or revealing a confidence or secret of the client known to the lawyer, in violation of Rule 1.6(a) of the Illinois Rules of Professional Conduct;

c. failing to disclose to a tribunal a material fact known to the lawyer when disclosure is necessary to avoid assisting a criminal or fraudulent act by the client, in violation of Rule 3.3(a)(2) of the Illinois Rules of Professional Conduct;

d. conduct involving dishonesty, fraud, deceit or misrepresentation, in violation of Rule 8.4(a)(4) of the Illinois Rules of Professional Conduct;

e. conduct that is prejudicial to the administration of justice, in violation of Rule 8.4(a)(5) of the Illinois Rules of Professional Conduct; and

f. conduct which tends to defeat the administration of justice or to bring the courts or the legal profession into disrepute, in violation of Supreme Court Rule 770.

C. Respondent's Background and Additional Considerations in Mitigation and Aggravation

16. Respondent is 53 years old and was admitted to the practice of law in Illinois in 1989. She has not been previously disciplined and has been cooperative during the disciplinary proceedings. She has also expressed remorse for her conduct.

17. In March 2007, Respondent was diagnosed with acute stress disorder after having been punched in the face by a client while in court. Respondent began blogging shortly after her diagnosis as a method of managing the stress associated with that incident.
III. RECOMMENDATION AND DISCUSSION OF PRECEDENT

18. The Administrator respectfully requests that the Court enter an order suspending Respondent for 60 days. This recommendation is supported by the following precedent.

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19. Respondent's conduct in revealing client confidences in her blogs is similar to the respondent's conduct in In re Nelson, M.R. 19657, 02 CH 12 (November 17, 2004). Nelson, while employed by the Chicago Transit Authority, removed confidential documents from her supervisor's cabinet and used information from those documents in a civil complaint that she filed against the CTA and some of its employees. After she filed her complaint, Respondent produced the misappropriated documents in response to a discovery request. Respondent was then suspended from her position at the CTA, and eventually was terminated. Nelson was suspended for 90 days. While Respondent's conduct in the case at hand and Nelson's conduct both involved revealing client confidences, Nelson's conduct also involved misappropriating documents and attempting to use them for personal gain, factors not present in the instant case. Therefore, a greater sanction was warranted in Nelson than in the case at hand.

20. In In re O'Connor, M.R. 19328, 01 CH 96 (May 17, 2004), the respondent transmitted confidential information about his firm's client to opposing counsel in a litigation matter handled by the respondent's partners. That information included the amount the client would have been willing to accept in settlement. O'Connor was suspended for 30 days. Respondent's revelation of client information is similar to the conduct that formed the basis for a 30-day suspension in O'Connor, but it involved more clients and the failure to disclose a client's false statements to a tribunal. Therefore, a 60-day suspension is more appropriate than the 30-day suspension imposed in O'Connor.

21. Respondent's misconduct also included her failure to disclose to a tribunal information necessary to avoid assisting a client in a fraudulent act. In In re Koziol, M.R. 8797, 92 CH 549 (January 27, 1993), the respondent allowed a judgment for dissolution of marriage in favor of his client to be entered after learning that the petition for dissolution of marriage contained false and misleading statements regarding the existence of marital real property, and omitted the fact that his client and his client's spouse had already obtained a divorce in Poland. The Court censured Koziol.

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22. Respondent's conduct in referring to a judge as "clueless" and referring to another judge as "a total asshole," is similar to the respondent's misconduct in In re Barringer, M.R. 17621, 00 SH 80 (September 21, 2001). In that case, the respondent filed a motion to substitute a judge in a client's dissolution of marriage matter. The motion contained false statements about the judge's financial obligations and credit limits. The motion also contained false allegations that the judge had conducted an ex parte interview with Barringer's client's son. Barringer was censured. While Respondent's conduct was similar to the respondents' conduct in Koziol and Barringer, Respondent also revealed client confidences in her blogs. Therefore, a 60-day suspension is more appropriate than the censures imposed in Koziol and Barringer.

23. Given Respondent's actions in revealing her client's confidences on the Internet, and her actions in advising her client not to correct her misstatement to the court, a 60-day suspension will serve the purposes of the disciplinary system and is within the range of this Court's precedent in cases involving comparable misconduct.

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WHEREFORE, the Administrator, with the consent of the Hearing Board, requests that the Court enter an order suspending Respondent for 60 days.

Respectfully submitted,

Jerome Larkin,
Administrator
Attorney Registration and
Disciplinary Commission

By: Lea S. Black

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M.R.22401 - In re: Scott Robert Erwin. (September 16, 2008)

Disciplinary Commission.

The petition by the Administrator of the Attorney Registration and Disciplinary Commission for leave to file exceptions to the report and recommendation of the Review Board is allowed.

Respondent Scott Robert Erwin is suspended from the practice of law for fifteen (15) months.

Suspension effective October 7, 2008.

Respondent Scott Robert Erwin shall reimburse the Client Protection Program Trust Fund for any Client Protection payments arising from his conduct prior to the termination of the period of suspension.

Order entered by the Court.
Erwin was charged in a two-count amended complaint with representing a client when the representation might be materially limited by his own interests, failing to withdraw when he knew or reasonably should have known that continued employment would result in a violation of the Rules, engaging in overreaching, breach of fiduciary duty, committing a criminal act, specifically battery, that reflects adversely on his honesty, trustworthiness, or fitness as a lawyer, and engaging in conduct involving fraud, dishonesty, deceit, or misrepresentation, conduct that is prejudicial to the administration of justice, and conduct that tends to defeat the administration of justice or bring the courts or legal profession into disrepute. Erwin admitted some of the Administrator's allegations of fact and misconduct, but denied other allegations of fact and misconduct.

The charges arose out of Erwin's representation of a client, Amber Quitno, who was employed as an exotic dancer. The complaint charged, and Erwin admitted, that Erwin agreed to give Quitno credit on bills for his legal services in exchange for her performing striptease dances for him. The complaint also charged that Erwin, while representing Quitno, touched her in a sexual manner without her consent and made false statements to police when questioned about Quitno's allegations. Erwin denied that conduct.

Following a hearing, the Hearing Board concluded that Erwin engaged in the misconduct charged and recommended that Erwin be suspended for fifteen (15) months.

The case was before the Review Board on Erwin's exceptions, challenging some of the Hearing Board's findings of misconduct and its sanction recommendation. The Administrator sought to have the Review Board uphold the Hearing Board's findings of misconduct and sanction recommendation.

The Review Board affirmed the Hearing Board's findings of misconduct. Erwin's challenges to the Hearing Board's findings of misconduct involved issues of credibility, within the province of the Hearing Board. The Review Board recommended a one-year suspension, consistent with the Court's disposition in In re Fishman, No. M.R. 19462 (Sept. 24, 2004).

BEFORE THE REVIEW BOARD
OF THE
ILLINOIS ATTORNEY REGISTRATION
AND
DISCIPLINARY COMMISSION

In the Matter of:

SCOTT ROBERT ERWIN,
Respondent-Appellant,
No. 3127084.

Commission No. 04 CH 114

REPORT AND RECOMMENDATION OF THE REVIEW BOARD

This case is before the Review Board on exceptions filed by Respondent-Appellant, Scott Robert Erwin. The Hearing Board found that, as charged in the Administrator-Appellee's two-count amended complaint, Erwin represented a client when the representation might be materially limited by his own interests, in violation of Rule 1.7(b) of the Illinois Rules of Professional Conduct (134 Ill. 2d R. 1.7(b)), failed to withdraw when he knew or reasonably should have known that continued employment would result in a violation of the Rules in violation of Rule 1.16(a)(2) (134 Ill. 2d R. 1.16(a)(2)), engaged in overreaching, breached a fiduciary duty, violated Rule 8.4(a)(3) (210 Ill. 2d R. 8.4(a)(3)) by committing a criminal act, specifically battery, that reflects adversely on his honesty, trustworthiness, or fitness as a lawyer, and engaged in conduct involving dishonesty, fraud, deceit, or misrepresentation in violation of Rule 8.4(a)(4) (210 Ill. 2d R. 8.4(a)(4)), conduct that is prejudicial to the administration of justice in violation of Rule 8.4(a)(5) (210 Ill. 2d R. 8.4(a)(5)) and conduct that tends to defeat the administration of justice or bring the courts or legal profession into disrepute in violation of former Supreme Court Rule 771 (134 Ill. 2d R. 771) (renumbered to Supreme Court Rule 770). The Hearing Board recommended that Erwin be suspended for fifteen (15) months.

