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## Intellectual Property Law

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# INTELLECTUAL PROPERTY LAW

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## I. INTRODUCTION

This article surveys significant developments in intellectual property (IP) law during the past year (i.e., 2018 or the Survey period).<sup>1</sup> This article reviews IP law developments that are likely to be influential in the evolution of Texas IP jurisprudence. Thus, the cases cited focus on the decisions of the U.S. Supreme Court and the U.S. Court of Appeals for the Federal Circuit. For developments in trademark and copyright law, although the U.S. Court of Appeals for the Fifth Circuit's authority is binding, other circuits are considered highly persuasive.

The U.S. Supreme Court decided several cases involving IP issues during this Survey period. In patents, the Supreme Court considered the constitutionality and statutory compliance of the U.S. Patent and Trademark Office (PTO) *Inter Partes* Review (IPR) program.<sup>2</sup> In these cases, the Supreme Court teetered between expansive and limited views of the PTO's authority to adjudicate and develop its own rules and procedures. The Supreme Court also addressed the ability to recover foreign lost profits under 35 U.S.C. § 284.<sup>3</sup> The Federal Circuit weighed in on when summary judgment is appropriate for determinations of subject matter eligibility under 35 U.S.C. § 101,<sup>4</sup> which aspects of the PTO's discretion to institute an IPR are subject to appeal,<sup>5</sup> and whether patents assigned to Native American tribes can be shielded from challenges at the PTO under tribal immunity.<sup>6</sup>

In trademark, the U.S. Court of Appeals for the First Circuit considered whether a debtor in a bankruptcy proceeding can reject a previously-granted trademark license,<sup>7</sup> while the Federal Circuit weighed in

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1. The views expressed in this article are the views of the individual authors, and are not necessarily those of Haynes and Boone, LLP, its attorneys, or any of its clients.

2. *Oil States Energy Servs. v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1372 (2018); *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

3. *WesternGeco, LLC v. ION Geophysical Corp.*, 1385 S. Ct. 2129, 2139 (2018).

4. *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

5. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018).

6. *Saint Regis Mohawk Tribe v. Mylan Pharms.*, 896 F.3d 1322 (Fed. Cir. 2018).

7. *In re Tempnology, LLC*, 879 F.3d 389, 394 (1st Cir. 2018), *cert. granted in part sub nom. Mission Prod. Holdings v. Tempnology, LLC*, 139 S. Ct. 397 (2018).

standards for secondary meaning and likelihood of confusion.<sup>8</sup> The U.S. Court of Appeals for the Ninth Circuit addressed the balance between the public interests in freedom of expression and avoiding consumer confusion.<sup>9</sup> Finally, the U.S. Court of Appeals for the Fifth Circuit clarified which aspects of a television show can receive trademark protection.<sup>10</sup> In copyright, the Federal Circuit addressed to what extent computer code that is copied and incorporated into a program can be considered a fair use.<sup>11</sup>

## II. PATENT UPDATE

### A. THE U.S. SUPREME COURT ON PATENTS

#### 1. *Pardon My Toe-Stepping, Article III* – Oil States Energy Services v. Greene’s Energy Group, LLC

Patent litigation in Article III courts can be an inherently long and expensive process. Plaintiff-friendly rules and complex, interdependent issues can cause headaches for the alleged infringer, even when they have a viable defense.<sup>12</sup> IPR is a relatively new administrative adjudication procedure created by Congress to allow any party, including alleged infringers, to challenge an issued patent at the PTO.<sup>13</sup> An IPR may occur in lieu of, or in addition to, a patent validity challenge in district court, and can even proceed concurrently with district court litigation. IPRs quickly became a popular option for defendants in patent infringement cases for their potential to quickly and relatively cheaply result in the asserted patent being invalidated, without the need to go to district court trial.

Oil States, an oilfield service company, obtained a patent related to wellhead equipment protection in 2001.<sup>14</sup> Oil States sued Greene’s Energy Group, LLC for patent infringement in the U.S. District Court for Eastern District of Texas, to which Greene’s Energy responded by challenging the validity of the patent in district court.<sup>15</sup> Greene’s Energy then filed a petition to the PTO’s Patent Trial and Appeals Board (PTAB) to institute an IPR. The PTAB granted the petition, finding that Greene’s Energy established a “reasonable likelihood that the two claims were unpatentable.”<sup>16</sup> As is common, the district court litigation and IPR continued concurrently, and their respective orders yielded conflicting results.<sup>17</sup> The district court issued a claim construction order favorable to Oil States, but the PTAB issued a final written decision invalidating the as-

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8. *Converse, Inc. v. Int’l Trade Comm’n*, 909 F.3d 1110, 1113 (Fed. Cir. 2018); *Royal Crown Co. v. The Coca-Cola Co.*, 892 F.3d 1358, 1362 (Fed. Cir. 2018).

9. *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 261 (9th Cir. 2018).

10. *Viacom Int’l v. IJR Capital Invs., LLC*, 891 F.3d 178, 182 (5th Cir. 2018).

11. *Oracle Am., Inc. v. Google, LLC*, 886 F.3d 1179, 1186 (Fed. Cir. 2018).

12. *See, e.g.*, 157 Cong. Rec. 1348 (Mar. 8, 2011).

13. 35 U.S.C. §§ 311–18.

14. *Oil States Energy Servs. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1372 (2018).

15. *Id.*

16. *Id.*; 35 U.S.C. § 314(a).

17. *Oil States*, 138 S. Ct. at 1372; *see also* 35 U.S.C. § 315(a).

serted claims of Oil States' patent using a claim construction that differed from the district court.<sup>18</sup> Invalidation of the patent would foreclose Oil States' infringement claims.

Oil States appealed the PTAB's ruling to the U.S. Court of Appeals for the Federal Circuit, arguing, *inter alia*, that IPRs violate Article III and the Seventh Amendment of the Constitution.<sup>19</sup> In particular, Oil States argued that patents are the exclusive purview of the Article III courts.<sup>20</sup> Similarly, Oil States argued that patent validity is a conflict previously decided at common law, and therefore affords the right of trial by jury.<sup>21</sup> The Federal Circuit affirmed the PTAB's decision over Oil States' constitutional challenge.<sup>22</sup>

Justice Thomas, writing for the majority of the U.S. Supreme Court, affirmed the Federal Circuit and the PTAB, upholding the constitutionality of IPRs in view of Article III and the Seventh Amendment.<sup>23</sup> First, the Supreme Court dealt with the distinction between matters of private rights, which cannot be delegated to an administrative body, and public rights, which can be delegated.<sup>24</sup> Public rights can be described as those "matters 'which arise between the Government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments.'"<sup>25</sup> The Supreme Court cited a suite of precedent supporting its treatment of patents as public rights, and described the inherent relationship between the grant of a patent and the public.<sup>26</sup> Accordingly, the Supreme Court explained that IPRs are simply a reconsideration of a grant of a public right, rather than a confiscation of private rights.<sup>27</sup> And, although some older cases have referred to patents as "private property," the Court explained that these cases are not inconsistent with the more prevalent view that patents are "public rights" created by, and subject to, statute.<sup>28</sup>

The Supreme Court also explained that patent validity is not a matter that "from its nature, must be decided by a court."<sup>29</sup> To support its assertion, the Supreme Court relied upon an 18th-century procedure used in England to vacate a patent to illustrate that patent validity was not exclusively a matter of common law.<sup>30</sup> Finally, the Supreme Court rejected the notion that IPRs violate Article III merely because its procedures imitate

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18. *Oil States*, 138 S. Ct. at 1372.

19. *Id.* at 1370, 1372.

20. *Id.* at 1372.

21. *Id.* at 1379.

