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ACQUISITIONS AS PART OF A COMPLETE BUSINESS OR PRODUCT LINE**

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An acquisition of intellectual property as part of a complete business or product line can raise antitrust concerns under a variety of different antitrust provisions. Since at least two parties will of necessity be involved, the transaction may be challenged as a “contract, combination or conspiracy” that unreasonably restrains trade in violation of § 1 of the Sherman Act.¹ Legal challenges may also arise under § 2 of the Sherman Act,² alleging that the transaction is an illegal act of monopolization,³ an attempt to monopolize,⁴ or a combination or conspiracy to monopolize.⁵

Typically, however, the legality of the transaction will be tested under § 7 of the Clayton Act.⁶ Broadly stated, § 7 prohibits stock or asset acquisitions that threaten to substantially lessen competition or tend to create a monopoly in a relevant market. Unlike the Sherman Act, the Clayton Act is forward-directed in its orientation, in the sense that it serves as a mechanism for “arresting” mergers or acquisitions of stock or assets when the “trend to a lessening of competition” and a

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full-blown monopoly is “still in its incipiency.”⁷ Hence, it is at least theoretically easier to challenge a transaction under § 7 than it would be to challenge the same transaction under the more demanding provisions of the Sherman Act,⁸ although such a distinction is probably more theoretical than practical.⁹

Whatever the antitrust provision employed, the basic elements of the particular antitrust claim must still be established, since acquiring intellectual property is obviously not of itself illegal under the antitrust laws.¹⁰ In addition, even if the facts suggest a potentially viable antitrust claim, the plaintiff must establish that it has incurred antitrust injury (i.e., injury caused by the defendant's antitrust violation and of a type the antitrust laws were meant to protect against) and otherwise has standing to assert the claim.¹¹

Intellectual property has played a key role in several cases challenging acquisitions of complete business or product lines under § 7 of the Clayton Act. Probably the leading such case is also one of the most controversial: the Supreme Court's 1967 decision in *FTC v. Procter & Gamble Co.*¹² Procter & Gamble, one of the nation's largest manufacturers of detergents and other household products but not of bleach,

acquired the patents, trademarks, inventory and other assets of Clorox, the largest producer of liquid bleach. The market for liquid bleach products was highly concentrated, with a two firm concentration of approximately 65%. Moreover, Clorox was dominant within the market, with a market share of approximately 49%. While Procter & Gamble was not itself in the liquid bleach market, it enjoyed substantial volume discounts in the advertising of related household products. These unique cost advantages would have carried over into the promotion of liquid bleach, where advertising was “vital” to effective product sales.¹³

In assessing the legality of the acquisition under § 7, the Court employed the following analytical framework. First, it identified the relevant “product” market (agreed by the parties to be household liquid bleach) and the relevant “geographic” market (the United States as a whole and a series of “regional markets” defined by the high cost of shipping the product, relative to its price).¹⁴ Next, the Court examined the probable impact of the acquisition on competition, “present and future,” within these markets. Factors given particular emphasis were the dominance of the Clorox brand name and the advertising cost advantage that the acquisition brought to Clorox. Prior to the acquisition, Clorox was unable to obtain discounts comparable to those enjoyed by Procter, due to a much smaller advertising budget. By making the Procter cost advantage available to Clorox, the acquisition could, according to the Court's reasoning, be expected to further entrench Clorox's already dominant market position, making it even more difficult for existing and prospective competitors to maintain the level of advertising “vital” to compete effectively with the Clorox brand name.¹⁵

Readers are cautioned that in the nearly five decades since *Procter & Gamble* was decided, judicial views have shifted regarding integrative efficiencies as a competitive merger de-

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fense¹⁶ and regarding the antitrust treatment of trademarks as a source of purported market power.¹⁷ As a result, it is likely that the Supreme Court would not find illegality in the same facts if the case were before it today.

Intellectual property considerations were again an important factor in the 1972 Supreme Court decision in *Ford Motor Co. v. United States*.¹⁸ The case involved Ford's acquisition of the Autolite sparkplug business, including the trade name, trademark rights, a manufacturing plant, and rights to the Autolite distribution network. Prior to the acquisition, Ford did not itself produce sparkplugs. However, it was a major purchaser, accounting for approximately 10% of total industry sparkplug sales.¹⁹ In addition, the evidence established that, but for the acquisition, Ford would probably have entered the highly concentrated sparkplug industry through the less competitively restrictive route of internal expansion.²⁰

The Supreme Court agreed with the district court that a § 7 violation had been established, since the transaction eliminated Ford as a potential entrant into the sparkplug market, and foreclosed competing sparkplug producers from a substantial segment of the market.²¹ More importantly for our immediate purposes, the Court went on to emphasize intellectual property considerations when shaping the necessary relief. To facilitate Autolite's successful re-entry into the market as an independent entity, Ford was required for a five-year period to purchase one-half of its sparkplug requirements from Autolite under the "Autolite" mark, thereby providing Autolite with both an assured customer and assured dissemination of its trademark.²² In addition, Ford was prohibited from using its own brand name on sparkplugs during the five-year period.²³ The Court reasoned that these concededly drastic limitations upon trademark rights were necessary to counteract a purchaser tendency within the industry to simply replace sparkplugs with the original equipment brand.²⁴

Ford Motor, like *Procter & Gamble*, supra, arose during a particularly aggressive period of government merger enforcement during the 1960s and early 1970s. Both cases should, therefore, be viewed with some caution, insofar as they arguably do not reflect a more conservative approach to merger challenges seen in more recent judicial and agency decisions. Illustrative of the more conservative approach that currently prevails is the Third Circuit's 2007 decision in *Broadcom Corp. v. Qualcomm Inc.*²⁵ In relevant part, the decision affirmed dismissal of a Clayton Act § 7 claim challenging the defendant's acquisition of an allegedly leading developer of new cell phone technologies, including an emerging new "fourth generation" technology still under development. The plaintiff—a competing licensor of cell phone technology—did not allege that it planned to compete in development of fourth generation systems; just that it "might" require a license at some future date. In addition, it was not alleged that the defendant had actually engaged in any anticompetitive tactics with respect to the acquired technology; just that the defendant "might" impose anticompetitive license terms on competitors in the future, assuming that the acquired company's developmental efforts bore fruit and fourth generation systems became a reality. "Hypothetical conduct, speculative monopoly power, and remote injuries," held the court, "do not merit the extreme remedy of divestiture."²⁶ Moreover, emphasized the court, "while a private plaintiff seeking to enjoin an acquisition [under § 7] 'need only prove that its effect may be substantially to lessen competition,' . . . [t]he prospective harm to competition must not, however, be speculative."²⁷

Also reflecting the more conservative approach now taken by the courts is the Sixth Circuit's 1989 decision in *Axis, S.p.A. v. Micafil, Inc.*²⁸ The plaintiff, a foreign manufacturer of armaturewinding machinery, wished to compete in the U.S. market, but had not yet actu-

ally entered the market. It brought suit under § 7 of the Clayton Act after one of its foreign competitors acquired two of the four similar manufacturers within the United States. The plaintiff's complaint had been dismissed for failure to state a claim.

On appeal, the Sixth Circuit affirmed. It assumed for purposes of the appeal that a prima facie § 7 violation had been established, given the highly concentrated nature of the market (down to only two firms) and evidence that the acquisition gave the defendant a greater than 50% market share within the U.S. Nonetheless, the plaintiff was held to have not pleaded the sort of "competitive injury" to itself required for standing, where it was uncontested that the two acquired companies held blocking patents that would have prevented the plaintiff from entering the U.S. market in any event. The court reasoned that even absent the acquisition, the patents would have blocked the plaintiff's market entry, making the acquisition a neutral competitive event from its perspective.²⁹

The acquisition of trade secrets was central to an award of preliminary injunctive relief in another illustrative case involving intellectual property, *U.S. v. BNS Inc.*³⁰ The suit followed a prior government action to enjoin a hostile tender offer affecting a regional sand and gravel market. After the offeror entered into a proposed consent decree with the government, the target of the tender offer sought a preliminary injunction against consummation of the acquisition pending court review of the proposed consent decree.

The trial court had granted the requested preliminary injunction, and this was affirmed on appeal by the Ninth Circuit. Of particular concern to both the lower court and the appellate court was evidence that if the acquisition were allowed to proceed, the defendant would apparently gain a significant and lasting competitive advantage through access to the target's confidential business information. In light

of this concern, "hold separate" relief was held to be an inadequate alternative to simply maintaining the preacquisition situation until review of the government consent decree could be completed.

Intellectual property considerations were clearly of concern to the District of Columbia Circuit in the government's landmark monopolization case against Microsoft, *U.S. v. Microsoft Corp.*³¹ In relevant part, the court affirmed findings that Microsoft had monopolized the market for operating systems designed to run on Intel-compatible personal computers through a variety of exclusionary tactics, including the use of exclusive dealing arrangements with equipment manufacturers, IAPs and other software distributors, and the imposition of contract and technological barriers on the use and development of systems viewed as a competitive threat to Microsoft's monopoly. Despite finding enough to support liability, the court vacated and remanded the district court's remedies order, in which the lower court had imposed drastic divestiture and conduct relief, including a break-up of the company into separate operating and applications systems providers, mandatory licensing and assignments of intellectual property useful to the divested businesses, and mandatory disclosure of APIs and other key technical information to third party software developers.