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The charges arose out of Erwin's representation of Amber Quitno. The complaint alleged that, while representing Quitno, Erwin agreed to give Quitno credit on bills for his legal services in exchange for her performance of striptease dances for Erwin. Erwin admitted this conduct. The complaint also alleged that, while representing Quitno, Erwin touched her in a sexual manner without her consent and made false statements to police when questioned about Quitno's allegations. Erwin denied that conduct.

Erwin challenges the Hearing Board's conclusions that he sexually abused Quitno and the resulting findings of misconduct. In particular, he challenges the Hearing Board's finding that he committed a battery. He objects to the Hearing Board's findings of misconduct as to Count II, on the grounds that, since Quitno's testimony was not believable, there was no basis on which to conclude that Erwin had lied to police. Erwin also contends that the Hearing Board's sanction recommendation is excessive. The Administrator seeks to have the Review Board uphold the Hearing Board's findings of misconduct and its sanction recommendation.

At the time of her dealings with Erwin, Quitno was employed as a stripper. She worked at Heartbreakers, a "gentlemen's club," dancing topless or nude.

Erwin and Quitno met in summer 2001, when Erwin was at Heartbreakers as a customer and Quitno performed a dance for him. Thereafter, Quitno retained Erwin to represent her in connection with several legal matters. Erwin also represented Quitno's husband and mother in various matters. One of the cases in which Erwin represented Quitno was a civil lawsuit against a doctor, alleging that he had sexually abused Quitno. In that case, Erwin and Quitno had a contingent fee arrangement. In the other matters, Erwin worked on an hourly basis.

Quitno was having difficulty paying Erwin's bills and spoke with Erwin about this. They agreed that Quitno would dance for Erwin in exchange for credit against her legal

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bills. On more than one occasion, Quitno danced for Erwin, in his office and at Heartbreakers. In return, Erwin gave Quitno credit against legal fees due. During these dances, Quitno removed her clothing. Quitno also went to Erwin's office and modeled outfits for him that she had purchased for her work. Erwin admitted this activity and expressed remorse for it.

Quitno testified that, at various times in his office and elsewhere, during the time he was representing her, Erwin touched Quitno's breasts, buttocks, and vagina and penetrated her vagina with his finger. Erwin denied any such touching. The Hearing Board was presented with detailed evidence, fully described in its report, on this issue and on the relative credibility of the witnesses.

While she did not do so at first, ultimately Quitno contacted another attorney. In order to obtain evidence to corroborate her version of the events, Quitno recorded conversations with Erwin.

Quitno also contacted police. In December 2002, Quitno met with DeKalb police detective Robert Redel. Law enforcement officials obtained court approval to eavesdrop on and record conversations between Quitno and Erwin.
Tapes and transcripts of these conversations were introduced into evidence. During those conversations, Quitno accused Erwin of touching her inappropriately, on multiple occasions. In portions of the conversations, Erwin did not deny her allegations or tacitly admitted them. There were points at which Erwin denied certain specific allegations by Quitno.

On February 5, 2003, Redel and another detective met with Erwin at his office. In response to police questioning, Erwin repeatedly denied touching Quitno in a sexual way. Erwin also told police that Quitno had never told him that she felt he was touching her improperly. He stated that the conversation with police was the first time that Erwin had heard that Quitno thought he was touching her improperly, except for a single incident that he stated involved an inadvertent contact. Before the Hearing Board, Erwin testified about the specifics of statements made and not made during the recorded conversations and about his state of mind during the conversations with Quitno and the police. He denied having consciously lied to police.

After the conversation with police, Erwin withdrew from the cases in which he was representing Quitno. Otherwise, there was no evidence that Erwin's representation of Quitno was adversely affected by the activities at issue here. Quitno filed a civil lawsuit against Erwin as a result of his conduct. However, she did not pursue the lawsuit, which was dismissed for want of prosecution. Law enforcement officials sought to indict Erwin for criminal sexual assault. Evidence was presented to a grand jury, which did not return an indictment.

Erwin was married and has two teenaged children. Since being licensed to practice law in Illinois in 1980, Erwin has practiced law in DeKalb County. He has no prior discipline. Three attorneys, including a former DeKalb County State's Attorney, provided favorable character testimony, attesting to Erwin's reputation for truthfulness and his commitment to pro bono legal work. The curriculum director for a day care center, on whose board of directors Erwin had served for years, testified that Erwin was a committed volunteer and had a very positive reputation.

Erwin was very active in providing pro bono legal services, encouraging other attorneys to do so, and supporting the local federally funded legal aid agency. Erwin was also involved in additional community service and volunteer work.

As noted above, Erwin challenges the Hearing Board's findings of misconduct, insofar as those findings are based on improper touching of Quitno. Erwin acknowledges that he agreed to give Quitno credit against her legal bill in exchange for her performance of striptease.

dances for him. Therefore, there is no challenge to the findings of misconduct that are based on that conduct.

The Administrator has the burden of proving the misconduct charged by clear and convincing evidence. In re Ingersoll, 186 Ill. 2d 163, 168, 710 N.E.2d 390, 237 Ill. Dec. 760 (1999). However, factual findings of the Hearing Board are reviewed deferentially. The Hearing Board's factual findings generally are not reversed unless they are against the manifest weight of the evidence. In re Winthrop, 219 Ill. 2d 526, 542, 848 N.E.2d 961, 302 Ill. Dec. 397 (2006). A factual finding is against the manifest weight of the evidence only if the opposite conclusion is clearly evident. Winthrop, 219 Ill. 2d at 542, 848 N.E.2d 961, 302 Ill. Dec. 397. Under this standard of review, the Hearing Board's factual findings cannot be reversed simply because an opposite conclusion could have been reached or is reasonable. Winthrop, 219 Ill. 2d at 542-43, 848 N.E.2d 961, 302 Ill. Dec. 397. Deference to the Hearing Board is particularly warranted where its findings concern issues based on credibility determinations. See In re Smith, 168 Ill. 2d 269, 283, 659 N.E.2d 896, 213 Ill. Dec. 550 (1995); In re Witt, 145 Ill. 2d 380, 390, 583 N.E.2d 526, 164 Ill. Dec. 610 (1991). This is because, unlike a reviewing tribunal, the Hearing Board has the advantage of being able to observe the witnesses and their demeanor and, thereby, assess credibility. In re Timpone, 157 Ill. 2d 178, 196, 623 N.E.2d 300, 191 Ill. Dec. 55 (1993); Witt, 145 Ill. 2d at 390, 583 N.E.2d 526, 164 Ill. Dec. 610.

The Hearing Board found that Erwin did engage in improper touching of Quitno. The Hearing Board expressly stated that it based this conclusion on Quitno's testimony, Erwin's statements during the taped conversations, and the hearing panel's observations of Erwin as he testified. Thus, the Hearing Board's findings were clearly based on its assessment of the relative credibility of Erwin and Quitno.
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Erwin advances reasons why a different conclusion might have been possible and why Erwin's testimony should have been given greater credence than Quiño's. Such arguments, however, do not demonstrate that the Hearing Board's findings are against the manifest weight of the evidence. See Winthrop, 219 Ill. 2d at 542-43, 848 N.E.2d 961, 302 Ill. Dec. 397. The fact that evidence can be interpreted in varying ways does not mean that the interpretation reached by the trier of fact is against the manifest weight of the evidence. In re Alpert, No. 96 CH 570 (Review Board Feb. 19, 1999), approved and confirmed, No. M.R. 15847 (May 25, 1999).

The Hearing Board report thoroughly discusses the evidence presented and the reasons for its credibility determination. The Hearing Board also discussed, at length, the recorded conversations and articulated its reasons for concluding that the recorded conversations supported Quiño's version of the facts. The Hearing Board's conclusions are not against the manifest weight of the evidence and its findings of misconduct are affirmed.

The remaining issue concerns the sanction.