22. *Id.*

23. *Id.* at 1370, 1379.

24. *Id.* at 1373–74.

25. *Id.* at 1373 (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)).

26. *Id.* at 1373–74.

27. *Id.* at 1374.

28. *Id.* at 1373–74 (citing *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888); *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898)).

29. *Id.* at 1376–77 (quoting *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (internal quotations omitted)).

30. *Id.* at 1377 (describing the Privy Council).

those of Article III courts.<sup>31</sup> Thus, because the IPRs were properly assigned to a non-Article III tribunal, “the Seventh Amendment pose[d] no independent bar to the adjudication of that action by a nonjury factfinder.”<sup>32</sup> The Supreme Court explicitly noted, however, that its decision was “narrow,” and did not settle questions relating to procedural due process or the takings clause.<sup>33</sup>

Justice Gorsuch wrote the sole dissenting opinion, joined by Chief Justice Roberts.<sup>34</sup> The dissenting opinion illustrated the potential injustice created by the majority’s holding, whereby a rightful patent holder could spend years, and tens of thousands of dollars, to obtain a patent, only to have her patent canceled by the PTO in an expedited proceeding, without the protections and judicial independence afforded in federal court.<sup>35</sup>

## 2. *All or Nothing for IPR Institutions* – SAS Institute Inc. v. Iancu

*SAS Institute Inc. v. Iancu*, like *Oil States*, addressed issues surrounding IPRs.<sup>36</sup> Interestingly, the dissenting Justice in *Oil States*, Justice Gorsuch, wrote the 5–4 majority opinion in *SAS*.<sup>37</sup> However, the issue in *SAS* is relatively narrow when compared with the issues of *Oil States*. In particular, the question in *SAS* was whether the PTO, when it receives a petition challenging multiple claims of a patent, can institute an IPR on only a portion of the challenged claims.<sup>38</sup> The U.S. Supreme Court held that the PTO must institute on all challenged claims, or may not institute at all.<sup>39</sup>

*SAS* petitioned for an IPR of sixteen claims of ComplementSoft’s software patent.<sup>40</sup> The PTAB instituted review on claims 1 and 3–10, but declined to review the remaining challenged claims.<sup>41</sup> The PTAB then issued a final written decision invalidating claims 1, 3, and 5–10, and upholding claim 4 as valid.<sup>42</sup> *SAS* sought review of the PTAB’s decision in the U.S. Court of Appeals for the Federal Circuit, arguing that the PTO’s practice of “partial institution” runs contrary to 35 U.S.C. § 318, which states that “[i]f an inter partes review is instituted and not dismissed under this chapter, the [PTAB] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner . . . .”<sup>43</sup> The Federal Circuit rejected *SAS*’s argument, upholding the decision by the PTAB.<sup>44</sup>

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31. *Id.* at 1378.

32. *Id.* at 1379.

33. *Id.*

34. *Id.* at 1380 (Gorsuch, J., dissenting).

35. *Id.*

36. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

37. *Id.* at 1352.

38. *Id.* at 1354.

39. *Id.* at 1359–60.

40. *Id.* at 1354.

41. *Id.*

42. *Id.*

43. 35 U.S.C. § 318 (emphasis added).

44. *SAS Inst.*, 138 S. Ct. at 1354.

At the Supreme Court, the majority agreed with SAS that the plain text of § 318 mandates that when the PTAB institutes an IPR on any claim of the petition the PTAB must issue a final written decision for all claims challenged by the petitioner.<sup>45</sup> In particular, the Supreme Court underscored the terms “shall,” which seems to exclude discretion by the PTO to act to the contrary, and “any,” which “naturally carries ‘an expansive meaning,’” and “ordinarily ‘refer[s] to a member of a particular group or class without distinction or limitation’ . . . .”<sup>46</sup> The petitioner, as “master of its complaint,” was entitled to a written decision on all challenged claims.<sup>47</sup> The Supreme Court also noted that the PTO does not have the power to initiate an IPR—that power belongs to the petitioner.<sup>48</sup>

The PTO made a number of arguments against the Court’s construction of the statute.<sup>49</sup> First, the PTO argued that the statutory authority to *decide* claims individually meant that the PTO should have the authority to *institute* claims individually.<sup>50</sup> Second, the PTO argued that § 314(a), which gives discretion to the PTO to decide whether to institute a review (“may institute”), also afforded the PTO the discretion to determine which claims to institute.<sup>51</sup> Third, the PTO argued that two sections of the statute, which draw a distinction between claims “in the petition” and claims challenged “by the petitioner,” suggest that the statute contemplates the PTO’s ability to grant partial institutions.<sup>52</sup> The Supreme Court rejected all of these arguments, simply referring to the plain text of the statute.<sup>53</sup> The Supreme Court also declined to entertain the PTO’s policy arguments regarding the efficiencies of partial institution, deferring to Congress on matters of policy, and rebuffed the PTO’s plea for deference under *Chevron*,<sup>54</sup> explaining that the PTO’s interpretation would not pass muster under *Chevron*.<sup>55</sup>

Justices Ginsburg, Breyer, Sotomayor, and Kagan joined in dissent, lamenting the majority’s “wooden” reading of the statute, and arguing that the unconditional discretion given to the PTAB as to whether to institute a petition at all suggested a different interpretation of § 318.<sup>56</sup> In particular, the dissent argued that the holding was ineffective, because the PTO could continue to effectively issue partial institutions by using its discretion to deny institution as a whole, and suggesting that some claims in the

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45. *Id.* at 1359–60.

46. *Id.* at 1354 (quoting *United States v. Gonzales*, 520 U.S. 1, 5 (1997); OXFORD ENGLISH DICTIONARY (3d ed. 2016)).

47. *Id.* at 1355.

48. *Id.*

49. *Id.* at 1355–59.

50. *Id.* at 1355–56; 35 U.S.C. § 314(a).

51. *SAS Inst.*, 138 S. Ct. at 1356–57.

52. *Id.* at 1357–58; 35 U.S.C. §§ 314, 318.

53. *SAS Inst.*, 138 S. Ct. at 1355–59.

54. *Chevron U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984) (deferring to agencies’ interpretations of ambiguous statutes).

55. *Id.* at 1357–58.

56. *Id.* at 1360 (Ginsburg, J., dissenting).

petition may be worthy of reexamination.<sup>57</sup> The dissent also disagreed that the term “any” in § 318(a) refers to all claims challenged in the petitioner’s originally filed petition.<sup>58</sup>

The aftermath of *SAS* is a heavier workload for the PTAB that must now undertake all-or-nothing review.

3. “*Abroad*” Take on Foreign Infringement – *WesternGeco LLC v. ION Geophysical Corp.*

In *WesternGeco LLC v. ION Geophysical Corp.*, the U.S. Supreme Court was called upon to determine whether foreign infringing activity can evoke foreign lost profits recoverable in the United States.<sup>59</sup> The Supreme Court, in a 7–2 decision written by Justice Thomas, took a broad interpretation of the damages statute, 35 U.S.C. § 284, and determined that foreign lost profits can be granted under § 271(f)(2).<sup>60</sup>

As a general rule, the extraterritoriality doctrine limits the applicability of statutes to domestic activity.<sup>61</sup> Accordingly, U.S. patent statutes generally cover only those activities that occur within the United States.<sup>62</sup> However, § 271(f) accounts for situations in which the infringement of a patent is not technically complete within the United States, but a foreign infringement is induced or initiated within the United States.<sup>63</sup> For example, § 271(f)(2) provides for recovery when a party, without making, selling, or using a complete embodiment covered by the claims of the patent,

[S]upplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States.<sup>64</sup>

*WesternGeco* owns a number of patents covering systems for surveying the ocean floor.<sup>65</sup> In 2007, *ION* started manufacturing an indistinguishable competing system by manufacturing components of the system in the United States and sending them overseas for assembly outside of the United States.<sup>66</sup> In a suit brought by *WesternGeco*, the jury found *ION* liable under §§ 271(f)(1) and (2), and awarded \$12.5 million in royalties

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57. *Id.* at 1360, 1363.