The D.C. Circuit had serious problems with the manner in which the lower court had handled the remedies phase of the case. First, the district court had refused to hold an evidentiary hearing on the issue of remedies, despite the presence of disputed facts as to the efficacy of the breakup relief sought by the government and imposed by the court. This was held to violate the "cardinal principle of our system of justice" that "factual disputes must be heard in open court and resolved through trial-like evidentiary proceedings."³² Arguments that no evidentiary hearing was needed because Microsoft had "long . . . been on notice that

structural relief was a distinct possibility” were rejected as a nonsequiter, since “[w]hether Microsoft had advance notice that dissolution was in the works is immaterial to whether the district court violated the company’s procedural rights by ordering it without an evidentiary hearing.”³³ Also noted were the district court’s failure to adequately explain its reasons for imposing divestiture—having “devoted a mere four paragraphs of its order to explaining its reasons for the remedy”—and Microsoft’s success on appeal in overturning liability on claims of illegal tying and attempted monopolization of the Internet “browser” market. Pointing to these and other deficiencies in the record, the court ruled:³⁴

A court . . . must base its relief on some clear “indication of a significant causal connection between the conduct enjoined or mandated and the violation found directed toward the remedial goal intended.” 3 Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶ 653(b), at 91-92 (1996). In a case such as the one before us where sweeping equitable relief is employed to remedy multiple violations, and some—indeed most—of the findings of remediable violations do not withstand appellate scrutiny, it is necessary to vacate the remedy decree since the implicit findings of causal connection no longer exist to warrant our deferential affirmance.

Rather than simply remand the case, the court took more extreme measures. First, it identified specific guiding factors for the lower court to consider when revisiting the issue of remedies. One was Microsoft’s status as a “unitary company” that might not easily be broken up, unlike the merged companies involved in the typical divestiture case. “If indeed Microsoft is a unitary company, division might very well require Microsoft to reproduce each of these departments in each new entity rather than simply allocate the differing departments among them,” even assuming that divestiture were found to be an appropriate remedy.³⁵ In addition, the strength of the causal evidence connecting Microsoft’s anticompetitive acts and maintenance of its monopoly should be considered, with the court emphasizing:³⁶

“Mere existence of an exclusionary act does not itself justify full feasible relief against the monopolist to create maximum competition.” 3 Areeda & Hovenkamp, *Antitrust Law* ¶ 650a, at 67. Rather, structural relief, which is “designed to eliminate the monopoly altogether . . . require[s] a clearer indication of a significant causal connection between the conduct and creation or maintenance of the market power.” *Id.* ¶ 653b, at 91-92 (emphasis added). Absent such causation, the antitrust defendant’s unlawful behavior should be remedied by “an injunction against continuation of that conduct.” *Id.* ¶ 650a, at 67.

Finally, of clear concern to the court was the dynamic nature of the industry—computer software systems—at issue in the case. “Conduct remedies,” explained the court “may be unavailing in such cases, because innovation to a large degree has already rendered the anti-competitive conduct obsolete (although by no means harmless). And broader structural remedies present their own set of problems, including how a court goes about restoring competition to a dramatically changed, and constantly changing, marketplace.”³⁷ While the court had no ready answers, it emphasized that in technologically dynamic markets, there is, if anything, a heightened need to “update” and “flesh out” relevant market and other information before imposing dramatic structural relief.³⁸

The preceding cases illustrate two of the principal situations in which intellectual property considerations can play a key role in assessing the § 7 legality of a larger acquisition of a complete business or product line. Patent, trademark, or other intellectual property concerns may enter into the assessment of the probable competitive “effects” of the acquisition, as in the *Procter & Gamble* emphasis upon a particularly valuable acquired brand name, the *Broadcom* distinction between threatened market injury sufficient to support a claim versus merely “speculative” injury, and the *Axis, S.p.A.* emphasis upon key blocking patents. In addition, intellectual property considerations can enter into the shaping of ap-

propriate relief once a violation has been found, as in *Ford*, *Microsoft*, and *BNS*.³⁹

A final and particularly well-reasoned example of merger analysis involving intellectual property concerns is *U.S. v. Lever Bros. Co.*⁴⁰ While the case is relatively old, and went no further than the district court level, it employed much the same type of analysis later expressly approved by the Supreme Court in *U. S. v. General Dynamics Corp.*,⁴¹ but within the specific context of an intellectual property acquisition.

The case involved Lever Brothers' acquisition from Monsanto Chemical Co. of the patents, trademarks, copyrights and inventory of the "All" laundry detergent line. The district court applied a three-pronged analysis in reviewing the transaction. First, it asked whether the items acquired were "assets" within the meaning of § 7 of the Clayton Act, and concluded that they were.⁴² Second, the court identified the relevant product market as being low sudsing detergents, and the relevant geographic market as being the nation as a whole.⁴³ Third, and most importantly, it assessed the probable competitive effects of the acquisition.

In gauging the transaction's probable effects, the court placed particular emphasis upon historical trends within the industry, the degree of industry competitiveness before and after the acquisition, the relative competitive positions of the parties to the transaction, and their respective strengths and weaknesses in effective marketing of the product. Thus, while the court found that "All" accounted for over 55% of total industry sales of low sudsing detergents,⁴⁴ it nevertheless upheld the transaction as being procompetitive. With reasoning that could have been taken straight out of the Supreme Court's 1974 *General Dynamics* decision, *supra*, the court concluded that statistics alone "would subordinate reality to formulae" in the particular case.⁴⁵ The market share of "All" was falling rapidly, due to aggressive competition by new market entrants and Monsanto's inability to ef-

fectively market consumer products such as laundry detergents, as opposed to the product lines with which Monsanto was experienced. In addition, while Lever Brothers had the marketing expertise needed to effectively promote a product such as "All," it had failed in attempts to develop a comparable product of its own, even though it needed such a product in its product line to become a more effective competitor. The court concluded that in light of these factors, far from threatening to reduce competition in any market, the acquisition "promoted a more active competition than if the acquisition had not been made."⁴⁶

ENDNOTES:

**Reprinted from Holmes, *Intellectual Property and Antitrust Law* § 12:2.

¹15 U.S.C.A. § 1. See, e.g., *U.S. v. Parker-Rust-Proof Co.*, 61 F. Supp. 805, 65 U.S.P.Q. 563 (E.D. Mich. 1945). Cf. *U.S. v. Rockford Memorial Corp.*, 898 F.2d 1278, 1990-1 Trade Cas. (CCH) ¶ 68978 (7th Cir. 1990) (business acquisition that could not be challenged under Clayton Act § 7 was successfully challenged under Sherman Act § 1. "Both statutes are currently understood to prevent transactions likely to reduce competition substantially.")

²15 U.S.C.A. § 2.

³See, e.g., *McDonald v. Johnson & Johnson*, 537 F. Supp. 1282, 11 Fed. R. Evid. Serv. 256 (D. Minn. 1982), judgment aff'd in part, vacated in part, 722 F.2d 1370 (8th Cir. 1983); *U.S. v. United Shoe Machinery Corp.*, 110 F. Supp. 295 (D. Mass. 1953), judgment aff'd, 347 U.S. 521, 74 S. Ct. 699, 98 L. Ed. 910 (1954).

⁴See, e.g., *Western Geophysical Co. of America v. Bolt Associates, Inc.*, 305 F. Supp. 1248 (D. Conn. 1969), order modified, 305 F. Supp. 1251 (D. Conn. 1969).

⁵See, e.g., *Kobe, Inc. v. Dempsey Pump Co.*, 198 F.2d 416 (10th Cir. 1952).

⁶15 U.S.C.A. § 18. See, e.g., *F.T.C. v. Procter & Gamble Co.*, 386 U.S. 568, 87 S. Ct. 1224, 18 L. Ed. 2d 303 (1967); *Ford Motor Co. v. U. S.*, 405 U.S. 562, 92 S. Ct. 1142, 31 L. Ed. 2d 492 (1972). See generally U.S. Dept. of Justice and Fed. Trade Comm'n, *Antitrust Guidelines for the Licensing of Intellectual Property*, Sec. 5.7 (April 6, 1995) (stating that sales and exclusive licenses involving intellectual property will be assessed by the agencies using the analysis contained in the Horizontal Merger Guidelines, and that other acquisitions such as nonexclusive licenses will be assessed under the Clayton and Sherman Acts using the same criteria applied to nonintellectual property asset acquisitions).

⁷*Brown Shoe Co. v. U.S.*, 370 U.S. 294, 82 S. Ct. 1502, 8 L. Ed. 2d 510 (1962). See also *F.T.C. v. Procter & Gamble Co.*, 386 U.S. 568, 87 S. Ct. 1224, 18 L. Ed. 2d 303 (1967);

U.S. v. Philadelphia Nat. Bank, 374 U.S. 321, 83 S. Ct. 1715, 10 L. Ed. 2d 915 (1963).