The Hearing Board's recommendation as to discipline is advisory. Ingersoll, 186 Ill. 2d at 178, 710 N.E.2d 390, 237 Ill. Dec. 760. In fashioning the proper sanction in any given case, the Review Board must consider each case, based on its own particular facts and circumstances, while remaining aware that the system seeks to impose sanctions consistent with those imposed in other similar cases. Ingersoll, 186 Ill. 2d at 177-78, 710 N.E.2d 390, 237 Ill. Dec. 760; Timpone, 157 Ill. 2d at 197, 623 N.E.2d 300, 191 Ill. Dec. 55. In imposing discipline, the purpose is not to punish the individual respondent, but to protect the public, maintain the integrity of the profession, and protect the administration of justice from reproach. In re Spak, 188 Ill. 2d 53, 719 N.E.2d 747, 241 Ill. Dec. 618 (1999); Timpone, 157 Ill. 2d at 197, 623 N.E.2d.

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The proven misconduct clearly warrants a significant suspension. Erwin agreed to give a current client credit against her legal bills in exchange for performing striptease dances for him. This conduct, which Erwin admits, is reprehensible in and of itself. In addition, Erwin repeatedly touched Quiño in a sexual manner without her consent, while he was representing her. Such conduct warrants significant discipline. See In re Fishman, No. M.R. 19462 (Sept. 24, 2004); In re Morris, No. 02 CH 48 (Hearing Board Dec. 27, 2005), approved and confirmed, No. M.R. 20753 (March 21, 2006); In re Landry, No. 95 CH 446 (Review Board July 3, 1997), approved and confirmed, No. M.R. 14025 (Nov. 25, 1997); In re Horne, No. 93 CH 568 (Review Board Aug. 9, 1996), approved and confirmed, No. M.R. 12936 (May 30, 1997).

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After analyzing the facts and the authorities cited by the parties and the Hearing Board, we conclude that a suspension for one year, as was imposed in Fishman, is the proper quantum of discipline in this case. We do not find sufficient distinctions between this case and Fishman to warrant a different sanction here, either harsher or less severe, than that imposed in Fishman.

In Fishman, the respondent was a senior partner in a law firm. Over a period of several months, Fishman made multiple unwelcome sexual advances toward a female associate of his firm. Fishman's conduct included touching the woman's breasts, placing his hand inside her clothing, and penetrating her vagina with his finger. See In re Fishman,
No. 01 CH 109 (Review Board March 31, 2004), *petition for leave to file exceptions allowed, sanction modified*, No. M.R. 19462 (Sept. 24, 2004). Fishman's conduct, therefore, was very similar to Erwin's.

There are distinctions between this case and *Fishman*. However, given the significant similarity in the conduct involved in the two cases, those distinctions do not warrant different discipline.

For example, unlike this case, *Fishman* did not involve giving credit against legal fees in exchange for striptease dancing. However, that additional conduct does not warrant harsher discipline here than that imposed in *Fishman*. See e.g., *In re Morris*, No. 02 CH 48 (Hearing Board Dec. 27, 2005), *approved and confirmed*, No. M.R. 20753 (March 21, 2006). In performing dances for Erwin, Quitno was doing the same thing that she did routinely in her chosen occupation. If anything, unlike the complaining witness in *Fishman*, Quitno placed herself in the situation of dancing for Erwin.

Quitno was a client, while the victim in *Fishman* was an employee, an associate of Fishman’s law firm. However, this distinction also does not warrant harsher discipline than that

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imposed in *Fishman*. See e.g. *Morris*, No. 02 CH 48; *In re Landry*, No. 95 CH 446 (Review Board July 3, 1997), *approved and confirmed*, No. M.R. 14025 (Nov. 25, 1997). Like Erwin's, Fishman's misconduct was also directed against a person to whom he owed a high duty of care and responsibility.

The Hearing Board recommended a longer suspension than that imposed on Fishman partly because it viewed Erwin's statements to police and his testimony before the Hearing Board as lies and, consequently, his statements to police as additional misconduct. Like Erwin, however, Fishman also denied the conduct at issue. Other respondents whose misconduct was similar to Erwin's also engaged in additional misconduct without receiving suspensions in excess of one year. See e.g., *Morris*, No. 02 CH 48; *Landry*, No. 95 CH 446.

A respondent typically should not be disciplined, or sanctioned more severely, because he or she has denied allegations of misconduct. *In re Bartley*, No. 96 SH 879 (Review Board June 30, 1998), *approved and confirmed*, No. M.R. 15176 (Sept. 28, 1998); *In re Grosky*, No. 96 CH 624 (Review Board May 13, 1998), *approved and confirmed*, No. M.R. 15176 (Sept. 28, 1998). This principle is based on a concern that a respondent's right to defend him or herself might be chilled if additional charges of misconduct could be found, or the sanction increased, simply because the Hearing Board rejected the respondent's version of the facts. *In re Schaaf*, No. 99 SH 64 (Review Board Dec. 28, 2000), *petition for leave to file exceptions denied*, No. M.R. 17387 (March 23, 2001). Instead, a respondent's statements denying misconduct should lead to increased discipline only if there is direct and indisputable evidence to show that specific statements were knowingly false. *Schaaf*, opinion p. 6.

In *Grosky*, the respondent gave a sworn statement to the Administrator. Believing that Grosky had lied during that statement, the Administrator charged him in a separate count of

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the complaint with having made false statements to the ARDC in connection with its investigation. The Review Board criticized that procedure, observing that, by adding an additional count, the Administrator was essentially duplicating the charges against the respondent. *Grosky*, opinion p. 10. The Review Board stated that the fact that the trier of fact resolves the factual issues against a respondent who has chosen to defend him or her self, does not, in and of itself, imply that the respondent has made willful false statements. *Grosky*, opinion p. 10. The Review Board also commented that, in a case in which there were two differing versions of the facts, it was questionable to charge a respondent with having made false statements based on the respondent's articulation of his or her version of the facts, particularly where there was no evidence to clearly indicate that the respondent believed that his or her version was false. *Grosky*, opinion p. 11.

We recognize, though, that the conduct charged in Count II was not limited solely to Erwin's denials to police of Quitno's claims that he had touched her inappropriately. Count II also alleged, and the Hearing Board found, that Erwin lied because of his statements denying that Quitno had previously confronted him with allegations of improper touching. Based on the recorded conversations, it is obvious that Quitno had previously accused Erwin of sexually touching her. Thus, Erwin's statements went beyond simple exculpatory denials of misconduct. A respondent's false statements can be used against him or her if there is evidence to show that the respondent clearly knew that the
statements were false. Schaad, opinion p. 6; see In re Rinella, 175 Ill. 2d 504, 677 N.E.2d 909, 222 Ill. Dec. 375 (1997). Therefore, we recognize that, while the conduct at issue in Count II is analogous to that in Grosky, there are some differences, which would permit a finding of additional misconduct. That conduct, however, does not merit significant weight in aggravation. See Grosky, opinion pp. 9, 11-12.

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In addition, the Hearing Board wished to deter similar misconduct in the future. We agree with this concern and with the Hearing Board's observation that, in the ten years since the Court's opinion in In re Rinella, 175 Ill. 2d 504, 677 N.E.2d 909, 222 Ill. Dec. 375 (1997), the bar should have received the clear message that sexual conduct with clients is improper. A one-year suspension, however, is very significant discipline and addresses the deterrence goal adequately, particularly under the circumstances of this case.

Cases in which discipline harsher than one year is imposed typically involve more egregious circumstances than those present here. For example, in Horne, the respondent was suspended for eighteen months. Horne began a personal, sexual relationship with a client, Lori Smutney, while he was representing her on a child support matter. Horne collected the child support payments on Smutney's behalf and forwarded them to her, after deducting a small amount for "processing costs." Horne significantly increased the amount deducted after he ended his personal relationship with Smutney. The personal relationship ended after Smutney became pregnant with a child she claimed was Horne's. After the child was born, Horne filed a complaint seeking a determination of paternity. The complaint included negative, confidential information Horne had learned during his representation of Smutney.