58. *Id.* at 1361–62.

59. *WesternGeco, LLC v. ION Geophysical Corp.*, 138 S. Ct. 2129 (2018).

60. *Id.* at 2134.

61. *Id.* at 2136.

62. *Id.*

63. *Id.* at 2137–38.

64. 35 U.S.C. § 271(f)(2).

65. *WesternGeco*, 138 S. Ct. at 2135.

66. *Id.*

and \$93.4 million in lost profits.<sup>67</sup> On appeal, the U.S. Court of Appeals for the Federal Circuit granted ION's motion to set aside the award of lost profits, finding that it violated the extraterritoriality doctrine.<sup>68</sup> The Supreme Court then vacated the Federal Circuit's ruling, and remanded in light of the recently decided *Halo Electronics, Inc. v. Pulse Electronics, Inc.*<sup>69</sup> But, on remand, the Federal Circuit reinstated the portion of its opinion that denied the award of foreign lost profits.<sup>70</sup>

The Supreme Court reinstated the award for foreign lost profits, finding that § 271(f)(2) is not constrained by the extraterritoriality doctrine.<sup>71</sup> As explained by the Supreme Court, the extraterritoriality doctrine, which generally restricts the effect of statutes (including the patent infringement damages statute, § 284) to domestic activity, can be overcome in two ways.<sup>72</sup> First, the presumption that the extraterritoriality doctrine applies can be explicitly rebutted by the statute in question.<sup>73</sup> Second, a statute can apply extraterritorially if the conduct relevant to the focus of the statute occurred within the United States.<sup>74</sup> Here, the Supreme Court broadly characterized the focus of § 284 as making patent holders whole after an infringement, and stated that § 271(f)(2) focuses on domestic conduct—the supply of certain components of a patented invention from the United States.<sup>75</sup> Because the conduct of ION was domestic and within the focus of § 271(f)(2), the extraterritoriality doctrine did not apply, and § 284 allows for lost profits corresponding to ION's foreign sales.<sup>76</sup>

The Supreme Court rejected ION's arguments that § 284's focus was on the award of damages, not on remedying infringement, and that awarding foreign lost profits under § 271(f)(2) constituted an extraterritorial application of § 284.<sup>77</sup> Rather, the Supreme Court reasoned that the foreign sales were “merely incidental to the infringement” under § 272(f)(2).<sup>78</sup> The Supreme Court also asserted that ION was mistaken to suggest that the Court's previous characterization of RICO damages claims as improperly extraterritorial in *RJR Nabisco Inc. v. European Community*<sup>79</sup> should lead to a similar conclusion here.<sup>80</sup> The Supreme Court explained that ION's arguments that an award of foreign lost profits was an extraterritorial application of § 284 “wrongly conflates legal injury with the damages arising from that injury.”<sup>81</sup>

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67. *Id.*

68. *Id.*

69. *Id.* at 2135–36 (citing *Halo Elecs, Inc. v. Pulse Elecs, Inc.*, 136 S. Ct. 1923 (2016)).

70. *Id.* at 2136.

71. *Id.* at 2138.

72. *Id.* at 2136–37.

73. *Id.* at 2136.

74. *Id.*

75. *Id.* at 2137–38.

76. *Id.*

77. *Id.* at 2138.

78. *Id.*

79. 136 S. Ct. 2090 (2016).

80. *Id.*

81. *Id.*

Justices Gorsuch and Breyer, dissenting, disagreed with the majority's broad construction of § 284 as focused on remedying any and all infringing activity.<sup>82</sup> The dissent suggested that because the patent at issue is a U.S. patent, WesternGeco would not—and should not—be able to expect monopoly rents and royalties for activities abroad.<sup>83</sup> In other words, awards of damages should “tie[ ] the measure of damages to the degree of interference with the patent owner's exclusive right to make, use, and sell its invention.”<sup>84</sup>

## B. THE FEDERAL CIRCUIT ON PATENTS

### 1. Concrete Facts for Abstract Ideas – *Berkheimer v. HP Inc.*

In *Berkheimer v. HP Inc.*, the U.S. Court of Appeals for the Federal Circuit clarified the standards of proof related to determinations of subject matter eligibility.<sup>85</sup> The case prompted a memorandum from the PTO clarifying burden shifting and evidentiary requirements for supporting a rejection under 35 U.S.C. § 101.<sup>86</sup>

To be granted, an application for patent must satisfy a number of statutory requirements, including novelty, nonobviousness, and subject matter eligibility.<sup>87</sup> The statutory foundation for subject matter eligibility is § 101, which allows patents to be granted for “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, . . . subject to the conditions and requirements of this title.”<sup>88</sup> Recently, the U.S. Supreme Court interpreted § 101 to include a prohibition on patents that preempt the use of the building blocks of ingenuity.<sup>89</sup> Accordingly, in determining whether a patent claim meets the requirements of § 101, the PTO (or court) must “‘determine whether the claims at issue are directed to’ a patent-ineligible concept,” such as an abstract idea.<sup>90</sup> If the PTO determines that the claims are directed to a patent-ineligible concept, the PTO then determines whether the claim contains elements that “‘transform the nature of the claim’ into a patent eligible application.”<sup>91</sup> Claim elements can transform the claim into a patent eligible invention if they “involve more than performance of ‘well-understood, routine, [and] conventional activities previously known

82. *Id.* at 2139 (Gorsuch, J., dissenting).

83. *Id.* at 2139–40.

84. *Id.* at 2141.

85. *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

86. Robert W. Bahr, *Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (Berkheimer v. HP, Inc.)*, U.S. PATENT & TRADEMARK OFFICE (Apr. 19, 2018) [hereinafter *Berkheimer Memorandum*].

87. 35 U.S.C. §§ 101–03.

88. 35 U.S.C. § 101.

89. *Berkheimer*, 881 F.3d at 1366 (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354–55 (2014)).

90. *Id.*

91. *Id.* (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 78–79 (2012)).

to the inquiry.’”<sup>92</sup>

Steven Berkheimer is the holder of U.S. Patent No. 7,447,713 (‘713 patent), which is directed to “digitally processing and archiving files in a digital asset management system.”<sup>93</sup> Mr. Berkheimer sued HP for infringement of claims 1–7 and 9–19 of the ‘713 patent.<sup>94</sup> After a claim construction hearing which resulted in claim 10 being invalidated as indefinite under § 112, HP moved for summary judgment that claims 1–7 and 9 were ineligible under § 101.<sup>95</sup> The district court granted HP’s motion, finding that the claims were directed to an abstract idea, and did not contain an inventive concept other than what was “well-understood, routine, [and] conventional” in the art.<sup>96</sup>

After affirming the district court’s ruling on indefiniteness from the claim construction hearing, the Federal Circuit panel addressed the district court’s grant of summary judgment for patent ineligibility.<sup>97</sup> The Federal Circuit clarified that, while patent eligibility under § 101 is a matter of law, it is based on underlying issues of fact.<sup>98</sup> Although the Federal Circuit agreed that summary judgment was proper for claims 1–3 and 9, the court vacated summary judgment for claims 4–7.<sup>99</sup> In particular, the court noted that Mr. Berkheimer successfully raised a genuine issue of material fact by pointing out a number of advantages related to the subject matter of claims 4–7 described in the specification.<sup>100</sup> Thus, while the panel declined to hold claims 4–7 as patent eligible, it determined that summary judgment was not appropriate and remanded back to the district court for a determination on subject matter eligibility.<sup>101</sup> A petition for *writ of certiorari* is currently with the Supreme Court.<sup>102</sup>

The Federal Circuit’s ruling prompted the PTO to release a memorandum describing new guidelines for making rejections under § 101 more concrete.<sup>103</sup> In particular, the *Berkheimer* memorandum laid out a number of ways to support determinations that claim elements are well-understood, routine, or conventional.<sup>104</sup> The guidance provided in *Berkheimer* and its corresponding memorandum should serve to clarify

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92. *Id.* at 1367 (quoting *Content Extraction & Transmission, LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347–48 (Fed. Cir. 2014)).