⁸Like any general rule, this statement is subject to exceptions: e.g., where the transaction can be characterized as a per se violation of Sherman Act § 1, thereby avoiding the complex market definition problems that can arise under Clayton Act § 7.

⁹*See, e.g., Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297 (3d Cir. 2007) (affirming dismissal of a Clayton Act § 7 claim challenging a competitor's acquisition of an allegedly leading developer of new technologies still in their nascent state, where the plaintiff's allegations of future adverse market effects were both highly "speculative" and "remote."); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1210 (2d Cir. 1981) (summarily rejecting a Sherman Act § 1 challenge to an acquisition involving patent rights that had survived Clayton Act § 7 challenge, where the court could "see no reason" to "expand judicially" the scope of § 1 "to accommodate a claim that is already cognizable under another antitrust provision—§ 7 of the Clayton Act."); *U.S. v. Rockford Memorial Corp.*, 898 F.2d 1278, 1990-1 Trade Cas. (CCH) ¶ 68978 (7th Cir. 1990) (business acquisition that at the time could not be challenged under Clayton Act § 7 was successfully challenged under Sherman Act § 1. "Both statutes are currently understood to prevent transactions likely to reduce competition substantially.")

¹⁰*See, e.g., Genentech, Inc. v. Eli Lilly and Co.*, 998 F.2d 931, 84 Ed. Law Rep. 665 (Fed. Cir. 1993) (abrogated on other grounds by *Wilton v. Seven Falls Co.*, 515 U.S. 277, 115 S. Ct. 2137, 132 L. Ed. 2d 214 (1995)) (it was not an illegal restraint of trade or patent misuse for a state university and private corporation to enter into an exclusive patent license covering an invention developed by the university); *Abcor Corp. v. AM Intern., Inc.*, 916 F.2d 924 (4th Cir. 1990) (allegations that the defendant improperly obtained trade secrets from the plaintiff through sham negotiations to acquire the plaintiff's business did not, without more, state an antitrust claim for attempted monopolization); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195 (2d Cir. 1981) (a company did not violate either the Sherman Act or the Clayton Act by acquiring patent rights from a university in still-nascent technology requiring significant further commercial development, since the elements of actual threatened market injury required for a viable antitrust claim were clearly lacking); *Black and Decker, Inc. v. Hoover Service Center*, 765 F. Supp. 1129 (D. Conn. 1991) (while it appeared likely that the defendant, a dominant manufacturer of hand-held vacuum cleaners, acquired exclusive rights under a patent of questionable validity for the improper purpose of driving its only significant competitor from the marketplace, deficiencies in the plaintiff's relevant market proof precluded preliminary injunctive relief); *Crucible, Inc. v. Stora Kopparbergs Bergslags AB*, 701 F. Supp. 1157 (W.D. Pa. 1988) (a company did not engage in illegal monopolization where it acquired key patents from research institutions while the industry was still in its nascent state, further developed the acquired technology, and then refused to grant licenses to competitors); *AB Iro v. Otex, Inc.*, 566 F. Supp. 419 (D.S.C. 1983) (rejecting claims of attempted monopolization involving patent acquisitions and alleged refusals to license). *See also* U.S. Dep't of Justice and Fed. Trade Comm'n, Antitrust Guidelines for the Licensing of Intellectual Property, Sec. 2.2 (April 6, 1995) ("If a patent or other form of intellectual property does confer market power, that market power does not by itself offend the

antitrust laws. As with any other tangible or intangible asset that enables its owner to obtain significant supra-competitive profits, market power (or even a monopoly) that is solely 'a consequence of a superior product, business acumen, or historic accident' does not violate the antitrust laws.")

¹¹*See, e.g., Axis, S.p.A. v. Micafil, Inc.*, 870 F.2d 1105 (6th Cir. 1989) (even if the defendant's acquisition of a competitor violated Sherman Act § 2 and Clayton Act § 7, another competitor allegedly shut out of the market lacked standing to challenge the acquisition, where it admitted that it would not have been able to enter in any event due to blocking patents held by the defendant). *See also Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 103 S. Ct. 897, 74 L. Ed. 2d 723 (1983) (articulating the general framework for an antitrust standing analysis); *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 97 S. Ct. 690, 50 L. Ed. 2d 701 (1977) (specifying the type of "antitrust injury" that a plaintiff must have suffered to have standing); *Cargill, Inc. v. Monfort of Colorado, Inc.*, 479 U.S. 104, 107 S. Ct. 484, 93 L. Ed. 2d 427 (1986) (extending antitrust injury standing requirements to injunction suits).

¹²*F.T.C. v. Procter & Gamble Co.*, 386 U.S. 568, 87 S. Ct. 1224, 18 L. Ed. 2d 303 (1967).

¹³*Procter & Gamble Co.*, 386 U.S. at 572-573.

¹⁴*Procter & Gamble Co.*, 386 U.S. at 571.

¹⁵*Procter & Gamble Co.*, 386 U.S. at 577-580. The Court alternatively reasoned that Procter & Gamble had been eliminated as an actual and perceived potential entrant into the market, thereby further adversely affecting competition.

¹⁶*See, e.g., F.T.C. v. H.J. Heinz Co.*, 246 F.3d 708 (D.C. Cir. 2001) (observing that "[a]lthough the Supreme Court has not sanctioned the use of the efficiencies defense in a [Clayton Act] § 7 case, *see Procter & Gamble Co.*, 386 U.S. at 580, the trend among lower courts is to recognize the defense." Defendants failed to support an efficiencies defense with evidence that was merely "speculative" and "conjectural"); *F.T.C. v. University Health, Inc.*, 938 F.2d 1206 (11th Cir. 1991) ("[E]vidence that a proposed acquisition would create significant efficiencies benefiting consumers is useful in evaluating the ultimate issue—the acquisition's overall effect on competition. We think, therefore, that an efficiency defense to the government's prima facie case in § 7 challenges is appropriate in certain circumstances."); *Sewell Plastics Inc. v. Coca-Cola Co.*, 912 F.2d 463 (4th Cir. 1990) (citing efficiencies when upholding a joint production venture between a group of soft drink bottlers to create their own bottle supplier); U.S. Dep't of Justice and Fed. Trade Comm'n, Horizontal Merger Guidelines, Sec. 10, ¶¶ 30-31 (Aug. 19, 2010) (Recognizing that mergers and acquisitions that the agencies might otherwise challenge may nevertheless be cleared in light of procompetitive efficiencies that are of a "character and magnitude" such that "the merger is not likely to be anticompetitive in any relevant market.")

¹⁷*See, e.g., Sheridan v. Marathon Petroleum Co. LLC*, 530 F.3d 590 (7th Cir. 2008) (the defendant's alleged control over its franchisees through licensing of its "Marathon" trademark was legally insufficient to plead market power in the antitrust sense, "under the pleading regime created by *Bell Atlantic Corp. v. Twombly*, 127 S.Ct. 1955, 1965-66 (2007)," since a trademark "is not a

market; . . . all [a trademark] does is prevent a competitor from attaching the same name to his product.”); *Generac Corp. v. Caterpillar Inc.*, 172 F.3d 971 (7th Cir. 1999) (territorial and field restrictions in a trademark license between two potential competitors were neither a per se illegal market allocation, nor shown to be competitively unreasonable under the rule of reason, where the licensor and licensee remained free to carry competing brands of products); *McDaniel v. Appraisal Institute*, 117 F.3d 421 (9th Cir. 1997), opinion amended on denial of reh'g, 127 F.3d 1135 (9th Cir. 1997), opinion amended on denial of reh'g, 127 F.3d 1135 (9th Cir. 1997) (a real estate appraiser who was denied certification by a nonprofit certification organization, but who was able to continue competing for appraisal work, failed to show more than a somewhat weakened competitive position for himself and not anti-trust injury).

¹⁸*Ford Motor Co. v. U. S.*, 405 U.S. 562, 92 S. Ct. 1142, 31 L. Ed. 2d 492 (1972).

¹⁹*Ford Motor Co.*, 405 U.S. at 568.

²⁰*Ford Motor Co.*, 405 U.S. at 565-566.

²¹*Ford Motor Co.*, 405 U.S. at 567-571.

²²*Ford Motor Co.*, 405 U.S. at 576-577.

²³*Ford Motor Co.*, 405 U.S. at 575-576.

²⁴*Ford Motor Co.*, 405 U.S. at 576.

²⁵*Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297 (3d Cir. 2007).

²⁶*Broadcom Corp.*, 501 F.3d at 322.

²⁷*Broadcom Corp.*, 501 F.3d at 321.

²⁸*Axis, S.p.A. v. Micafil, Inc.*, 870 F.2d 1105 (6th Cir. 1989).

²⁹*Axis, S.p.A.*, 870 F.2d at 1111.

³⁰*U.S. v. BNS Inc.*, 858 F.2d 456 (9th Cir. 1988).

³¹*U.S. v. Microsoft Corp.*, 253 F.3d 34 (D.C. Cir. 2001).

³²*Microsoft Corp.*, 253 F.3d at 101.

³³*Microsoft Corp.*, 253 F.3d at 103.

³⁴*Microsoft Corp.*, 253 F.3d at 105.