Erwin seeks a suspension of nine months, like that imposed in Morris and Landry. Under all the circumstances, this case does not warrant a shorter suspension than that imposed in Fishman. Given the Court's opinion in Rinella, Erwin clearly was on notice that his conduct with Quitno was highly improper. This justifies imposing more severe discipline in this case than in earlier, pre-Rinella cases, such as In re Landry, No. 95 CH 446 (Review Board July 3, 1997), approved and confirmed, No. M.R. 14025 (Nov. 25, 1997). Morris is distinguishable because, even though Erwin presented significant mitigating evidence, Morris was a decorated war veteran with a particularly impressive record of military service, a factor not present in this case. In addition, we are mindful of the Court's considered disposition in Fishman, which unlike its action in Morris, expressly rejected the Review Board's recommendation of a lesser sanction. Accordingly, the Court's ruling in Fishman further persuades us that a one-year suspension is warranted here. For these reasons, we affirm the Hearing Board's findings of misconduct. We recommend that Respondent-Appellant, Scott Robert Erwin, be suspended for one year.

Respectfully Submitted,

Leonard F. Amari
Stuart R. Lefstein
Terrence V. O'Leary

Date Entered: 26 March 2008

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1 Erwin contends that the Hearing Board looked only at the transcripts of the recorded conversations and did not listen to the recordings. This is completely speculative, particularly as the recordings were in evidence.

2 Erwin does not contend that the findings of misconduct on Count II contravene the principle that a respondent should not be disciplined based solely on having denied allegations of misconduct. See In re Bartley, No. 96 SH 879 (Review Board June 30, 1998), approved and confirmed, No. M.R. 15176 (Sept. 28, 1998); In re Grosky, No. 96 CH 624 (Review Board May 13, 1998), approved and confirmed, No. M.R. 15176 (Sept. 28, 1998). In order to safeguard the respondent's right to present a defense, we reaffirm the principle that additional misconduct should not be found, nor the sanction increased, merely because the Hearing Board has rejected the respondent's version of the facts. See In re Schaad, No. 99 SH 64 (Review Board Dec. 28, 2000), petition for leave to file exceptions denied, No. M.R. 17387 (March 23, 2001); Grosky, No. 96 CH 624.
3 In *Morris*, the Hearing Board's determination was accepted by the parties, with the Supreme Court simply approving a motion to confirm that Board's recommendation. There was no appeal to the Review Board.

4 Mr. Amari participated in the deliberation and decision in this case before the expiration of his term as a member of the Review Board.
Disciplinary Commission.

The motion by the Administrator of the Attorney Registration and Disciplinary Commission to approve and confirm the report and recommendation of the Hearing Board is allowed, and respondent Samir Zia Chowhan is suspended from the practice of law for one (1) year and until further order of the Court.

Order entered by the Court.
DECISION FROM DISCIPLINARY REPORTS AND DECISIONS SEARCH

Filed July 15, 2011

BEFORE THE HEARING BOARD
OF THE
ILLINOIS ATTORNEY REGISTRATION
AND
DISCIPLINARY COMMISSION

In the Matter of:

SAMIR ZIA CHOWHAN,
Attorney-Respondent,
No. 6274702.

Commission No. 09 CH 53

REPORT AND RECOMMENDATION OF THE HEARING BOARD

DEFAULT PROCEEDING

INTRODUCTION

The hearing in this matter was held on April 20, 2011, at the Chicago offices of the Attorney Registration and Disciplinary Commission ("ARDC"), before a hearing panel consisting of Terrence M. Burns, Chair, Stephan D. Blandin and Albert C. Baldermann. Athena T. Taite appeared as Counsel for the Administrator. Respondent, Samir Zia Chowhan, did not appear and was not represented by counsel.

PLEADINGS AND PRE-HEARING PROCEEDINGS

On July 20, 2009, the Administrator filed a two-count Complaint alleging Respondent engaged in neglect and misrepresentation in two client matters. On July 22, 2000, Respondent waived personal service and on July 23, 2009, he was served with a copy of the Complaint, Notice of Complaint, Order and Rules of the Supreme Court of Illinois via Federal Express.

Respondent participated at a telephonic pre-hearing conference conducted on September 9, 2009. At that time, the Chair entered an order directing Respondent to file an answer to the Administrator's Complaint and a report pursuant to Commission Rule 253 on or before October 14, 2009.

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At a telephonic pre-hearing conference conducted on October 20, 2009, the Administrator was granted leave to file a First Amended Complaint, which added an additional count alleging Respondent engaged in conduct prejudicial to the administration of justice and made misrepresentations in the course of a disciplinary investigation. Although Respondent did not participate at this pre-hearing conference, he was given until November 10, 2009, to file an answer to the First Amended Complaint and a report pursuant to Commission Rule 253.

At a telephonic pre-hearing conference held on December 8, 2009, the Chair granted the Administrator's Motion to Deem the Allegations of the First Amended Complaint Admitted Pursuant to Commission Rule 236, thereby limiting the evidence presented at the hearing to matters in aggravation and mitigation. Respondent participated in that pre-hearing conference.

THE EVIDENCE

The Administrator presented the testimony of Kalman Resnick and Nand Bajaj. Administrator's Exhibits 1 through 9 were admitted into evidence. (Tr. 38-39). The evidence and admitted allegations established the following facts.

Count I

In April 2003, Motorola and Omid Oliaei, an Iranian researcher, agreed Omid would emigrate to the United States of America to work for Motorola. Omid required approval from the United States Citizenship and Immigration Services ("USCIS") to work legally for Motorola in the United States. Motorola retained the law firm of Gessler Hughes Socol Piers Resnick & Dym, Ltd. ("the Gessler firm") to file its petition and related applications for Omid to obtain a visa to work for Motorola in the United States. Respondent, as an associate attorney at the Gessler firm, accepted responsibility for filing Motorola's petition and the related applications.

In April 2003, Omid entered the United States to work for Motorola on an L-1B visa, which allows a person with specialized knowledge to work in the United States. On April 22, 2003, Respondent filed various petitions or applications with USCIS regarding Motorola and Omid, including Omid's application to adjust his L-1B status to permanent resident.

On May 10, 2004, Shirin Chegeni, Omid's spouse, entered the United States on an L-2 visa, which allows the spouse of an L-1 worker to enter the United States. Respondent accepted responsibility for filing an application with USCIS to adjust Shirin's status from L-2 to permanent resident. In July 2004, Respondent prepared or caused someone to prepare a check from the Gessler firm for filing fees, so he could file Shirin's application for adjustment of status. However, at no time before April 2005 did Respondent file Shirin's application.

In July 2004, Omid contacted Respondent about the status of Shirin's application. On at least one occasion, Respondent told Omid he had filed Shirin's application, which was a false statement.

On July 16, 2004, USCIS granted Omid's application to adjust his status to permanent resident. (Tr. 18-19). Pursuant to the Immigration and Nationality Act, after Omid became a permanent resident, Shirin was no longer the spouse of an L-1 worker. As a result, Respondent had to file Shirin's application for adjustment of status based on her status as the spouse of a permanent resident by December 16, 2004, or within 180 days of Omid's adjustment of status. However, as of December 16, 2004, Respondent had not filed an application for adjustment based on Shirin's status as the spouse of a permanent resident.

Count II

Prior to February 2008, Nand Bajaj retained Respondent to file a petition for his nephew Amit Bajaj to obtain a visa via the United States Citizenship and Immigration Services' Premium Processing Service, which provides faster processing of certain petitions and applications filed with USCIS. Respondent requested $320 for filing fees, $1,000 for Premium Processing fees and $1,250 for attorney fees. On February 12, 2008, Nand paid the fees that Respondent had requested. However, at no time before February 2009, when Respondent's representation was terminated, did Respondent file a petition for Amit's visa.
On at least two occasions, between February 12 and April 16, 2008, Nand attempted to contact Respondent by telephone or e-mail and asked Respondent to contact him about the status of Amit's visa. On April 16, 2008, Respondent sent an e-mail to Nand in which Respondent stated:

I should be hearing something early next week. Unfortunately, I will be out of town next week. As soon as I receive any type of notice, I will contact you. Additionally, Amit does not have to do anything at this time. Once the approval notice comes via regular mail, I will mail to Amit, the original approval notice along with instructions for applying for the visa in India (one must set up the appointment once the approval notice is received). I will take care of instructing him and sending him the required documents. I will touch base with you as soon as I receive something.