93. *Id.* at 1362.

94. *Id.* at 1363.

95. *Id.*

96. *Id.* at 1363, 1368.

97. *Id.* at 1363–65.

98. *Id.* at 1365, 1369.

99. *Id.* at 1370–71.

100. *Id.* at 1369–70.

101. *Id.* at 1370–71.

102. Petition for Writ of Certiorari, *HP Inc. v. Berkheimer*, 2018 WL 4819013 (No.180415).

103. *Berkheimer Memorandum*, *supra* note 86, at 3–4.

104. *Berkheimer Memorandum*, *supra* note 86, at 3–4; Christopher C. Johns & Adriana L. Burgy, *Berkheimer Memorandum: A Big Shift, in Fact*, FINNEGAN PROSECUTION FIRST BLOG (Apr. 24, 2018), <https://www.finnegan.com/en/insights/blogs/prosecution-first/berkheimer-memorandum-a-big-shift-in-fact.html> [<https://perma.cc/Z5V7-8XNR>].

the eligibility analysis for patent examiners and patent practitioners alike.<sup>105</sup>

2. *More Supervision for the PTAB – Wi-Fi One, LLC v. Broadcom Corporation*

When a petition for IPR is filed with the PTO, the director has the discretion to determine whether to institute the petition.<sup>106</sup> 35 U.S.C. § 314(d) specifies that the director's determination is not subject to appeal.<sup>107</sup> In *Wi-Fi One, LLC v. Broadcom Corporation*, the U.S. Court of Appeals for the Federal Circuit reigned in the scope of § 314(a)'s nonappealability provision, holding that the director's obligation under § 315(b) to deny institution for time-barred IPR petitions can be appealed.<sup>108</sup>

To challenge a patent in an IPR, the challenger files a petition with the director of the PTO.<sup>109</sup> Section 314(a) of the IPR statute gives the director, via the PTAB, the discretion to institute the petition if "there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition."<sup>110</sup> Section 314(d) deems the director's determination to institute as "nonappealable."<sup>111</sup> However, § 315(b) requires the director to deny institution "if the petition requesting the proceeding is filed more than [one] year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."<sup>112</sup> A panel of the Federal Circuit in *Achates Reference Publishing, Inc. v. Apple Inc.* previously decided that the director's decision of whether a petition is time-barred under § 315(b) is also nonappealable.<sup>113</sup>

Ericsson sued several parties, including Intel, Dell, and Toshiba, for infringement of three patents in 2010.<sup>114</sup> In 2013, Broadcom, which was not a defendant in the Ericsson litigation, filed IPR petitions for each of the patents asserted by Ericsson.<sup>115</sup> Ericsson transferred the patents to Wi-Fi One, LLC, before Broadcom filed the IPR petitions.<sup>116</sup> In response to Broadcom's IPR petition, Wi-Fi One argued that Broadcom was in privity with the defendants in the Ericsson litigation, and that Broadcom's IPR petitions were therefore time-barred under § 315(b).<sup>117</sup> The PTAB rejected Wi-Fi One's argument, and issued a final written decision.<sup>118</sup> A panel of the Federal Circuit upheld the PTAB's decision,

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105. See, e.g., Johns & Burgy, *supra* note 104.

106. 35 U.S.C. § 314(a).

107. *Id.* § 314(d).

108. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018).

109. 35 U.S.C. §§ 311(b), 312.

110. *Id.* § 314(a).

111. *Id.* §§ 314(a); 314(d).

112. *Id.* § 315(b).

113. *Achates Reference Publ'g Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015).

114. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1370 (Fed. Cir. 2018).

115. *Id.*

116. *Id.*

117. *Id.* at 1370–71.

118. *Id.* at 1371.

holding that *Achates* was still good law.<sup>119</sup> The Federal Circuit then granted Wi-Fi One's petition for rehearing en banc to determine whether the director's time-bar determinations under § 315(b) were appealable.<sup>120</sup>

En banc, the full panel noted the importance of judicial review, and restated that the presumption in favor of review can only be overcome "when Congress provides a 'clear and convincing' indication that it intends to prohibit review."<sup>121</sup> The court found that there was no such indication that the scope of § 314(d) extended to the time-bar requirements of § 315(b).<sup>122</sup> In particular, the court underscored the fact that § 314(d) explicitly limits its application to "this section."<sup>123</sup> The court also drew distinctions between the nature and purpose of § 314 as a discretionary and preliminary filter of decisions on substantive grounds, and the nature and purpose of § 315 as a mandatory restriction on the director on procedural grounds.<sup>124</sup> Accordingly, the court overruled *Achates*' contrary conclusion, and remanded to the panel below to consider the merits of Wi-Fi One's time-bar appeal.<sup>125</sup> The court noted that its decision applies only to the appealability of § 315(b), and not to the remaining sections and subsections in §§ 311–14.<sup>126</sup>

### 3. *What Drug Companies Cannot Immunize* —Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals

In *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*, the U.S. Court of Appeals for the Federal Circuit closed off a patent-shielding strategy of pharmaceutical companies that involved assigning patents to Native American tribes and asserting tribal immunity.<sup>127</sup>

Allergan, Inc. sued Mylan Pharmaceuticals for infringement of multiple Allergan patents covering its dry eye treatment product.<sup>128</sup> The alleged infringement was Mylan's Abbreviated New Drug Applications to the FDA for generic versions of Allergan's drugs.<sup>129</sup> Mylan responded by petitioning for an IPR of Allergan's patents, which the PTAB instituted.<sup>130</sup> Before the IPR hearing, Allergan assigned its patents to the Saint Regis Mohawk Tribe (Tribe) to protect the patents from review using the doctrine of sovereign immunity, applied here as "tribal immunity."<sup>131</sup> However, the PTAB denied the Tribe's motion to terminate the IPR proceedings.<sup>132</sup>

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119. *Id.*

120. *Id.*

121. *Id.* at 1372.

122. *Id.* at 1372, 1374–75.

123. *Id.* at 1372 (quoting 35 U.S.C. § 314(d)).

124. *Id.* at 1372–73.

125. *Id.* at 1375.

126. *Id.*

127. *Saint Regis Mohawk Tribe v. Mylan Pharms.*, 896 F.3d 1322 (Fed. Cir. 2018).

128. *Id.* at 1325.