³⁵*Microsoft Corp.*, 253 F.3d at 106.

³⁶*Microsoft Corp.*, 253 F.3d at 106.

³⁷*Microsoft Corp.*, 253 F.3d at 49.

³⁸*Microsoft Corp.*, 253 F.3d at 49.

³⁹See also *U.S. v. Penn-Olin Chemical Co.*, 378 U.S. 158, 84 S. Ct. 1710, 12 L. Ed. 2d 775 (1964), in which the Supreme Court repeatedly emphasized technology considerations in its discussion of a joint venture between firms owning valuable patents and production know-how; *In re GenCorp, Inc.*, Trade Reg. Rep. (CCH) ¶ 15,493 (FTC Consent Order, Oct. 15, 2003) (clearing an acquisition transaction between two firms in the aerospace industry, contingent on spinning off one of the target's business lines within six months of consummating the acquisition, and provided that the parties complied with a hold-separate order designed to keep the companies separate pending the spin-off and to prevent the transfer of trade secrets from the divested business to the acquirer); Fed. Trade Comm'n, Policy Statement on Monetary Equitable Remedies in Competition Cases, Trade Reg. Rep. (CCH) ¶ 13,231 (FTC, July 25, 2003) (policy statement on

the use of disgorgement as a remedy for violations of the Hart-Scott-Rodino Act, the FTC Act, and the Clayton Act). See generally Saunders, Patent Nonuse and the Role of the Public Interest As a Deterrent to Technology Suppression, 15 Harv.J.L. & Tech. 389, at 447 (2002).

⁴⁰*U.S. v. Lever Bros. Co.*, 216 F. Supp. 887 (S.D. N.Y. 1963).

⁴¹*U. S. v. General Dynamics Corp.*, 415 U.S. 486, 94 S. Ct. 1186, 39 L. Ed. 2d 530 (1974).

⁴²*Lever Bros. Co.*, 216 F. Supp. at 889.

⁴³*Lever Bros. Co.*, 216 F. Supp. at 889-891.

⁴⁴*Lever Bros. Co.*, 216 F. Supp. at 895.

⁴⁵*Lever Bros. Co.*, 216 F. Supp. at 898-899.

⁴⁶*Lever Bros. Co.*, 216 F. Supp. at 898. For other examples of Clayton Act § 7 cases involving complete business acquisitions, and in which intellectual property considerations played a role, in addition to the cases cited supra, see, e.g., *AlliedSignal, Inc. v. B.F. Goodrich Co.*, 183 F.3d 568, 44 Fed. R. Serv. 3d 689 (7th Cir. 1999) (affirming a preliminary injunction against the merger of two aircraft landing gear manufacturers, despite HSR review and clearance of the merger by the FTC and Justice Department, where it appeared that capital, technological and other entry barriers were high and that the merged entity would control over 60% of the market for landing gear on wide-body jets, with the HHI indicators of market concentration jumping from approximately 3,200 to over 5,200); *General Foods Corp. v. F. T. C.*, 386 F.2d 936 (3d Cir. 1967); *U.S. v. Wilson Sporting Goods Co.*, 288 F. Supp. 543 (N.D. Ill. 1968); *Gearhart Industries, Inc. v. Smith Intern., Inc.*, 592 F. Supp. 203 (N.D. Tex. 1984), aff'd in part, modified in part, 741 F.2d 707 (5th Cir. 1984); *In re GenCorp, Inc.*, Trade Reg. Rep. (CCH) ¶ 15,493 (FTC Consent Order, Oct. 15, 2003) (clearing an acquisition transaction between two firms in the aerospace industry, contingent on spinning off one of the target's business lines within six months of consummating the acquisition, and provided that the parties complied with a hold-separate order designed to keep the companies separate pending the spin-off and to prevent the transfer of trade secrets from the divested business to the acquirer); *In re Ciba Geigy Ltd.*, Trade Reg. Rep. (CCH) ¶ 24,182 (FTC 1996) (consent order conditioning approval of the \$63 billion merger of Ciba-Geigy and Sandoz on divestiture of certain herbicide business assets and licensing of specified technology and patent rights to a competitor); *In re Alliant Techsystems, Inc.*, Trade Reg. Rep. (CCH) ¶ 23,714 (FTC 1994) (consent order allowing the acquisition of a competitor's division, but requiring the acquiring entity to construct a “fire wall” to prevent the disclosure of certain trade secrets to it by the acquired division); *In re Sulzer Ltd.*, FTC File No. 941-0073 (FTC Sept. 29, 1994) (consent order allowing the acquisition of a competitor's division, but requiring the acquiring entity to provide technical information and other assistance to create a replacement competitor). Cf. *Lucas Automotive Engineering, Inc. v. Bridgestone/Firestone, Inc.*, 140 F.3d 1228 (9th Cir. 1998) (a distributor of “vintage” tires for antique automobiles lacked standing to seek damages for injury allegedly incurred as a result of a competitor's acquisition of exclusive distribution rights for a key brand of vintage tires, but had standing to seek injunctive relief including divestiture). See also the following illustrative cases involving Sherman Act challenges to business acquisitions with intellectual property overtones: *ACT*,

Inc. v. Sylvan Learning Systems, Inc., 296 F.3d 657 (8th Cir. 2002); *Lantec, Inc. v. Novell, Inc.*, 306 F.3d 1003, 1024, 59 Fed. R. Evid. Serv. 1251, 49 U.C.C. Rep. Serv. 2d 147 (10th Cir. 2002); *Thompson v. Metropolitan Multi-List, Inc.*, 934 F.2d 1566 (11th Cir. 1991). See generally U.S. Department of Justice and FTC, Antitrust Guidelines for the Licensing of Intellectual Property Sec. 5.7 (April 6, 1995) (stating that sales and exclusive licenses involving intellectual property will be assessed by the Department using “the analysis contained in the 1992 Horizontal Merger Guidelines.” Other acquisitions involving intellectual property are assessed under Clayton Act § 7 and Sherman Act §§ 1 and 2 using the same criteria applied to other asset acquisitions). Cf. *In re Microsoft Corporation Antitrust Litigation*, 333 F.3d 517, 526 (4th Cir. 2003) (vacating a preliminary injunction that had required Microsoft to include a copy of the plaintiff’s “Java” middleware technology with each copy of the defendant’s operating system or browser software, where the plaintiff’s evidence of threatened harm to an emerging middleware market in which it was itself dominant was too speculative and nonimmediate to demonstrate the “irreparable injury” required to support a preliminary injunction. Under the “balancing” test used to determine whether to grant a preliminary injunction, “a court should consider (1) the likelihood of irreparable harm to the plaintiff if the preliminary injunction is denied; (2) the likelihood of harm to the defendant if the injunction is granted; (3) the likelihood that the plaintiff will succeed on the merits; and (4) the public interest,” where “[t]he irreparable harm to the plaintiff and the harm to the defendant are the two most important factors.”); *Microsoft Corp.*, 253 F.3d at 101 (vacating and remanding a remedies order involving divestiture and compulsory licensing of intellectual property, despite findings that the defendant had engaged in illegal monopolizing conduct involving misuse of its intellectual property rights, where the district court had failed to adequately consider such factors as the degree of “causality” between the proven violations and the remedies imposed and the likely impact and workability of the remedies, particularly given the dynamic nature of the industry involved).

TOP 5 REASONS YOU SHOULD REGISTER A COPYRIGHT

Stephanie Rabiner, Findlaw (posted September 30, 2011)

Why do you need to get copyright protection?

Protecting your business’ intellectual property is akin to protecting its image. Whether you produce instruction manuals or advertise with a television commercial, written, and visual media represent your company. You thus want to control its use.

Though you will always retain some control over original works, copyright registration gives you *ultimate* control. The following are

some examples of what copyright protection can do for you.

If you get copyright protection, you also get:

1. **A public record of ownership.** Placing others on notice may discourage copyright violations. A public record will also make it infinitely easier to stop Internet violations. An Internet Service Provider will need to remove infringing content at your request.
2. **Presumptive validity.** If litigated, a copyright registered within five years of publication will be considered valid. The defendant bears the difficult burden of proving otherwise.
3. **You can sue.** Registration is a prerequisite to filing a lawsuit under the federal Copyright Act. If a work is registered within three months of first use, you may also be entitled to \$150,000 in statutory damages and attorney’s fees.
4. **Stop importation.** Copyright registration can also prevent the importation of infringing goods. However, you will first need to record your registration with the U.S. Customs Service.

In addition to the above, when you get copyright protection, you get a preferential bargaining position. During disputes, definitive ownership gives you the upper hand. And during business transactions, it provides you with an easily transferrable and valuable asset.

Source: http://blogs.findlaw.com/free_enterprise/2011/09/top-5-reasons-you-should-register-copyrights.html.

STEVE JOBS’ TURTLENECK AND THE RIGHT OF PUBLICITY

Stephanie Rabiner, Findlaw (posted October 20, 2011)

A lawsuit has yet to be filed, but the Steve Jobs turtleneck is now at the center of a bizarre fashion controversy.