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(Adm. Ex. 4 at 6). Respondent sent an additional e-mail to Nand in April 2008 in which Respondent stated:

While I was gone I received a call from Immigration. I spoke to them this past week, they wanted a clarification of a couple of things in the application. I should hear from them anytime regarding a decision. I will keep you posted.

(Adm. Ex. 4 at 8). Respondent's statements in the e-mails he sent to Nand in April 2008 were false because Respondent had not filed a petition for Amit's visa.

Between April and August 2008, on at least four occasions, Nand or Nand's wife attempted to contact Respondent by telephone, e-mail or in person and asked Respondent to contact Nand about the status of Amit's visa. On August 6, 2008, Respondent sent an e-mail to Nand, explaining he had been in and out of town due to his mother's illness. Respondent also stated he assumed the petition for Amit's visa was still being processed and on August 18, 2008, he would forward a copy of the petition to Nand. (Adm. Ex. 4 at 12-13). Respondent's statement that he assumed the petition was still being processed was false because he had not filed a petition for Amit's visa.

On September 17, 2008, after not receiving a copy of the petition from Respondent, Nand contacted Respondent by e-mail, stating he would contact the ARDC, if Respondent did not contact him. On September 22, 2008, Respondent sent an e-mail to Nand in which Respondent stated:

? I think I've figured out what has happened. It seems like the application was not put into premium processing and is in the regular processing line which takes about 6-9 months. I am fairly certain this has happened because I went through my records and discovered that the $1000 check for the premium processing was not cashed. It seems that in their mailroom, the premium processing part of the application somehow was mishandled.

Today I have resent the premium processing form with check to immigration to have the case converted from regular processing to premium. This should give us a response within 2 weeks at the latest ?.

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(Adm. Ex. 4 at 17-18). Respondent's statements that the application had not been put into premium processing and he resent the premium processing form to have the case converted from regular to premium processing were false, because he had not filed a petition for Amit's visa.

On at least three occasions, between September 22, 2008 and February 2009, Nand attempted to contact Respondent by telephone and e-mail and asked Respondent to contact him about Amit's visa. Respondent did not respond to Nand's attempts to contact him.

On February 2, 2009, Vandana Kamboj, a California attorney and Nand's niece, sent a letter to Respondent at Nand's direction. The letter advised Respondent that Nand wanted a full refund of the fees he paid to Respondent. (Adm. Ex. 5). Respondent received the letter shortly thereafter. On February 9, 2009, Nand filed with the ARDC a request for an investigation of Respondent. (Adm. Ex. 3). Shortly thereafter, Respondent received notice from the ARDC of Nand's request for an investigation. On April 1, 2009, Respondent refunded the $2,570 Nand had paid to him. (Adm. Ex. 6).
In May 2009, Respondent was a sole practitioner, who shared office space with several other attorneys. On May 28, 2009, Respondent logged onto the Internet at his law office at 134 N. LaSalle, Suite 1800, Chicago, Illinois through AT&T Internet Services, the Internet provider of the attorney, who had an office in the same suite and building and from whom Respondent was then renting an office. At approximately 1:25 p.m. Respondent accessed the website, "Craigslist.org," ("Craigslist") and posted an ad in the "Adult Gigs" section of the classified advertisements of Craigslist.

The title of the post was "Loop lawyers hiring secretary/legal assistant." The post read as follows:

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Loop law firm looking to hire am [sic] energetic woman for their open secretary/legal assistant position. Duties will include general secretarial work, some paralegal work and additional duties for two lawyers in the firm. No experience required, training will be provided. Generous annual salary and benefits will be provided, including medical, dental, life, disability, 401(k) etc. If interested, please send current resume and a few pictures along with a description of your physical features, including measurements. We look forward to meeting you.

- Location: Loop
- It's NOT ok to contact this poster with services or other commercial interests
- Compensation: Annual salary negotiable

The Craigslist post by Respondent provided that replies were to be made to gigs-cdxwa-1193445671@craigslist.org. (Adm. Ex. 7 at 9). Subsequently, replies to the ad were forwarded via Craigslist to Respondent's office e-mail address.

On May 28, 2009, at 10:26 p.m., Debbi Dickinson sent Respondent an e-mail response to Respondent's posting. Ms. Dickinson's response included her employment history, a photo, her height, clothing size and her measurements. (Adm. Ex. 7 at 10-12). Although Dickinson found Respondent's request for a description of her physical features unusual, she believed Respondent was seeking an attractive secretary.

Respondent received and read Ms. Dickinson's e-mail. On May 29, 2009, at 9:23 a.m., Respondent responded by e-mail to Dickinson's e-mail. Respondent's response read as follows:

Debbi,

Thank you for your interest in the job. I just wanted to give you some more info about the job and see if you are still interested in interviewing.

Our law firm is a boutique firm, concentrating solely in immigration law. The name of the law firm is Chowhan Law, P.C. You can see the website at www.chowhanlaw.com. You would be working with the two partners of the firm. Your duties will include the general secretarial work and legal work. The legal work will include filling out visa applications, etc. As mentioned in the posting, you will have an annual salary which will depend on your experience and other

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factors, the range will be from $50,000 to $75,000. In addition, we provide several benefits such as medical, dental, retirement, life, disability.

As this is posted in the "adult gigs" section, in addition to the legal work, you would be required to have sexual interaction with me and my partner, sometimes together sometimes separate. This part of the job would require sexy dressing and flirtatious interaction with me and my partner, as well as sexual interaction. You will have to be comfortable doing this with us.

If you think you're comfortable so far, please let me know and we can proceed with the process.

The next step is to set up an interview. When are you available to interview? I am free to interview today. Please let me know what your availability is.
Lastly, we've actually hired a couple of girls in the past for this position. But they have not been able to handle the sexual aspect of the job later. We have to be sure you're comfortable with that aspect, because I don't want you to do anything that you're not comfortable with. So since that time, we've decided that as part of the interview process you'll be required to perform for us sexually (I didn't do this before with the other girls I hired, now I think I have to because they couldn't handle it). Because that aspect is an integral part of the job, I think it's necessary to see if you can do that, because it'll predict future behavior of you being able to handle it when you have the job.

If you're still okay with everything, let me know what you're availability is and we can figure out a time for you to come in and interview. Let me know. Thanks for your interest.

Samir

(Adm. Ex. 7 at 12-14). Ms. Dickinson was frightened by Respondent's response and did not reply to Respondent's e-mail.

On June 1, 2009, Ms. Dickinson sent a request for investigation to the Administrator of the ARDC, attaching a copy of Respondent's Craigslist post, her e-mail reply and Respondent's e-mail response. (Adm. Ex. 7). On June 16, 2009, Counsel for the Administrator mailed a letter to Respondent attaching the request for investigation from Ms. Dickinson and requesting Respondent respond in writing within 14 days. Respondent received the request shortly thereafter.

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On July 22, 2009, Respondent sent a response via facsimile to Counsel for the Administrator in which Respondent stated:

? It appears that somebody with malice [sic] intentions has used my business information to post the advertisement on Craigslist. I did not post the advertisement for a legal secretary?.

(Adm. Ex. 8). Respondent's statement that he did not post the advertisement on Craigslist was false. On September 22, 2009, Respondent appeared for a sworn statement at the Chicago office of the ARDC. At that time, Respondent acknowledged he posted the May 28, 2009 Craigslist advertisement and sent the May 29, 2009 e-mail to Ms. Dickinson. (Adm. Ex. 9 at 18-26).

Evidence Offered in Aggravation

Kalman Resnick is a partner and shareholder at Hughes, Soool, Piers, Resnick and Dym, Ltd. (Tr. 13). Mr. Resnick has been directing his firm's immigration practice since 1990 and was Respondent's principal supervisor while Respondent was an associate with the firm. (Tr. 13-14). Mr. Resnick testified that Respondent's neglect of Shirin Chegeni's immigration matter put her at risk of being removed from the United States. In addition, she could have been barred from returning for 3 to 10 years. (Tr. 20-22). Upon being advised of Respondent's actions, Mr. Resnick's firm fully disclosed the facts to Shirin, continued to represent her for no charge and advised the ARDC of Respondent's misrepresentations. (Tr. 22-23; Adm. Exs. 1, 2). The firm also paid the costs and fees incurred when Omid sought counsel from another attorney. The firm remedied Respondent's neglect by sending Shirin and Omid to the United States Consulate in Abu Dhabi in order to obtain the proper immigrant visa. (Tr. 22-24). Mr. Resnick's estimated his firm paid approximately $7,500 to rectify Respondent's mishandling of Shirin's matter. (Tr. 24).