129. *Id.*

130. *Id.*

131. *Id.*

132. *Id.*

The Federal Circuit affirmed the PTAB's ruling that tribal immunity does not apply.<sup>133</sup> The court explained some guidelines for determining whether tribal immunity does or does not apply to administrative procedures, but acknowledged that there is not "a blanket rule that immunity does not apply in federal agency proceedings."<sup>134</sup> One important consideration is whether the administrative action seems more like a conflict between private parties, or an independent use of authority by the government.<sup>135</sup> Although, as the court acknowledged, "IPR is neither clearly a judicial proceeding instituted by a private party nor clearly an enforcement action brought by the federal government," the court ultimately determined that the PTO director's broad authority and discretion over the institution of IPRs makes the proceedings more akin to government action than a private conflict.<sup>136</sup> Accordingly, tribal immunity did not apply.<sup>137</sup>

The Federal Circuit's holding has, for now, halted a scheme that would almost certainly have caused unintended policy concerns.<sup>138</sup> The Supreme Court denied the Saint Regis Tribe's petition for certiorari.<sup>139</sup>

### C. CASES TO WATCH

In 2019, we could see the U.S. Supreme Court weigh in on a number of patent-related issues, including standing for appeal from the PTO<sup>140</sup> and standards of proof related to determinations of subject matter eligibility.<sup>141</sup> In *RPX Corp. v. Chanbond LLC*, RPX petitioned the Court to decide whether a party has standing in the U.S. Court of Appeals for the Federal Circuit to appeal an adverse PTAB decision on the basis of lack of patent-inflicted injury-in-fact.<sup>142</sup> In *HP Inc. v. Berkheimer*, which is discussed above, the Court may weigh in on whether and to what extent patent subject matter eligibility is a question for the jury.<sup>143</sup>

## III. TRADEMARK UPDATE

### A. A CIRCUIT SPLIT WIDENS – *IN RE TEMPNOLOGY, LLC*

In *In re Tempnology, LLC*, the U.S. Court of Appeals for the First Circuit weighed in on a circuit split concerning the applicability of

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133. *Id.* at 1329.

134. *Id.* at 1325–26.

135. *Id.* at 1326.

136. *Id.* at 1326–27.

137. *Id.* at 1327, 1329.

138. Katie Thomas, *How to Protect a Drug Patent? Give It to a Native American Tribe*, N.Y. TIMES (Sept. 8, 2017), <https://www.nytimes.com/2017/09/08/health/allergan-patent-tribe.html>.

139. *Saint Regis Mohawk Tribe v. Mylan Pharms., Inc.*, 2019 WL 1590253 (No. 18-899) (denying certiorari).

140. *RPX Corp. v. ChanBond, LLC*, 139 S. Ct. 306 (2018).

141. *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

142. *RPX Corp.*, 139 S. Ct. 306.

143. 881 F.3d 1360 (Fed. Cir. 2018), *placed on the docket October 3, 2018*.

§ 365(n) of the Bankruptcy Code to trademark licenses.<sup>144</sup> Under bankruptcy law, a company filing for Chapter 11 protection can “‘reject any executory contract’ that, in the debtor’s business judgment, is not beneficial to the company.”<sup>145</sup> However, the bankruptcy code provides some protections for licensees of intellectual property. Under § 365(n)(1) of the Bankruptcy Code, “[w]hen the rejected contract . . . is one ‘under which the debtor is a licensor of a right to intellectual property,’ the licensee may elect to ‘retain its rights . . . to such intellectual property.’”<sup>146</sup> Importantly, the statutory definition of intellectual property with respect to § 365(n) does not include trademarks.<sup>147</sup>

Here, Tempnology, LLC, having filed for protection under Chapter 11, sought to reject an agreement that granted certain distribution and trademark rights to Mission Product Holdings, Inc. When Tempnology filed the rejection motion, Mission objected by “arguing that 11 U.S.C. § 365(n) allowed Mission to retain both its intellectual property license and its exclusive distribution rights.”<sup>148</sup> The bankruptcy court held that neither the exclusive distribution rights nor the trademark rights are protected by § 365(n).<sup>149</sup>

The court first considered Mission’s argument that the contract provision granting Mission the exclusive right to distribute some of Tempnology’s products was, in effect, an exclusivity provision of Tempnology’s intellectual property rights.<sup>150</sup> The court rejected Mission’s argument, holding that “the right to sell a product is clearly not included within the statute’s definition of intellectual property,” and that “[a]n exclusive right to sell a product is not equivalent to an exclusive right to exploit the product’s underlying intellectual property.”<sup>151</sup>

The court next considered whether, after Tempnology rejected the agreement granting Mission rights to use Tempnology’s trademarks, Mission retained its right to use such trademarks in accordance with § 365(1), which allows licensees of intellectual property rights to retain such rights even after the licensor has rejected the agreement.<sup>152</sup> The court affirmed the bankruptcy court’s decision, holding that “section 365(n) does not apply to Mission’s . . . trademark license,” and thus Mission did not retain any rights to Tempnology’s trademarks under the contract.<sup>153</sup> The court quoted from the Senate Report, which stated that Congress intentionally excluded trademarks from § 365(n)’s list of intellectual property pro-

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144. *In re Tempnology, LLC*, 879 F.3d 389 (1st Cir. 2018), *cert. granted in part sub nom. Mission Prod. Holdings v. Tempnology, LLC*, 139 S. Ct. 397 (mem.) (U.S. Oct. 26, 2018) (No. 17-1657).

145. *Id.* at 394 (quoting 11 U.S.C. § 365(a)).

146. *In re Tempnology, LLC*, 879 F.3d at 392 (quoting 11 U.S.C. § 365(n)(1)).

147. *Id.* at 397; *see also* 11 U.S.C. § 365(n).

148. *In re Tempnology, LLC*, 879 F.3d at 394.

149. *Id.*

150. *Id.* at 398.

151. *Id.*

152. *Id.* at 396, 401; *see also* 11 U.S.C. § 365(1).

153. *In re Tempnology, LLC*, 879 F.3d 389, 395 (1st Cir. 2018).

ted from court-approved rejection “to allow the development of equitable treatment of this situation by the bankruptcy courts.”<sup>154</sup>

The court also rejected reasoning put forth by the Bankruptcy Appellate Panel for the First Circuit and the U.S. Court of Appeals for the Seventh Circuit that, even if a debtor-licensor rejects a trademark license agreement under § 365(a), a trademark licensee’s trademark rights can survive the licensor’s rejection of the agreement.<sup>155</sup> The court explained that a licensee’s continued use of a trademark under a contract that the licensor has effectively breached would place an improper burden on the debtor to “monitor and exercise control over the quality of the goods sold to the public under cover of the trademark,” as is required under trademark law for effective licensing.<sup>156</sup> In fact, the court states that “Congress’s principal aim in providing for rejection was to ‘release the debtor’s estate from burdensome obligations that can impede a successful reorganization.’”<sup>157</sup>

The U.S. Supreme Court reviewed the First Circuit’s decision in May 2019.<sup>158</sup> In December 2018, the U.S. government filed an amicus curiae brief urging the Supreme Court to rule in Mission’s favor, explaining that allowing a trademark licensor to revoke a trademark license would be akin to allowing a landlord to terminate a lease by “refusing to pay the cable bill.”<sup>159</sup>

B. THE SNEAKER WARS CONTINUE – *CONVERSE, INC. v. INTERNATIONAL TRADE COMMISSION SKETCHERS U.S.A., INC.*

In *Converse, Inc. v. International Trade Commission Sketchers U.S.A., Inc.*, the U.S. Court of Appeals for the Federal Circuit considered the appeal of a decision from the U.S. International Trade Commission (ITC), which found that Converse’s trademark registration in the midsole design of its Chuck Taylor All Star shoe was invalid, that the common law mark had not acquired secondary meaning, and thus, that the import of similar shoes did not violate the Tariff Act.<sup>160</sup> In 2014, Converse filed a complaint with the ITC alleging that various shoes imported into the United States infringed its trademark in the Chuck Taylor shoe trade dress, and subsequently appealed the ITC finding.

The court held that the ITC applied the wrong standard when determining the trademark registration’s invalidity, and whether the mark was

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154. *Id.* at 401 (quoting SEN. REP. NO. 100–105, at 5).