Knitwear Corp., manufacturer of the St. Croix line of men's knitwear, is accused of lying about the turtleneck's origin. Interviews with top executives imply that Steve Jobs wore St. Croix mock turtlenecks. A Web site promotion further insinuates this connection.

Statements made by Jobs to his official biographer indicate that these assertions are anything but true.

Knitcraft Corp. vice president Mary Bergin claims she never listed Jobs as a St. Croix customer, reports the Associated Press. She argues that she had “seen on the Internet for years that he wore our product.” However, an interview with a local paper quotes Bergin as saying that Jobs “purchased a few dozen turtle-necks every year for the past 15 years.”

The St. Croix Web site also features a photo of Steve Jobs in the turtleneck, and offers to donate \$20 of each purchase to the American Cancer Society.

Even if Steve Jobs' turtlenecks were of St. Croix origin, the above actions likely infringe on his, and his estate's, right of publicity.

It is generally illegal to use a person's image or name to promote a product without first receiving permission. Official statements and advertisements cannot insinuate that a celebrity endorses the product, or even uses it. This even applies when proceeds are donated to charity, as suggested by the St. Croix Web site. The promotion implies that Steve Jobs supported the specific charity. It's irrelevant whether he did.

Knitwear Corp. has since backtracked on its statements. Whether this is the result of the above legal implications is unknown. However, the company's actions probably have something to do with the truth.

The Steve Jobs turtleneck was actually created by designer Issey Miyake. Source: http://blogs.findlaw.com/free_enterprise/2011/10/steve-jobs-turtleneck-and-the-right-of-publicity.html#more.

CHINESE NATIONAL PLEADS GUILTY TO ECONOMIC ESPIONAGE AND THEFT OF TRADE SECRETS

Kexue Huang, a Chinese national and a former resident of Carmel, Ind., pleaded guilty to one count of economic espionage to benefit a component of the Chinese government and one count of theft of trade secrets. The guilty plea was announced by Assistant Attorney General Lanny A. Breuer of the Criminal Division, Assistant Attorney General for National Security Lisa O. Monaco, U.S. Attorney Joseph H. Hogsett of the Southern District of Indiana, U.S. Attorney B. Todd Jones of the District of Minnesota, and Robert J. Holley, Special Agent in Charge of the Indianapolis Field Office of the FBI. This is the first trade secret prosecution in Indiana under a provision of the Economic Espionage Act that prohibits trade secret theft intended to benefit a component of a foreign government. Since its enactment in 1996, there have been a total of eight such cases charged nationwide under the Economic Espionage Act. For the full press release, see <http://www.fbi.gov/indianapolis/press-releases/2011/chinese-national-pleads-guilty-to-economic-espionage-and-theft-of-trade-secrets>.

INTELLECTUAL PROPERTY LAW UPDATES

SUPREME COURT HEARS ARGUMENT ON COPYRIGHT PROTECTION ISSUE: GOLAN V. HOLDER

The U.S. Supreme Court heard argument

October 5 on whether a congressional amendment to the Copyright Act that restored copyright protection to thousands of works that had been in the public domain for many years violated constitutional principles. *Golan et al. v. Holder*, No. 10-545, *oral argument held* (U.S. Oct. 5, 2011).

The argument focused on the constitutionality of whether the amendment, codified at § 514 of the Uruguay Round Agreements Act of 1994, Pub. L. No. 103-465, violates the First Amendment and the Constitution's copyright clause.

Anthony T. Falcone of Stanford Law School's Center for Internet and Society argued for the group of artists who petitioned the court. U.S. Solicitor General Donald B. Verrilli Jr. argued for the government. Over two dozen groups filed amicus briefs in support of both sides of the debate.

The statute, which amended the Copyright Act, 17 U.S.C.A. § 104A(d)(1)(1)-(2), restored the copyrights of foreign holders whose works were held ineligible for copyright protection in the United States because the authors did not comply with registration requirements. The works previously in the public domain include those by such artists and authors as C.S. Lewis, Virginia Woolf, Pablo Picasso, and Federico Fellini. The rationale for restoring the rights was to achieve harmony with the international community by establishing copyright relations with foreign countries, according to the government.

“(Section) 514 is, in essence, the price of admission to the international system,” Verrilli told the justices. By protecting the rights of foreign authors, the United States presumably would ensure its own authors will enjoy copyright protection in other countries, he said.

The artist petitioners said the works of foreign authors previously had been freely available for them to perform or adapt. They said the enactment of § 514 has impinged on their

rights to free speech and freedom of expression by eliminating their right to perform or use the works.

Falcone told the court that the statute runs afoul of the Constitution because it takes away core public speech rights from American citizens and transforms them into somebody's private property.

The petitioners challenged the law in the U.S. District Court for the District of Colorado, which dismissed the suit. *Golan v. Gonzales*, 74 U.S.P.Q.2d 1808, 2005 WL 914754 (D. Colo. 2005), *aff'd in part, remanded in part*, 501 F.3d 1179 (10th Cir. 2007). The Tenth U.S. Circuit Court of Appeals affirmed the decision as to the copyright clause allegations but reversed and remanded the First Amendment claims. *Golan v. Gonzales*, 501 F.3d 1179 (10th Cir. 2007). On remand, the district court ruled that § 514 violated the petitioners' First Amendment rights. *Golan v. Holder*, 611 F. Supp. 2d 1165 (D. Colo. 2009), judgment *rev'd*, 609 F.3d 1076 (10th Cir. 2010), cert. granted, 131 S. Ct. 1600, 179 L. Ed. 2d 516 (2011). On appeal for the second time, the Tenth Circuit again reversed, ruling the government had a substantial interest in securing foreign copyright protection for U.S. authors.

The high court granted review March 7.

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DOWNLOADING OF DIGITAL MUSIC FILES AS “PUBLIC PERFORMANCE” UNDER COPYRIGHT ACT—CERTIORARI DENIED

The United States Supreme Court has denied certiorari in *American Soc. of Composers, Authors and Publishers v. U.S.*, 2011 WL 4536526 (U.S. 2011), a case in which the Second Circuit held that the downloading of a digital music file over the Internet does not constitute a “public performance” of the work embodied in that file,

for which a copyright owner is entitled to compensation.

The plaintiff in the case is the American Society of Composers, Authors, and Publishers (ASCAP), which licenses about 45% of all of the musical works played online. ASCAP asked the district court, acting as a rate court under a consent decree in an antitrust case, to determine the reasonable blanket license fees for use of copyrighted music in online services provided by two Internet companies, Yahoo! and RealNetworks.

According to the Second Circuit, while it was undisputed that file downloads “create copies of the musical works, for which the parties agree the copyright owners must be compensated,” the parties disputed whether the downloads were also public performances of the musical works, for which the copyright owners must be separately and additionally compensated.

Section 106 of the Copyright Act, 17 U.S.C.A. § 106(1, 4), confers on a copyright owner the exclusive but assignable right “to perform the copyrighted work publicly,” and § 101 states that “[t]o perform” a work means “to recite, render, play, dance, or act it, either directly or by means of any device or process.”

The Second Circuit, after observing that a download plainly was not a “dance” or an “act,” focused on whether it fell within the meaning of “recite, render, [or] play.” The ordinary sense of those terms encompasses actions that can be perceived contemporaneously, the court concluded, and downloads are not musical performances that are contemporaneously perceived by the listener. Rather, they are simply transfers of electronic files containing digital copies from an online server to a local hard drive. The downloaded songs are not performed in any perceptible manner during the transfers, and instead, the user must take some further action to play the songs after they are downloaded.

FIRST CIRCUIT REINSTATES \$675,000 AWARD IN FILE-SHARING CASE: SONY BMG MUSIC ENTMT' V. TENENBAUM

A Massachusetts federal judge improperly reduced a damages award against a file-sharer by 90% on constitutional grounds, the First U.S. Circuit Court of Appeals has ruled, reinstating the original \$675,000 award and remanding the case. *Sony BMG Music Entertainment v. Tenenbaum*, 100 U.S.P.Q.2d 1161, 2011 WL 4133920 (1st Cir. 2011).

The three-judge panel ruled that U.S. District Judge Nancy Gertner should not have considered the due process constitutionality of the damages award without first deciding whether the award was excessive for other reasons.

At the same time, the panel, in a 65-page opinion, completely rejected defendant Joel Tenenbaum's other arguments, including that online file-sharing constitutes permitted fair use under the Copyright Act, 17 U.S.C. § 501, and that the law's statutory damages provision is unconstitutional on its face.

Neither Tenenbaum nor his lawyer, Harvard Law School professor Charles Nesson, responded to requests for comment.

ONE OF TWO FILE-SHARING CASES TO REACH TRIAL

Tenenbaum's case is one of some 30,000 similar ones that record companies have filed against alleged users of peer-to-peer file-sharing networks like Kazaa and LimeWire. It is, however, only the second such case to go to trial. In the first, defendant Jammie Thomas-Rasset of Minnesota was ordered to pay nearly \$2 million in damages to six record labels for downloading 24 tracks. Chief U.S. District Judge Michael J. Davis ultimately reduced the award to \$54,000. *Capitol Records, Inc. v. Thomas-Rasset*, 100 U.S.P.Q.2d 1183, 2011 WL 3211362 (D. Minn. 2011). That case, which has had three trials, is currently before the 8th

Circuit. The first two trials dealt with liability, whereas the third trial focused on the issues of damages alone. The third trial became necessary when the plaintiffs rejected Judge Davis' reduced damages award.