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FINDINGS OF FACT AND CONCLUSIONS OF LAW

In attorney disciplinary proceedings, the Administrator must prove the alleged misconduct by clear and convincing evidence. Supreme Court Rule 753(c)(6); In re Cutright, 2009 IL 107236. Clear and convincing evidence is a standard of proof which, while less than the criminal standard of proof beyond a reasonable doubt, is greater than the civil standard of preponderance of the evidence. "Clear and convincing evidence has been defined as evidence producing a firm belief or conviction as to the truth of the proposition." Cleary and Graham, Handbook of Illinois Evidence, sec. 301.6 (8th ed. 2004).
The allegations of the Complaint were deemed admitted due to Respondent's failure to file an answer or other responsive pleading. The Administrator's witnesses and exhibits provide further proof to support the admitted allegations of the Complaint. Therefore, we find Respondent:

a. failed to act with reasonable diligence and promptness in representing a client in violation of Rule 1.3 of the Illinois Rules of Professional Conduct ("Rules") (Counts I and II);

b. made a false statement of material fact in connection with a lawyer disciplinary matter in violation of Rule 8.1(a)(1) of the Rules (Count III);

c. engaged in conduct involving dishonesty, fraud, deceit or misrepresentation in violation of Rule 8.4(a)(4) of the Rules (Counts I, II and III);

d. engaged in conduct that is prejudicial to the administration of justice in violation of Rule 8.4(a)(5) of the Rules (Count I); and

e. engaged in conduct which tends to defeat the administration of justice or to bring the courts or the legal profession into disrepute in violation of Supreme Court Rule 770 (Counts I, II and III).

RECOMMENDATION

The purpose of the disciplinary system is to protect the public, maintain the integrity of the legal system, and safeguard the administration of justice. In re Gorecki, 2003 IL 96299. See

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also, In re Howard, 1999 IL 86982. The goal is not to punish the attorney, but to determine whether the attorney should be permitted to practice in the profession. In re Smith, 1995 IL 78479. In determining the proper sanction, we consider the proven misconduct along with any aggravating and mitigating factors. In re Witt, 1991 IL 71176.

In aggravation, Respondent failed to appear at his disciplinary hearing. Respondent's lack of participation in this matter indicates both a lack of concern for his professional fate and disrespect for the disciplinary process. See In re Brody, 1976 IL 48343. In further aggravation, Respondent's neglect of Shirin's immigration matter put her at risk of being deported from the United States and caused Respondent's law firm to incur significant costs to remedy Respondent's neglect of Shirin's matter.

We are mindful Respondent has no prior discipline. Generally, a lack of prior discipline is a mitigating factor. However, in this case it is insufficient to outweigh the serious nature of Respondent's neglect of two client matters, his lack of candor with his clients and the ARDC and his engagement in conduct, which reflects poorly on the legal profession. Additionally, Respondent forfeited his opportunity to present any evidence of mitigating circumstances by his failure to appear at the hearing.

Having considered the aggravating and mitigating factors, we now must determine an appropriate sanction for Respondent's misconduct. The Administrator recommends Respondent be suspended for one year and until further order of the Court. We agree. The following cases support our recommendation that a one year suspension and until further order of the Court is warranted, when an attorney engages in neglect of client matters, makes misrepresentations to his clients and the ARDC, attempts to use his position of authority in an employment matter in an inappropriate manner and fails to participate in his disciplinary case.

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The Illinois Supreme Court stated in In re Houdek, 1986 IL 62754, the lack of any evidence that an attorney is willing or able to meet professional standards of conduct in the future, warrants a suspension until further order of the Court. In this case Respondent failed to meaningfully participate in the disciplinary process. He did not file an answer or responsive pleading to the Administrator's First Amended Complaint and failed to appear at his disciplinary hearing. There was no evidence presented at the hearing to show Respondent understands and is able to meet his professional obligations.

The attorney in In re Samuels, 1989 IL 65944 was suspended for one year for neglecting four client matters over a six year period. Similar to Respondent, the attorney in Samuels caused harm to each of the four clients whose cases he
neglected. In this case, Respondent's neglect of Shirin's matter put her at risk of being deported from the United States. Although Respondent neglected fewer client matters than the attorney in *Samuels*, Respondent also made misrepresentations to his clients about his handling of their matters in an attempt to conceal his neglect of their cases.

The attorney in *In re Bonner*, 93 CH 442, M.R. 10536 (Nov. 30, 1994) was suspended for one year and until further order of the Court for neglecting three client matters, engaging in dishonest conduct and failing to meaningfully participate in the disciplinary process. The attorney in *In re Gershon*, 06 CH 14, M.R. 21295 (Jan. 12, 2007) was suspended for one year and until further order of the Court for his neglect of one client matter and his failure to cooperate with the ARDC. The attorney in Gershon also had a prior disciplinary matter in which he neglected two client matters and made misrepresentations to one of those clients. Respondent's misconduct in this case is comparable to the misconduct of the attorneys in both Bonner and Gershon.

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We also note the attorney in *In re Clark*, 97 CH 111, M.R. 17713 (Nov. 29, 2001) was suspended for two years and until further order of the Court for his misconduct arising out of three separate instances in which he tied women with rope and did not immediately release them. The women were applicants and support staff in law firms, which employed the attorney. Respondent's placement of an ad in the "Adult Gigs" section of Craigslist for a legal secretary and his subsequent response to Ms. Dickson is not as serious as the attorney's misconduct in Clark. However, similar to the attorney in Clark, Respondent used his position of authority in an employment context in an inappropriate manner, which reflects poorly on the legal profession.

Accordingly, having considered the misconduct that occurred, the aggravating factors and the case law, we recommend Respondent be suspended for one year and until further order of the Court

Terrence M. Burns, Chair, with Stephan D. Blandin and Albert C. Baldermann, concurring.

**Date Entered:** July 15, 2011
LINKS TO USPTO CASES

In re Haigh
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0565_DIS_2009-08-03

In re Sylvester

In re Hicks
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0749_DIS_2013-09-10

In re Massicotte

In re Edelson
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0668_DIS_2011-12-15

In re Goldstein

In re Wick

In re Manghera
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0607_DIS_2010-06-10

In re Cohen

In re Cipriani

In re Radanovic
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0794_DIS_2014-12-16

In re Blackowicz

In re Newman

In re Jaeger
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0736_DIS_2013-02-06
In re John M. Caracappa

In re Druce

In re Schroeder

In re Tassan
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0094_DIS_2003-09-08

In re Spongler

In re Reardon

In re Hamilton
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0619_DIS_2010-07-21

In re David Caracappa
http://e-foia.uspto.gov/Foia/RetrievePdf?system=OED&flNm=0839_DIS_2016-01-05
Clark was a candidate in the primary for district attorney. He volunteered to provide legal services for victims of domestic violence. He undertook to represent a client who was involved in a custody dispute with her allegedly abusive estranged husband. Clark engaged in a sexual relationship with the client during the representation. When the client’s estranged husband learned of the sexual relationship, he threatened to file a criminal conversation lawsuit against Clark. Clark prepared an affidavit for the client’s signature swearing that Clark and the client did not have a sexual relationship. When Clark demanded that the client sign it, she refused. Clark told her that he had gathered a lot of information while representing her and if she did not sign the affidavit he would use the information to be sure she never saw her children again. Clark also threatened to kill his secretary if she did not give false testimony denying that Clark and the client had a sexual relationship.

Clark and his wife filed a lawsuit against the client alleging that she defamed him by stating that they had a sexual relationship. Clark signed a verification swearing to the factual accuracy of that complaint knowing that the complaint was false. Clark did not tell his wife that the complaint they filed was false.