155. *Id.* at 395, 404.

156. *Id.* at 403.

157. *Id.* at 402 (quoting *Bildisco v. Bildisco*, 465 U.S. 513 (1984)).

158. *Mission Prod. Holdings v. Tempnology, LLC*, 2019 WL 2166392 (U.S. May 20, 2019).

159. Brief for the United States as Amicus Curiae, at 11, 15, *Mission Product Holdings*, 139 S. Ct. 397 (2018) (No. 17–1657).

160. *Converse, Inc. v. Int’l Trade Comm’n Skechers U.S.A., Inc.*, 909 F.3d 1110, 1113 (Fed. Cir. 2018).

infringed. First, the court explained that the ITC never pinpointed a specific date from which to assess secondary meaning.<sup>161</sup> In order to be valid, a product design trade dress must have secondary meaning. Thus, to find infringement of that design, the first infringing use must have taken place after the design obtained secondary meaning. The court held that Converse's registration only confers a presumption of secondary meaning as of the date of registration, not before.<sup>162</sup> The court also held that, to prove infringement based on uses before its registration, Converse must show secondary meaning before the first infringing use.<sup>163</sup>

Second, the court held that the ITC used the wrong legal standard to determine secondary meaning.<sup>164</sup> In doing so, the court articulated six factors to consider in the secondary meaning analysis:

- (1) association of the trade dress with a particular source by actual purchasers (typically measured by customer surveys);
- (2) length, degree, and exclusivity of use;
- (3) amount and manner of advertising;
- (4) amount of sales and number of customers;
- (5) intentional copying; and
- (6) unsolicited media coverage of the product embodying the mark.<sup>165</sup>

The court also found that, in finding no secondary meaning, "the ITC relied too heavily on prior uses long predating the first infringing uses and the date of registration."<sup>166</sup> Quoting the Lanham Act, the court explained that the most relevant period for considering proof of substantially exclusive and continuous use is "five years before the date on which the claim of distinctiveness is made."<sup>167</sup> Uses outside of this five-year period should only be considered if they are "likely to have impacted consumers' perceptions of the mark as of the relevant date."<sup>168</sup>

Finally, regarding standards for determining likelihood of confusion, the court found that the ITC had failed to consider whether the allegedly infringing products were "substantially similar" to Converse's trade dress, and clarified that "products that are not substantially similar cannot infringe."<sup>169</sup> The court instructed that, on remand, the ITC should determine whether the allegedly infringing products are substantially similar.<sup>170</sup>

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161. *Id.* at 1116.

162. *Id.* at 1118.

163. *Id.*

164. *Id.* at 1119.

165. *Id.* at 1120.

166. *Id.*

167. *Id.* at 1121 (quoting the Lanham Act, 15 U.S.C. § 1052(f) (2006)).

168. *Id.*

169. *Id.* at 1124.

170. *Id.*

C. ZERO SUM GAME – ROYAL CROWN COMPANY, INC. V.  
THE COCA-COLA COMPANY

In *Royal Crown Company, Inc. v. The Coca-Cola Company*, the U.S. Court of Appeals for the Federal Circuit vacated the Trademark Trial and Appeal Board’s (the Board) dismissal of Royal Crown’s oppositions to Coca-Cola’s marks for soft drinks and sports drinks that contain the term “ZERO” without a disclaimer.<sup>171</sup>

Coca-Cola filed multiple federal trademark applications for marks containing the term “ZERO,” ultimately claiming that the “ZERO” portion of the mark acquired distinctiveness in order to avoid disclaiming the descriptive term.<sup>172</sup> After Coca-Cola’s marks were approved for publication with a disclaimer of the word “ZERO,” Royal Crown filed oppositions on the grounds that the term “ZERO” was merely descriptive and was generic for certain beverage products, and thus failed to indicate the source of goods.<sup>173</sup> The Board dismissed Royal Crown’s oppositions, finding that Royal Crown had failed to prove that the term “ZERO” was generic in connection with soft drinks and sports drinks and finding that Coca-Cola’s ZERO marks had acquired distinctiveness.<sup>174</sup>

Royal Crown appealed, and the Federal Circuit concluded that the Board made several errors in its legal analysis and vacated and remanded the Board’s dismissal of the opposition. First, the Board erred in its framing of the genericness question by “fail[ing] to examine whether ZERO identified a key aspect of the genus at issue” or whether the public would consider ZERO to be generic for a *subcategory* of the soft drinks genus.<sup>175</sup> As the court explained, a term can be generic “if the relevant public . . . understands the term to refer to a *key aspect* of that genus.”<sup>176</sup> The court reasoned that “ZERO need not be equated . . . with the entire broad genus [of soft drinks] . . . in order for the term to be generic.”<sup>177</sup> With regard to the genericness inquiry, the Board also failed to consider the perception of the term ZERO in connection with Coca-Cola’s brand names, incorrectly divorcing the term from its combination marks.<sup>178</sup>

Finally, the court held that the Board also erred in its determination that Coca-Cola’s ZERO marks had acquired distinctiveness by failing to first consider the level of distinctiveness of the marks.<sup>179</sup> As the court reminded the Board, “the applicant’s burden of showing acquired distinctiveness increases with the level of descriptiveness” of the mark at issue.<sup>180</sup> Thus, the court instructed the Board that, on remand, if the

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171. *Royal Crown Co. v. The Coca-Cola Co.*, 892 F.3d 1358, 1362 (Fed. Cir. 2018).

172. *Id.*

173. *Id.* at 1363.

174. *Id.* at 1364.

175. *Id.* at 1366, 1368 (emphasis in original).

176. *Id.* at 1367 (emphasis in original).

177. *Id.* at 1368.

178. *Id.*

179. *Id.*

180. *Id.* (quoting *In re Seelbuilding.com*, 415 F.3d 1293, 1300 (Fed. Cir. 2005)).

question of acquired distinctiveness was reached, the Board must first “make an express finding regarding the degree of the mark’s descriptiveness on the scale ranging from generic to merely descriptive.”<sup>181</sup>

D. HONEY BADGER MIGHT CARE – *GORDON V. DRAPE CREATIVE, INC.*

In *Gordon v. Drape Creative, Inc.*, the U.S. Court of Appeals for the Ninth Circuit considered whether the *Rogers* test barred the application of the Lanham Act where a greeting cards manufacturer used the phrases “Honey Badger Don’t Care” and “Honey Badger Don’t Give a S—” on its cards.<sup>182</sup>

The plaintiff, the creator of the well-known YouTube video that popularized the phrases “Honey Badger Don’t Care” and “Honey Badger Don’t Give a S—,” sued Drape Creative, Inc., and Papyrus-Recycled Greetings, Inc. for its use of the phrases on greeting cards.<sup>183</sup> The plaintiff owns federal trademark registrations for the “HONEY BADGER DON’T CARE” phrase in connection with greeting cards, among other consumer items.<sup>184</sup> The district court found that the plaintiff’s trademark infringement claims were barred by the *Rogers* test, and granted summary judgment in favor of the defendants.<sup>185</sup>

The court of appeals came to a different conclusion, finding that the *Rogers* test did not necessarily bar the application of the Lanham Act.<sup>186</sup> When a plaintiff brings a claim of trademark infringement that involves an artistic work, courts apply the *Rogers* test to determine whether “the public interest in avoiding consumer confusion outweighs the public interest in free expression.”<sup>187</sup> Specifically, under this test, the Lanham Act can apply to an expressive work where (1) the plaintiff’s mark is “artistically relevant to the work”; or (2) the use of the plaintiff’s mark “explicitly misleads consumers as to the source or the content of the work.”<sup>188</sup>

Although the court agreed with the district court’s determination that the use of the plaintiff’s “Honey Badger . . .” phrases were artistically relevant to the work, the court disagreed with the lower court’s analysis under the second prong.<sup>189</sup> The lower court required “the defendants [to] make an ‘affirmative statement of the plaintiff’s sponsorship or endorsement’” in order to find that the expressive work materially misleads consumers.<sup>190</sup> The court of appeals held that an artistic or expressive work can be found to materially mislead consumers even without such direct

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181. *Id.* at 1369.