TENENBAUM'S TRIAL, JUDGE GERTNER'S RULING

Several record labels sued Tenenbaum in 2003 for copyright infringement in the U.S. District Court for the District of Massachusetts. Tenenbaum later admitted to downloading as many as 30 files and sharing them online, according to the opinion. Following a trial, the jury ordered Tenenbaum to pay \$675,000.

Ruling on post-trial motions, Judge Gertner said the harm Tenenbaum caused was "relatively minor." She also noted the record companies had suffered actual damages of at most \$1 per track. *Sony BMG Music Entertainment v. Tenenbaum*, 721 F. Supp. 2d 85 (D. Mass. 2010), *aff'd in part, vacated in part, rev'd in part*, 100 U.S.P.Q.2d 1161, 2011 WL 4133920 (1st Cir. 2011).

On the other hand, the judge noted Tenenbaum's conduct was "hardly exemplary." He willfully downloaded the plaintiffs' music, continued to do so after he was notified it was illegal and in fact repeatedly lied under oath about it. Further, the jury's award fell within the range set by Congress in the Copyright Act, the opinion said.

In the end, Judge Gertner followed Judge Davis' opinion in the Thomas-Rasset case and slashed the award to \$67,500. The reduced award was the absolute maximum that the Constitution's due process clause would allow, Judge Gertner said.

FEDERAL GOVERNMENT INTERVENES

On appeal, the record labels said the full award should have stood. Among other things, Tenenbaum claimed Judge Gertner improperly instructed the jury as to the full range of per-

missible statutory damages awards under the Copyright Act.

Later, the federal government intervened, arguing that Judge Gertner should not have considered the constitutional issues at all. It said she should have followed the principle of constitutional avoidance, which says constitutional questions should not be resolved until they absolutely must be.

In this case, the judge first should have considered whether the award was appropriate on other grounds, the government's brief said.

Ultimately, the First Circuit panel ruled that Judge Gertner was wrong when she considered the constitutional issue to be inevitable. Rather, she should have considered other grounds for reduction of the award, which might have resulted in a new trial on damages, before reaching the constitutional issues, the panel said.

Tenenbaum has said he plans to file for bankruptcy if the award is ultimately upheld.

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PATENT INFRINGEMENT CLAIM DOES NOT BAR ANTITRUST COUNTERCLAIM: SHIONOGI PHARMA V. MYLAN INC.

A brand name drugmaker's filing of a patent infringement action did not remove a potential competitor's standing to bring a counterclaim for antitrust violations, a Delaware federal court has ruled. *Shionogi Pharma, Inc. v. Mylan, Inc.*, 2011-2 Trade Cas. (CCH)P 77603, 2011 WL 3860680 (D. Del. 2011).

The U.S. District Court for the District of Delaware said maker of the proposed generic product had standing to sue because it showed intent and ability to enter the market despite being kept out of it by automatic delays caused by the patent infringement action.

Shionogi Pharma Inc. holds a patent on Ora-pred ODT, a coating for certain medicines that masks the bad taste of some drugs. It filed the patent suit against Mylan Inc. Mylan counter-claimed, contending the patent infringement suit amounted to monopolization of the market for the product because the filing automatically delayed FDA approval of the generic product for 30 months.

Mylan had previously filed a petition with the Food and Drug Administration, seeking permission to sell a generic version of the product, known as a prednisolone phosphate orally disintegrating tablet.

Shionogi moved to dismiss Mylan's antitrust counterclaim, arguing the company lacked standing to sue since it was not a competitor in a relevant market.

Mylan argued that Shionogi's patent infringement claim was baseless and was filed only for the purpose of keeping Mylan out of the market.

The court agreed, finding it sufficient that Mylan alleged its "intention to enter the market and its preparedness to do so," and that the FDA was likely to approve its application to make the generic drug.

Because the allegations gave the company standing, the court denied Shionogi's motion to dismiss the antitrust counterclaim.

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IN THE NEWS

USPTO AND THE NORWEGIAN INDUSTRIAL PROPERTY OFFICE TO PARTNER ON PATENT PROSECUTION HIGHWAY PILOT

The United States Patent and Trademark Office (USPTO) today announced a new pilot project for the Patent Prosecution Highway (PPH)

with the Norwegian Industrial Property Office (NIPO). PPH will permit each office to benefit from work previously done by the other office, which reduces the examination workload and improves patent quality. The expedited examination in each office allows applicants to obtain corresponding patents faster and more efficiently in each country. Under the PPH pilot program, an Office of Second Filing (OSF) may utilize the search and examination results of a national application filed in the Office of First Filing (OFF) in a corresponding application filed under the Paris Convention in the OSF. For the full press release, go to <http://www.uspto.gov/news/pr/2011/11-59.jsp>.

EPO LAUNCH NEW WEB SITE FOR THE COOPERATIVE PATENT CLASSIFICATION (CPC) PROJECT

In their efforts to promote harmonization in the field of patents, the European Patent Office (EPO) and the United States Patent and Trademark Office (USPTO) have launched a dedicated Web site for the Cooperative Patent Classification (CPC) initiative. CPC is a joint project aimed at developing a classification scheme for inventions that will be used by both offices in the search and examination of patent applications. The launch of the Web site highlights the progress of this collaborative effort over the year since the Offices agreed to work toward formation of a joint patent classification system. The Web site, www.cpcinfo.org, will contain detailed information about the new classification scheme. The Web site will serve as an informative resource on the progress of the project for our staff and for other patent offices worldwide, industry and the user community. For the full press release, go to <http://www.uspto.gov/news/pr/2011/11-58.jsp>.

USPTO TO CONDUCT STUDIES OF PRIOR USER RIGHTS AND INTERNATIONAL PATENT PROTECTION FOR SMALL BUSINESSES PER THE AMERICA INVENTS ACT

The United States Patent and Trademark Office (USPTO) released two Federal Register Notices on October 7, 2011, seeking written comments and announcing two public hearings for two studies the agency is required to conduct under the America Invents Act. Specifically, Congress is requiring the USPTO to study and report on the availability of prior user rights in foreign countries as well as options to aid small businesses and independent inventors in securing patent protection for their inventions. The USPTO reports for both studies are due in mid-January 2012.

“The objective of the written comments and hearings is to collect information from the public on the scope of the two studies,” said Under Secretary of Commerce for Intellectual Property and Director of the USPTO David Kappos. “Public participation in both the Prior User Rights Study and the International Patent Protection Study is necessary to assist the agency in preparing for Congress the most informed and accurate report possible.” For the full press release, go to <http://www.uspto.gov/news/pr/2011/11-55.jsp>.

WIPO ASSEMBLIES PROVIDE DIRECTION FOR FUTURE WORK, DIRECTOR GENERAL WELCOMES POSITIVE ENGAGEMENT OF MEMBER STATES ON SUBSTANTIVE ISSUES

Representatives of WIPO's 184 member states, meeting at their annual Assemblies in Geneva from September 26 to October 5, 2011 took a landmark decision to call a diplomatic conference to agree an international treaty on the rights of performers in their audiovisual performances. They took stock of the Organiza-

tion's substantive work over the last year, provided direction for the future work program, and approved a program and budget for the Organization for the next biennium (2012/13). WIPO Director General Francis Gurry said this year's Assemblies were characterized by a remarkable spirit of engagement and commitment by member states to address the pressing intellectual property (IP) issues on the global agenda and hoped this would continue. For the full press release, go to http://www.wipo.int/pressroom/en/articles/2011/article_0025.html.

ICANN SPREADS THE WORD ON GTLDS

ICANN Executives have begun a globe-trotting communications campaign to increase international awareness of the organization's new generic Top-Level Domain (gTLD) program.

Rod Beckstrom, ICANN President and CEO has traveled to Sao Paulo, London, Paris, Berlin and Dubai (among other cities) to explain what the new program is all about. He has talked about its benefits and cautioned that new gTLDs are not intended for every organization.

“I want to make clear that ICANN is an organization that is not advocating new gTLDs for anyone,” Beckstrom told an audience at the FutureCom information technology conference in Sao Paulo. “Our role is merely facilitation to implement the policy and the programs approved by our community, so we are here to educate not to advocate.” Applications for the first round of new gTLDs will open up on January 12, 2012 and run until April 12, 2012.

Senior Vice President Kurt Pritz told the NewDomains.org conference in Munich, Germany that the new program is being implemented only after years of debate, discussion and consideration. He said the program is the result of 47 comment periods which included over 2400 comments and analyses. There were 55 explanatory memoranda or independent

reports and 7 drafts of the Applicant Guidebook.
Source: <http://www.icann.org/en/press/>.