Clark pled guilty to two counts of misdemeanor communicating threats and one count of common law obstruction of justice. The Disciplinary Hearing Commission found that Clark committed criminal acts that reflect adversely on his honesty, trustworthiness or fitness, had sexual relations with a current client, engaged in a conflict of interest, made false representations of material fact to a tribunal, engaged in conduct involving dishonesty, fraud, deceit or misrepresentation, engaged in conduct prejudicial to the administration of justice, brought a frivolous proceeding that was not based in fact, revealed confidential client information, and knowingly made false statements to a disciplinary authority. To the State Bar’s horror, five judges from his district testified that notwithstanding those findings, they believed Clark had good character. The DHC concluded otherwise and disbarred him.
In the Matter of William L. Ketcham, PDJ 2014-9104 (Arizona, March 2015)

Complainant's husband died in December 2007. She retained Respondent's services to advise her on her late husband's intellectual property. Complainant had an agreement with the University of Arizona for publication of her husband's manuscript and she wanted Respondent to review the agreement. Respondent undertook this work and provided legal services to Complainant through January 2012.

In 2009, however, Respondent invited Complainant to dinner. In the e-mail to Complainant, Respondent told Complainant that there were "obstacles" to becoming romantically involved with her including the "rules of the State Bar." Complainant responded to the e-mail, "I can be very discreet (and surely we can obey State Bar rules)...or do you need to refer me to one of your competent colleagues?" Respondent sent a follow-up indicating that he had a restless night and he was left in a quandary about where to go with this. "The Bar thing would require you get another attorney, but that's doable..." Complainant responded that she was interested in moving forward on a personal level and again references alternate counsel. One week later, Respondent and Complainant engaged in a sexual encounter which would become an ongoing relationship. Respondent continues to lament over the rules that would preclude such a relationship. In an e-mail to Complainant, "who would want or think to do that [report his activities], I don't know, but I do know that in the end the fact that you are not unhappy with the situation will make no difference to those who would be in charge of reviewing the matter." Again, Complainant encourages an end to their "perfect business connection for the more magical, personal one..." Respondent never explains the ethical issues involved with a lawyer and client engaging in a romantic relationship.

In 2011, Respondent initiated a child custody proceeding out of fear for his 11 year-old daughter's safety in her mother's household. Respondent told Complainant about the child custody proceeding and that it was creating a financial struggle for him. Complainant offered to loan Respondent $10,000 to assist him with the child custody matter. Respondent accepted the offer.

In January 2012, Complainant discovered that Respondent was having a sexual relationship with his assistant. Complainant e-mailed Respondent telling him that he was to do no further legal work for her and that he should repay the loan within the week. Respondent would remind Complainant that he was reluctant to take the money and how she had emphasized that she realized the money could just be gone and she was okay with that. The two would go back and forth about the loan. Respondent sent Complainant $8,410 which was a repayment of the loan less legal fees owed. After additional protestation, Respondent would refund the additional $1,590 to Complainant. Respondent agreed that his conduct violated several conflict of interest rules. The parties entered into a consent agreement for a 30-day suspension and one-year of probation.
In re Loren Elliot Friedman, M.R 23720, 2008 PR 00032 (Ill. May 18, 2010).

Friedman, who was licensed in Illinois in 2006, was suspended for three years and until further order of the Court in a case that received significant media notoriety throughout the country. Essentially, he made a material misrepresentation on his application for admission to the Illinois bar by failing to disclose that he submitted altered law school transcripts to prospective law firm employers.

He attended Emory University and graduated in 1998 with a major in biology. He decided to go to medical school and was admitted to the University of Illinois Medical School. He attended medical school for one year and described it as “a very bad and horrible experience.” He claimed to hate his classes and stopped going to them. The medical school dismissed Respondent for poor scholarship. Later, he decided to go to law school. He applied to the University of Chicago Law School and attested on his law school application that the information he supplied was true and complete. It wasn’t. Friedman did not disclose his year at medical school, although he was asked to list “all colleges, universities, and graduate or professional schools attended.” He also answered “no” to a question on the admission application asking, “Were you ever dismissed or placed on academic probation or subjected to serious disciplinary action at any college or university?” He managed to get admitted nonetheless.

Despite significant effort during his first year of law school, his grades were “fairly poor.” He believed that the grades he had were “not sufficient to get a job in a premier law firm,” and he “needed to work in a premier law firm” to portray an image of success. He participated in on-campus interviews at the law school. He requested an interview with Sidley & Austin. The law school gave Friedman a copy of his grade transcript for use in the interviews. Sensing his opportunity, Friedman “whited-out” the numerical grades on his transcript, typed different numbers on another sheet of paper, and put the two sheets together so that the new numbers lined up on the first sheet. He then had the new document copied at a printing business so that the change in grades would not be apparent to someone looking at the document. Miraculously, his two B’s and eight C’s were transformed to four A’s and six B’s. He was able to procure a summer associate position with Sidley at a salary of $2,400 per week.

Interestingly, after acquiring this job, he took a Law, Science and Medicine course where he submitted a paper in which he copied verbatim almost seven paragraphs from a work by a published author, reordered the paragraphs, and represented them as his own. His professor discovered the plagiarism and reported her findings to the law school Dean of Students. The Dean questioned Friedman, who said that he had been rushed when he wrote the paper and attributed the problem to carelessness. The Dean believed that Friedman was contrite and that the incident was isolated. He determined not to appoint a disciplinary committee to investigate the incident,
but directed Friedman to submit to him for his review all papers Friedman was required to write for the remainder of his law school enrollment.

While working at Sidley, he was asked to provide a supplemental grade transcript. He obliged his employer by submitting yet another doctored transcript (this time his grades were transformed from three B’s, two B-‘s, fourteen C’s, and one C- to five A’s, three B+’s, and twelve B’s; not surprisingly, he raised his ethics grade from B- to B+). Sidley extended a job offer to him upon graduation, but he declined to accept it once he learned that Sidley would require the University of Chicago to provide them with a certified grade transcript. He applied for a clerkship with a bankruptcy judge using his true transcripts and resume and got the job.

After his clerkship, he got a job with the firm Skadden Arps in Delaware. He was fired from Skadden because he could not pass the Delaware bar examination. He managed, however, to get admitted in both New York and Illinois. He was not candid in his application to the Illinois Bar. Serendipitously, Michael Sweeney, a graduate of the University of Chicago Law School and a Sidley hiring partner, received an e-mail from Sidley’s recruiting staff that contained a forwarded e-mail from a legal search firm. The search firm was trying to find employment for Friedman, who was at that time practicing outside Illinois. Sweeney said that he recognized Friedman’s name and was puzzled as to why he would approach Sidley through a search firm when he had previously turned down Sidley’s offer of employment. Sweeney said that when he saw Friedman’s actual law school transcript attached to the e-mail, he was “absolutely floored.” Sweeney talked with Sidley personnel who had been involved in recruiting Friedman, but no one knew why Friedman was offered a summer position with the grades shown in the search firm’s transcript. Sidley’s human resources department obtained the relevant employment file and saw the resume and transcripts that Friedman had tendered to the firm. Sweeney realized that someone with Friedman’s grades would not have been invited to work at Sidley, and he believed that the firm “had been defrauded.”

A grievance was filed and eventually formal charges were lodged. At the time of the disciplinary hearing, Friedman was pursuing an MBA at the University of Illinois Business College, where he said he hoped to develop further skills in the area of bankruptcy and corporate structuring. Before he submitted his application for the MBA program, he asked his attorney to review it to ensure that he had provided all the information that was requested. He did not, however, mention the falsified transcripts, the problem with the law school paper, or the omission on the law school application, but he did not believe that information was responsive to any question on the application. He did disclose his dismissal from medical school. With respect to the pending ARDC complaint, Friedman stated that he contacted the assistant dean of student affairs before he began the MBA program, disclosed the general nature of the allegations, and offered to provide a copy of the complaint, but his offer was declined because the school was only interested in matters of a
criminal nature. He acknowledged he did not inform the student affairs office of the specific allegations against him.

As an aside, the University of Chicago Law School now provides transcripts with official seals on specially marked paper and Sidley currently requires certified or official law school transcripts for students entering its summer program.