182. *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 261 (9th Cir. 2018).

183. *Id.*

184. *Id.*

185. *Id.* at 260.

186. *Id.* at 261.

187. *Id.* at 264.

188. *Id.*

189. *Id.*

190. *Id.* at 269.

references to the plaintiff.<sup>191</sup> In fact, “the use of a mark alone may explicitly mislead consumers . . . if consumers would ordinarily identify the source by the mark itself.”<sup>192</sup> The court noted two relevant considerations in assessing the second prong: the similarity of the junior and senior uses of the mark and “the extent to which the junior user has added his or her own expressive content.”<sup>193</sup> The court concluded that a jury could decide that the defendants’ use of the phrases on the greeting cards is explicitly misleading, so the court of appeals reversed the district court’s finding of summary judgment.<sup>194</sup>

E. THE FIFTH CIRCUIT WADES INTO BIKINI BOTTOM – VIACOM  
INTERNATIONAL V. IJR CAPITAL INVESTMENTS, LLC

The U.S. Court of Appeals for the Fifth Circuit upheld summary judgment in favor of Viacom International Inc. on its trademark infringement and unfair competition claims against IJR Capital Investments, LLC.<sup>195</sup> In a case of first impression, the court held that “specific elements from within a television show—as opposed to the title of the show itself—[can] receive trademark protection.”<sup>196</sup>

Viacom owns *SpongeBob SquarePants*, an animated television series that premiered in 1999.<sup>197</sup> The *Krusty Krab*, the center of the controversy in this case, is a fast-food restaurant in the show’s fictional town of Bikini Bottom.<sup>198</sup> In 2014, IJR made plans to open seafood restaurants in Texas and California named *Krusty Krab*.<sup>199</sup> The defendant also filed a federal trademark application for **THE KRUSTY KRAB** for restaurant services.<sup>200</sup> After first sending a cease-and-desist letter to IJR, Viacom sued for unfair competition under the Lanham Act and trademark infringement under Texas common law, among several other claims.<sup>201</sup> The district court granted summary judgment for Viacom’s unfair competition and common law trademark infringement claims, and IJR then appealed.<sup>202</sup>

Regarding Viacom’s rights in *The Krusty Krab* mark, the court held that “specific elements from within a television show—as opposed to the title of the show itself—[can] receive trademark protection,” reasoning that “[e]xtending trademark protection to elements of television shows that serve as source identifiers can serve” to protect goodwill and invest-

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191. *Id.* at 270.

192. *Id.*

193. *Id.*

194. *Id.* at 271.

195. *Viacom Int’l v. IJR Capital Invs., LLC*, 891 F.3d 178, 182 (5th Cir. 2018).

196. *Id.* at 186–87.

197. *Id.* at 183.

198. *Id.*

199. *Id.*

200. *Id.* at 183–84.

201. *Id.* at 184.

202. *Id.*

ments made in trade names, and to guard against consumer confusion.<sup>203</sup> However, the court also stated that “use within a popular television series does not necessarily mean that the mark is used as a source identifier.”<sup>204</sup> The question in this case was “whether The Krusty Krab mark, ‘as used, will be recognized *in itself* as an indication of origin for the particular product or service’” or whether it “creates a separate and distinct commercial impression.”<sup>205</sup> The court explained that “[i]n evaluating whether elements of a television series are trademarks, the focus is on the role that the element plays within the show and not the overall success or recognition of the show itself,” reasoning that “an element [that] plays a more central role in a franchise” will usually receive trademark protection.<sup>206</sup> The court found that The Krusty Krab’s “central role” in the SpongeBob franchise provided “strong evidence” that the mark serves as an indication of origin for the show and its associated goods.<sup>207</sup>

The court also found that The Krusty Krab mark acquired distinctiveness through secondary meaning, based on the number of episodes that include the restaurant, the millions of dollars Viacom earned on goods and films that featured The Krusty Krab mark, and its popularity in the media.<sup>208</sup>

Regarding likelihood of confusion, the court found an “impermissible” likelihood that “consumers would affiliate Viacom’s legally protectable The Krusty Krab mark with IJR’s seafood restaurant by the same name” in light of the strength of the plaintiff’s mark and the fact that IJR’s mark was identical.<sup>209</sup> Moreover, although Viacom’s mark referenced a fictional hamburger restaurant and IJR’s mark was to be used for a seafood restaurant, “Viacom could naturally develop a real The Krusty Krab restaurant based on the fictional eatery, as its subsidiary did when it licensed Bubba Gump Shrimp Co.,” which weighed in favor of a likelihood of confusion.<sup>210</sup>

#### IV. COPYRIGHT UPDATE

##### A. HEY GOOGLE, IS THIS FAIR USE? – *ORACLE AMERICA, INC.* *v. GOOGLE LLC*

In *Oracle America, Inc. v. Google LLC*, the U.S. Court of Appeals for the Federal Circuit held that Google’s use of Oracle’s Java software in the Android platform was not fair use as a matter of law.<sup>211</sup>

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203. *Id.* at 187.

204. *Id.* at 188.

205. *Id.* (quoting *In re Morganroth*, 208 U.S.P.Q. 284, 287 (T.T.A.B. 1980) (emphasis in original)).

206. *Id.*

207. *Id.* at 188 (5th Cir. 2018).

208. *Id.* at 191.

209. *Id.* at 198.

210. *Id.* at 197.

211. *Oracle Am., Inc. v. Google, LLC*, 886 F.3d 1179, 1186 (Fed. Cir. 2018).

After an unsuccessful attempt to create its own application programming interface (API) and multiple unsuccessful licensing discussions with Oracle's predecessor, Sun Microsystems, Google copied verbatim the declaring code and Single Sign-on (SSO) for thirty-seven of Oracle's APIs.<sup>212</sup> Oracle originally filed a copyright infringement suit against Google for Google's unauthorized use of Oracle's API packages in its Android operating system.<sup>213</sup> In the first trial, the jury found that Google infringed Oracle's copyrights, but came to no decision regarding whether such use was fair.<sup>214</sup> The district court ultimately found that the API packages were not copyrightable, a decision which Oracle appealed to the Federal Circuit. On appeal, the circuit court held that the Java packages, in particular the declaring code and the SSO, were copyrightable.<sup>215</sup> On remand, the jury sided with Google, finding fair use, and the district court denied Oracle's motion for judgment as a matter of law.<sup>216</sup> Oracle then appealed the district court's final judgment and denial of its motion.<sup>217</sup> Google cross-appealed to "'preserv[e] its claim that the declarations/SSO are not protected by copyright law.'"<sup>218</sup>

The court of appeals considered four factors in determining the case's dispositive question—whether the use was fair.<sup>219</sup> For the first factor, the purpose and character of the use, the court held that Google's use of the API packages was commercial and the use was not transformative, as the copying was verbatim and was used "for an identical function and purpose" with "no changes to the expressive content or message."<sup>220</sup> The court found that the second factor, the nature of the copyrighted work, weighed slightly in favor of a finding of fair use because reasonable jurors could have accepted Google's assertions that the copied portions were functional, rather than entirely creative.<sup>221</sup> The third factor, the amount and substantiality of the portion used, was neutral and even "arguably weighs against" fair use, based on the amount and significance of code Google copied.<sup>222</sup> The fourth factor, the effect upon the potential market, weighed heavily against a finding of fair use, based on the actual and potential market harm that was supported by evidence that both Android and the Java Platform were used on mobile devices.<sup>223</sup> The court noted that, although Oracle may not have operated in the mobile phone market at that time, Oracle intended to license the Java platform in smartphones, based upon the unsuccessful discussions of such licensing with Google.<sup>224</sup>

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212. *Id.* at 1188.