CASE HIGHLIGHTS— COPYRIGHT

AUDIO RECORDING OF CONFERENCE CALL WAS “FIXED” IN TANGIBLE MEDIUM OF EXPRESSION, AS REQUIRED TO CONSTITUTE “SOUND RECORDING” UNDER COPYRIGHT ACT

An audio recording of a conference call a watch manufacturer hosted for a group of securities analysts was “fixed” in a tangible medium of expression, as required to constitute a “sound recording” for purposes of the Copyright Act. The district court reasoned as such given that the call had been transmitted live to analysts whose participation the manufacturer had invited, and that the call had been recorded simultaneously with its transmission.

Swatch Group Management Services Ltd. v. Bloomberg L.P., 2011 WL 3820931 (S.D. N.Y. 2011)

RECORD COMPANY’S INFRINGEMENT OF COPYRIGHTS WAS WILLFUL

Evidence that a record company continued to sell records containing copyrighted compositions after receiving a notice terminating its compulsory licenses for failure to pay the required statutory royalties was sufficient to establish that the infringement was willful. Thus, an award of enhanced statutory damages was warranted. The company's principals had extensive experience in the industry. The copyright holder had previously filed suit against the company with respect to other copyrights.

EMI Entertainment World, Inc. v. Karen Records, Inc., 2011 WL 3795037 (S.D. N.Y. 2011)

THERE WAS NO CIRCUMVENTION BY WEB SITE DESIGNER TO SUPPORT DIGITAL MILLENNIUM COPYRIGHT ACT CLAIMS FOR UNAUTHORIZED ACCESS

There was no circumvention by a Web site designer to support a museum's and its founder's Digital Millennium Copyright Act claims for unauthorized access. The designer's access to the museum's Web site was authorized until the museum requested the Web site host to change the security pass codes. The designer accessed the Web site after his resignation, but before the museum's request, and he had not communicated to the museum any intent to revoke his authorization. In another alleged incident, the designer did not access the museum's Web site, but rather accessed a shopping webpage that he hosted on his own server and that only linked to the museum's Web site. *Ground Zero Museum Workshop v. Wilson*, 2011 WL 3758582 (D. Md. 2011)

JOINER OF DOE DEFENDANTS WAS IMPROPER IN ADULT VIDEO MAKER’S COPYRIGHT ACTION RELATED TO PEER-TO-PEER FILE- SHARING NETWORK

Doe defendants did not participate in the same transaction or occurrence or the same series of transactions or occurrences, and thus joinder of those defendants was improper in an adult entertainment company's action for copyright infringement and civil conspiracy. The action arose from the defendants' participation in a “peer-to-peer” network to reproduce and distribute a copyrighted video. The network operated such that any pieces of video copied or uploaded by an individual defendant could have been sent to any of hundreds or thousands of individuals who participated in a given “swarm.” Even if the defendants were part of the same “swarm,” their alleged infringing activities took place on different dates and times over a two-week period. *Hard Drive*

Productions, Inc. v. Does 1-188, 2011 WL 3740473 (N.D. Cal. 2011)

ALLEGED ACT OF INFRINGEMENT WAS NOT WHOLLY EXTRATERRITORIAL TO UNITED STATES, AS REQUIRED TO STATE CLAIM UNDER COPYRIGHT ACT

The allegations by a co-owner of the copyright for the holiday song “Grandma Got Run Over By A Reindeer” sufficiently alleged an act of copyright infringement that was not wholly extraterritorial to the United States, as required to state a claim under the Copyright Act. The complaint asserted that the alleged infringers uploaded a video of the song created in Canada to Web site servers located in California for display within the United States. *Shropshire v. Canning*, 100 U.S.P.Q.2d 1307, 2011 WL 3667492 (N.D. Cal. 2011)

LIGHTING SCONCES WERE NOT SUBJECT TO REGISTRATION FOR COPYRIGHT

Lighting sconces were not subject to registration for copyright due to the lack of separable features that were copyrightable. Thus, buyers of the sconces did not engage in direct, contributory or vicarious copyright infringement by allegedly inducing or contributing to the reproduction of unauthorized copies of the sconces by a third-party manufacturer. *Jonathan Browning, Inc. v. Venetian Casino Resort LLC*, 2009 WL 8468569 (N.D. Cal. 2009)

TEACHER EXCEPTION TO WORK FOR HIRE DOCTRINE DID NOT SURVIVE RE-ENACTMENT OF COPYRIGHT ACT

The teacher exception to the work for hire doctrine did not survive reenactment of the Copyright Act. Thus, the exception was not available to protect an original proposal for a new graduate program in environmental studies at the University of Puerto Rico that was al-

legedly copyrighted by university professors during nonwork hours. The professors' claim against the university for copyright infringement required resolution only within the framework of the work for hire doctrine and any relevant university regulations specifically recognizing professor or university ownership over intellectual property. *Molinelli-Freytes v. University of Puerto Rico*, 2010 WL 6576314 (D.P.R. 2010)

NONPARTY TO INJUNCTION INVOLVING COPYRIGHT WAS FOUND IN CONTEMPT

Substantial continuity of identity existed between a distributor of liquid crystal display (LCD) televisions and a company which had purchased it, as required to hold the nonparty purchaser in contempt for failing to abide by a permanent injunction entered against the distributor in a copyright infringement suit. The purchaser had acquired all assets necessary to carry on the business. It had continued to use the same trade name and the same Internet Web address. It occupied the same location, had used many of the same employees, including the same president and counsel. The purchasing company had acquired the assets with the knowledge of the pending copyright infringement litigation. *Software Freedom Conservancy, Inc. v. Westinghouse Digital Electronics, LLC*, 2011 WL 3502011 (S.D. N.Y. 2011)

PHOTOGRAPHER'S COMPLAINT AGAINST PERFORMING ARTIST AND MUSIC VIDEO PRODUCER STATED CLAIM FOR COPYRIGHT INFRINGEMENT

Photographer David LaChapelle's complaint against performing artist Rihanna, the producer of the music video “S&M,” the video's director, and the owner of the copyright on the video successfully alleged that the accused video embodied substantial similarities to protectible elements in LaChapelle's photo-

graphs, as required for his copyright infringement claim. Both LaChapelle's "Striped Face" photograph and the video's "Pink Room Scene" featured scenes which did not naturally flow from the chosen idea, including hot-pink and white striped walls, two single-hung windows in the middle of the back wall, windows with glossy hot-pink casings and interior framework, with opaque panes exhibiting a half-vector pattern of stripes against a yellow background, a solid hot-pink ceiling, hot-pink baseboards, a hot-pink couch under the windows, women wearing frizzy red wigs, a woman posed on top of a piece of furniture, black tape wrapped around a man, and a generally frantic mood. Both works were well-lit and intensely saturated, with all of the details in sharp focus and almost no shadows. *LaChapelle v. Fenty*, 2011 WL 2947007 (S.D. N.Y. 2011)

PERSONAL COMPUTER MANUFACTURER'S SOFTWARE LICENSE AGREEMENT FOR OPERATING SYSTEM (OS) DID NOT CONSTITUTE COPYRIGHT MISUSE

A personal computer manufacturer's software license agreement (SLA) for its "Mac OS X" operating system (OS) was a legitimate exercise of the manufacturer's right to conditionally transfer its copyrighted work. Thus, the SLA did not constitute copyright misuse that precluded the competitor's liability for infringing the manufacturer's copyright by using the OS on the competitor's computers. The SLA did not restrict the competitor's ability to develop its own software, nor did it preclude customers from using the competitor's components with the manufacturer's computers, instead, the SLA merely restricted the use of the OS to the manufacturer's own hardware. *Apple Inc. v. Psystar Corp.*, 100 U.S.P.Q.2d 1338, 2011 WL 4470623 (9th Cir. 2011)

COPYRIGHT OWNER'S CLAIMED DAMAGES FOR LOST PROFITS FROM NONINFRINGED WORKS WERE NOT RECOVERABLE FROM GOVERNMENT

There was no evidence that a copyright owner's noninfringed works were prevented as a result of the public's access to and use of the owner's allegedly infringed works that were displayed on the Federal Emergency Management Agency's (FEMA) Web site. Thus, the owner's claimed actual damages based on lost profits for his noninfringed works were not recoverable. The owner failed to set forth any evidence of causation and instead simply concluded that because all of his works were allegedly related or derivative of each other, any finding that infringement caused lost sales on the allegedly infringed works necessarily implied losses to the noninfringed works. *Cohen v. U.S.*, 2011 WL 3438467 (Ct. Fed. Cl. 2011)

AUTHORS' TREE HOUSE IN ONE TREE DESIGN AND HAND-DRAWN ILLUSTRATIONS IN THEIR BOOKS WERE NOT COPYRIGHTABLE

Authors' tree house in one tree design and hand-drawn illustrations in their books about tree houses lacked substantial similarity to tree house design and illustrations in allegedly infringing authors' books containing activities for boys. Thus, copyright infringement claims against the authors of the boys' books and their publisher were not actionable. The similarities of designs and illustrations consisted of concepts, ideas, and process pertaining to placement of elements that were not protectable by copyright. The total concept and overall feel of the authors' respective chapters on tree houses were distinct. *Stiles v. HarperCollins Publishers LLC*, 2011 WL 3426673 (S.D. N.Y. 2011)