In the Matter of Robert A. Mintz, No. 110,111 (Kansas Feb. 7, 2014)

Mintz, admitted in 1990, was suspended indefinitely. He concealed or destroyed evidence and provided false information to police who were investigating the death of one of Mintz's former associates who was out drinking with him the night of her death.

Sometime after her admission to the Kansas bar, J.A. was hired by Mintz's firm as an associate. The young lawyer suffered from depression and chronic alcohol abuse. Approximately two years after being hired, J.A. and Mintz began an intimate relationship, even though they both were married to others at the time. J.A.'s problems became so severe that, at some point while working at the firm, she received treatment on an outpatient basis. In 2011, she stopped working at the firm. Nevertheless, Mintz and J.A. continued their relationship after she left the firm and they even discussed marriage at a future date.

J.A.'s chronic alcohol abuse continued and her family assisted in enrolling her in inpatient alcohol abuse treatment. While J.A. was undergoing inpatient treatment, Mintz visited J.A. and participated in her treatment program as a family member. In early 2012, she was discharged from inpatient treatment. Mintz attended J.A.'s graduation from the program.

Within a few days of her release from inpatient services, J.A. relapsed and began consuming alcohol. It turns out that, at a dinner, Mintz and J.A. consumed a bottle of wine. The two then spent the following day together and each drank alcohol while watching a sporting event on television. Later, they both attended an Alcoholics Anonymous meeting. The following day, a Sunday, the couple spent the day in Kansas City, Missouri. They had lunch at one of the restaurants at Country Club Plaza in Kansas City, Missouri, where they drank champagne and sampled new flavored tequilas. After walking around the Plaza smoking cigars, Mintz and J.A. drove to a restaurant with a bar in J.A.'s neighborhood, in separate cars. At the neighborhood restaurant, the couple sat at the bar and ordered dinner. Mintz and J.A. each consumed vodka martinis, three or four shots of alcohol, and a big glass of Port while sitting at the bar. That evening, Mintz drove J.A. to her apartment, leaving. J.A.'s car was left in the restaurant parking lot. As a romantic gesture, he carried her from her car to her apartment. He set her down on the landing inside her front door, in a
sitting position, said goodnight, and drove his car to his own residence. The landing inside the front door of the apartment is at the bottom of a set of stairs.

The next morning, J.A. did not answer her telephone. Mintz became worried that she had gotten up and started drinking alone, so he went to her apartment to check on her. Mintz discovered her at the bottom of the stairs. He attempted to wake her. Unsuccessful, he grabbed her under her arms, lifted her up, and then saw that her face was blue. He put his finger in her mouth to see if something was in her throat keeping her from breathing, but he did not find anything. He then noticed that her body was cold and it was then that he realized that she was dead.

Thereafter, Mintz took deliberate steps over several hours to hide his associations with J.A.'s drinking. He deleted text messages from her phone. He walked to the restaurant, picked up J.A.'s car, drove it back to her apartment and left her phone and keys in the car. Mintz also deleted J.A.'s text messages on his phone. While returning to his residence, Mintz decided not to call to the police, but his former law partner. Ignoring that attorney's advice to call immediately for emergency assistance, Mintz went home to change his clothes which had been soiled by J.A.'s bodily fluids. Eventually, he returned to J.A.'s home and called 911 and J.A.'s mother. When questioned by police, Mintz falsely stated that he found J.A. deceased in the morning, that the last time her saw J.A. was late afternoon the day before, and that they did not drink any alcohol. Mintz also failed to inform the police that he had moved her body when he attempted to wake her up, that he had retrieved her car from the restaurant, and that he had driven home to change his clothes before returning to her apartment to call for emergency assistance.

A Hearing Panel dismissed the charges against Mintz, concluding that Mintz did not engage in a criminal act. Although the Panel concluded that he did engage in dishonest conduct in providing false information to the police, the Panel reasoned that it was a “completely human reaction to an emotionally charged situation.” The Panel also opined that, because Mintz corrected his false statements within 48 hours of his initial statements and because the focus of the investigation was a medical report, Mintz’s conduct did not prejudice the administration of justice.

The Kansas Supreme Court disagreed. In suspending Mintz indefinitely, the Court stated that “trauma and stress do not excuse a lack of honest when dealing with law enforcement officials.” The Court concluded that “Mintz’s deceptive acts and practices impeded the investigation” because “his failure to immediately correct his statement left the officers with false information that had to be sorted through.” Moreover, the Court concluded that conduct does not need to harm a specific proceeding to prejudice the administration of justice. Instead, conduct “prejudices the administration of justice when an attorney makes a false statement which, in any way, has a bearing on the legal process.” Finally, the Court concluded that “destruction of evidence or an attempt to hide evidence is an act impacting the
administration of justice and warranting discipline.” Mintz was reciprocally disciplined in Missouri. In re Robert A. Mintz, MBE No. 41506 (Mo. June 24, 2014).

**In re Steven Ross Belcher, M.R. 22278, 08 RC 1502 (IL, May 19, 2008)**

Belcher was licensed in Illinois in 2002 and in Missouri in 2004. He was suspended for six months in Missouri, with the suspension stayed by a six-month term of probation with conditions.

Belcher, while working for Jurist Temps Legal Staffing Solutions, was retained to work as a temporary attorney for the St. Louis law firm of Paule Camazine & Blumenthal, a position that provided him with access to the firm’s computer system and client files. He was assigned by the firm to represent a local governmental entity in a wrongful death case involving an individual who died while in the custody of the sheriff’s office. Utilizing the firm’s computer system, Belcher sent an e-mail to his friends attaching a photograph showing the overweight decedent lying naked on an emergency room operating table that he obtained from the client’s file. Belcher added to the e-mail lewd and disparaging comments about the decedent that was potentially damaging to the firm and the client. Illinois imposed reciprocal discipline and suspended him for six months, with the suspension stayed by a six-month term of probation with conditions. He is also licensed in Virginia.


Gerstein, who was licensed in 1964, was suspended for thirty days for writing a series of inappropriate and abusive letters in connection with his representation of four different clients.

In one letter, penned to an attorney for the Illinois Department of Human Rights, he wrote: What kind of fool are you, Mr. McManaman? A natural born fool or a self-made fool? In either event, if you want to play the dozens with me, then I think you’ve bitten a little more off than you can chew because I will be teaching you a lesson in civility, understand boy? I don’t know if because you feed off the public trough, you have your head so far up your anus you think it’s a rose garden, but I don’t appreciate the unnecessary commentary included in the aforesaid pleading filed with the Illinois Human Rights Commission. If you want to be an idiot, be an idiot on your own time, punk, because I do not suffer idiots or punks kindly. To another individual he wrote: If your letter of October 13, 1998, was to piss me off, you certainly did a good job of it, honey. Now the thing that I can’t understand is whether or not you are a natural born fool or a self-made fool but I don’t suffer
fools on any level. I WRITE THIS IN BOLD AND FULL CAPS SO THAT YOU CAN READ IT AND READ IT WELL SWEETIE PIE.....So please find enclosed copy of your letter of October 13, 1998, in bite size pieces for your dining enjoyment or whatever enjoyment you and Mr. Bill want to do with these pieces. I’ll leave that up to your imagination, not mine. Maybe you could have the pieces over a nice glass of Chardonnay. Actually what I’ve done is soaked the pieces of your letter in a cocaine mixture so who knows maybe you and Mr. Bill would like to snort these pieces instead of eating them.

At the disciplinary hearing, Gerstein, called as an expert witness a graduate student and University of Illinois teaching assistant who had been teaching courses on the principles of business writing and persuasive writing for “two years almost exactly.” She thought that the letters “follow[ed] the structure of a persuasive message,” and described one line (referring to the “rose garden”) as a “bit of colorful language [that] would be an example of writing that tries to produce the effect that it’s describing.” Needless to say, her opinion was rejected.

As to any suggestion of remorse, the following text appeared in a letter that the Respondent sent to a newspaper just before the entry of the disciplinary sanction:

The people who need to be questioned are the politically vindictive Mary Robinson of the Attorney Registration and Disciplinary Commission, who couldn’t try her way out of a paper bag, and her hand puppet, Peter Rotskoff. It is the authority of the stupid being implemented by bureaucratic cretins of the mentally inane. Their stench permeates the legal profession. Will I change? Never.