213. *Id.* at 1185.

214. *Id.*

215. *Id.*

216. *Id.*

217. *Id.* at 1185.

218. *Id.*

219. *Id.* at 1200.

220. *Id.* at 1202.

221. *Id.* at 1205.

222. *Id.* at 1207.

223. *Id.* at 1210.

224. *Id.* at 1210–11.

Thus, upon balancing the factors, the court found that Google's use of Oracle's API packages was not fair and remanded to the district court to determine damages.<sup>225</sup>

## V. TRADE SECRET UPDATE

IP practitioners should be aware of some interesting developments in Texas regarding the interpretation and applicability of the Texas anti-SLAPP statute, the Texas Citizens Participation Act (TCPA). While the TCPA had its origin in the media context, Texas courts have interpreted the scope of the statute and applied it in other areas of law.<sup>226</sup> IP is one area of applicability where the TCPA can be a powerful weapon.

### A. APPLICABILITY OF THE TCPA TO STATE-BASED IP CASES

While federal courts have exclusive jurisdiction over many IP-based causes of action, including claims for patent or copyright infringement,<sup>227</sup> trade secret misappropriation cases are often brought under state law, and Texas is no exception. Thus, the TCPA may be applicable in appropriate trade secret cases based on Texas state law.<sup>228</sup> The TCPA may also apply in trademark cases brought under state trademark law. Other cases that involve IP issues may also be susceptible to TCPA motions to dismiss if the underlying cause of action sounds in state law, like technology-based contract, tort, civil conspiracy, or unfair competition actions. In short, the TCPA is a statute to be aware of in a myriad of IP issues.

Under the TCPA, a court must dismiss a legal action that "is based on, relates to, or is in response to" the party's exercise of the right of free speech, the right to petition, or the right of association.<sup>229</sup> One example of the TCPA's broad applicability is the case of *Elite Auto Body LLC v. Autocraft Bodywerks, Inc.*<sup>230</sup> In *Elite*, a group of individuals left their current employment and formed a new company to compete with their former employer.<sup>231</sup> The former employees allegedly took their former employer's trade secrets and communicated them in pursuit of their new business venture, including about the allegedly misappropriated trade secrets.<sup>232</sup> The former employer sued for trade secret misappropriation, and the former employees responded with a TCPA motion that the lawsuit is based on, related to, or in response to their exercise of their rights of association and, therefore, susceptible to dismissal under the TCPA.<sup>233</sup> The Austin Court of Appeals dismissed the trade secret claims and re-

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225. *Id.* at 1211.

226. *See, e.g., ExxonMobil Pipeline Co. v. Coleman*, 512 S.W.3d 895 (Tex. 2017).

227. 28 U.S.C. § 1338(a).

228. *See, e.g., Elite Auto Body, LLC v. Autocraft Bodywerks, Inc.*, 520 S.W.3d 191, 193 (Tex. App.—Austin 2017, pet. dism'd).

229. TEX. CIV. PRAC. & REM. CODE ANN. § 27.005(b).

230. 520 S.W.3d 191 (Tex. App.—Austin 2017, pet. dism'd).

231. *Id.* at 194.

232. *Id.* at 197.

233. *Id.* at 205.

manded for a determination of the appropriate measure of attorney's fees and sanctions.<sup>234</sup>

One unresolved issue is whether the TCPA applies in a trial of state law causes of action in federal court. Some federal courts have also held that the TCPA applies when the court is sitting in diversity jurisdiction.<sup>235</sup> However the U.S. Court of Appeals for the Fifth Circuit has not yet resolved this issue.<sup>236</sup>

## VI. CONCLUSION

The developments in IP law during the Survey period brought certainty to some questions but left plenty of questions to be answered. For example, the Supreme Court laid to rest a constitutional challenge to the legislatively-created IPR scheme but limited the PTO's discretion regarding how to conduct the IPRs, and made clear that other constitutional challenges may have different outcomes. The Federal Circuit's holding in *Berkheimer v. HP Inc.* has prompted some additional guidance for patent eligibility determinations at the PTO, and its decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals* shut down a potentially disruptive patent-shielding scheme. The federal courts also clarified standards for assessing secondary meaning and likelihood of confusion in trademark law and weighed in on the revocability of trademark licenses in the context of Chapter 11 bankruptcy. In summary, the Survey period reflects changes in the law that provide incremental gains in certainty for private parties and practitioners alike.

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234. *Id.* at 207.

235. *Khalil v. Mem'l Hermann Health Sys.*, No. H-17-1954, 2017 WL 5068157, at \*5 (S.D. Tex. Oct. 30, 2017); *La'Tiejira v. Facebook, Inc.*, 272 F. Supp. 3d 981, 985 (S.D. Tex. 2017); *Banik v. Tamez*, No. 7:16-CV-00462, 2017 WL 1228498, at \*2 (S.D. Tex. Apr. 4, 2017); *Allen v. Heath*, No. 6:16-CV-51 MHS-JDL, 2016 WL 7971294, at \*3 (E.D. Tex. May 6, 2016), *adopted by* *Allen v. Heath*, No. 6:16-CV-51, 2016 WL 3033561, at \*1 (E.D. Tex. May 27, 2016); *Floyd v. Aalaei*, No. 4:15-CV-525-RC-DDB, 2016 WL 11472821, at \*3 (E.D. Tex. Apr. 28, 2016), *adopted by* *Floyd v. Aalaei*, No. 4:15-CV-00525, 2016 WL 4472777 (E.D. Tex. Aug. 25, 2016); *Williams v. Cordillera Commc'ns, Inc.*, No. 2:13-CV-00124, 2014 WL 2611746, at \*2 (S.D. Tex. June 11, 2014). *But see, e.g., N.P.U., Inc. v. Wilson Audio Specialties, Inc.*, 343 F. Supp. 3d 661 (W.D. Tex. Oct. 29, 2018) (declining to apply the TCPA in federal court); *Van Dyke v. Retzlaff*, No. 4:18-CV-00247, 2018 WL 4261193, at \*2 (E.D. Tex. July 24, 2018) (same); *Rudkin v. Roger Beasley Imports, Inc.*, No. A-17-CV-849-LY, 2017 WL 6622561, at \*2-3 (W.D. Tex. Dec. 28, 2017), *adopted by* *Rudkin v. Roger Beasley Imports, Inc.*, No. A-17-CV-849-LW, 2018 WL 2122896, at \*1 (W.D. Tex. Jan. 31, 2018) (same).

236. *Cuba v. Pylant*, 814 F.3d 701, 706 (5th Cir. 2016) (assuming, without deciding, that the TCPA controls as state substantive law when a federal court is sitting in diversity jurisdiction); *NCDR, LLC v. Mauze & Bagby, PLLC*, 745 F.3d 742, 752 (5th Cir. 2014) (finding appellees waived an argument that the TCPA is procedural law that conflicts with the Federal Rules of Civil Procedure). Note, however, that the Fifth Circuit has held that Louisiana's anti-SLAPP statute, which is similar to the TCPA, is applicable in federal court. *Henry v. Lake Charles Am. Press., LLC*, 566 F.3d 164, 169 (5th Cir. 2009).