PRELIMINARY INJUNCTION WAS NOT WARRANTED TO PREVENT ALLEGED INFRINGEMENT OF REGISTERED COPYRIGHT FOR TECHNICAL DRAWINGS

The owner of a registered copyright for technical composite shop drawings (CSDs) for infrastructure utilities at a large-scale construction project in Doha, Qatar, was not likely to succeed on the merits of an infringement claim, under the Copyright Act, as required for a preliminary injunction preventing allegedly infringing use of the CSDs. Although the CSDs reflected highly sophisticated engineering skill and expertise, the presumption of copyright validity that attached to the CSDs due to their registration did not clearly establish a valid protectable copyright. There was no evidence that the CSDs added originality to the underlying noncopyrighted construction documents or evidence that the CSDs contained protectable copyrightable expressions of ideas as opposed to functionally driven designs as to which there were no or limited choices. *ATCS Intern. LLC v. Jefferson Contracting Corp.*, 2011 WL 3847471 (E.D. Va. 2011)

CASE HIGHLIGHTS— TRADEMARK

COURT ORDERED PERMANENT INJUNCTION IN TRADEMARK INFRINGEMENT SUIT INVOLVING MARK FOR VITAMINS AND NUTRITIONAL SUPPLEMENTS

The owner of the trademark “GNC GENERAL NUTRITION CENTER” achieved actual success on the merits of its claim that its competitor's mark, “GVC GENERAL VITAMIN CENTER” had infringed on its trademark, for purposes of entry of a permanent injunction prohibiting the competitor from using the mark, when the competitor defaulted in the infringement action. The owner demonstrated irreparable injury, for purposes of the injunction,

since it was clear that without an injunction, its competitor would continue to infringe on the mark. The competitor failed to respond to letters or phone calls demanding it cease use of the mark in connection with the promotion or sale of vitamins and health supplements. The infringing activity had continued unabated even though a trademark infringement suit had been filed and a clerk had entered default against the competitor. *General Nutrition Inv. Co. v. General Vitamin Centers, Inc.*, 2011 WL 4344195 (E.D. N.Y. 2011)

INTERNET DOMAIN NAME REGISTRATION SERVICE PROVIDER WAS NOT SUBJECT TO SPECIFIC PERSONAL JURISDICTION IN FLORIDA

A Louisiana-based Internet domain name registration service provider and its affiliates were not subject to specific personal jurisdiction in Florida in a Lanham Act cybersquatting action. The provider had issued a press release indicating its intention to open a Florida office. However, there was no evidence that it ever opened the office, possessed a Florida business license, or received any revenues from Florida clients. *Verizon Trademark Services, LLC v. Producers, Inc.*, 2011 WL 3754654 (M.D. Fla. 2011)

RETAILERS INFRINGED CIGARETTE MANUFACTURER'S “NEWPORT” TRADEMARK BY SELLING COUNTERFEIT PRODUCTS

Retailers infringed a cigarette manufacturer's “Newport” trademark, in violation of the Lanham Act, by selling counterfeit products. The mark was strong. The genuine and non-genuine goods were identical and in direct competition. The products were sold at the same retail store locations. There would be no clear reason for a typical buyer to believe that he was purchasing a nongenuine product. *Lorillard Tobacco Co. v. Zoom Enterprises, Inc.*, 2011 WL 3664351 (E.D. Mich. 2011)

UNIVERSITY DID NOT CONSTRUCTIVELY WAIVE ELEVENTH AMENDMENT IMMUNITY BY CHOOSING TO PARTICIPATE IN FEDERAL TRADEMARK PROCESS

A state university did not constructively waive its Eleventh Amendment sovereign immunity by choosing to participate in the federally regulated trademark process by registering its trademark. Conditioning the university's participation, which was otherwise permissible commercial activity, on a waiver of its sovereign immunity would impose an impermissible sanction. *Virginia Polytechnic Inst. and State University v. Hokie Real Estate, Inc.*, 2011 WL 2199247 (W.D. Va. 2011)

RE-REGISTRATION OF INTERNET DOMAIN NAME WAS NOT A "REGISTRATION" UNDER ANTICYBERSQUATTING CONSUMER PROTECTION ACT (ACPA)

A registrant's re-registration of the Internet domain name "gopets.com," which transferred rights to another owner and which occurred many years after the original, valid registration of the name, was not a "registration" within the meaning of the Anticybersquatting Consumer Protection Act (ACPA), and thus the registrant was not prohibited under the Act from re-registering the name that was nearly identical or confusingly similar to a registered service mark "GoPets." At the time of the original registration of the domain name, "GoPets" had not yet been registered as a service mark, and since the registrant's rights were valid at the time of the original registration, he was free to transfer them through re-registration. *GoPets Ltd. v. Hise*, 100 U.S.P.Q.2d 1292, 2011 WL 4394353 (9th Cir. 2011)

CASE HIGHLIGHTS—PATENT

SETTLEMENT AGREEMENT WAS DISCOVERABLE AS RELEVANT TO DETERMINING REASONABLE ROYALTY FOR PATENT INFRINGEMENT DAMAGES

A patentee's litigation-based confidential settlement agreement with two alleged infringers of a patent related to dental implants was discoverable. The agreement was relevant to determining a reasonable royalty to calculate damages for infringement by other alleged infringers. *Small v. Nobel Biocare USA, LLC*, 2011 WL 3055357 (S.D. N.Y. 2011)

TWO YEAR DELAY WAS NOT INCONSISTENT WITH INTENT TO ARBITRATE

A two year delay associated with a competitor's opposition to a patentee's petition to reopen infringement litigation was not inconsistent with an intent to arbitrate under a settlement agreement that contained an arbitration clause. The competitor actually had argued, in open court, and at every turn, that the dispute belonged in arbitration. *Kawasaki Heavy Industries, Ltd. v. Bombardier Recreational Products, Inc.*, 2011 WL 5009426 (7th Cir. 2011)

DE NOVO REVIEW APPLIED TO ISSUE OF PRIORITY OF INVENTION IN PATENT INTERFERENCE ACTION BEFORE DISTRICT COURT

In patent interference action, a district court appropriately considered additional evidence and conducted a de novo determination of the issue of priority of invention. The prior findings of the Patent and Trademark Office (PTO), Board of Patent Appeals and Interferences, did not control the result even if they had been supported by substantial evidence. *Streck, Inc. v. Research & Diagnostic Systems, Inc.*, 2011 WL 4978510 (Fed. Cir. 2011)

PARTIES' SETTLEMENT AGREEMENT BARRED AWARD OF INTEREST TO PATENTEE IN ADDITION TO "ACTUAL DAMAGES" IN INFRINGEMENT ACTION

A settlement agreement's definition of the "actual damages" that a patentee could recover for infringement included all necessary compensatory damages. Thus, the agreement barred any additional award of statutory pre-judgment interest in an action alleging infringement of a patent for a platelet-aggregation inhibitor. The agreement excluded the patentee's recovery of increased damages, which were punitive in nature, and explicitly provided for prejudgment interest outside of the damages context, indicating the parties' intent that "actual damages" as defined by the agreement would be the full measure of the patentee's compensation. *Sanofi-Aventis v. Apotex Inc.*, 2011 WL 4924157 (Fed. Cir. 2011)

SUBSTANTIAL EVIDENCE SUPPORTED JURY'S FINDING THAT ALLEGED PRIOR ART REFERENCE WAS AVAILABLE PRIOR TO PATENT'S PRIORITY DATE

Substantial evidence supported the jury's finding that an article, which was used to support the competitors' defenses of invalidity on the grounds of anticipation and obviousness, was available to the public as a printed publication prior to the asserted patent's priority date, as required for the article to be a prior art reference in an action alleging infringement of a patent for steel sheet fabrication. The article's author testified that he presented the text of the article to the public at a conference prior to the patent's priority date. The jury also heard further testimony that the article was available in the form of a book that was distributed to conference attendees. *ArcelorMittal France v. AK Steel Corp.*, 2011 WL 3792342 (D. Del. 2011)

PATENTEE HOLDING PATENTS FOR BEAM-TYPE WINDSHIELD WIPER BLADES WAS ENTITLED TO PERMANENT INJUNCTION IN INFRINGEMENT ACTION

A patentee holding patents for beam-type windshield wiper blades was entitled to a permanent injunction in its infringement action. The patentee demonstrated that it would sustain irreparable harm from the competitor's infringement of the patents absent an injunction, given the undisputed evidence of direct competition in each market segment identified by the parties, the unrebutted evidence of the patentee's loss of market share and access to potential customers, and the competitor's apparent inability to satisfy a judgment against it. Moreover, money damages did not provide an adequate remedy for the patentee's irreparable harm due to the lost market share, lost business opportunities, and price erosion resulting from the competitor's infringement, and requiring the patentee to compete against its own patented invention, with the resultant harms of lost market share, lost business opportunities, and price erosion, placed a substantial hardship on the patentee. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 2011 WL 4834266 (Fed. Cir. 2011)

REFERENCE TO ONE CALL LIMITATION AS BEING COEXTENSIVE WITH ENTIRE INVENTION DID NOT LIMIT SCOPE OF ENTIRE INVENTION

The reference in a patent to a one-call-per-time-period limitation as being coextensive with the entire invention did not limit the scope of the entire invention that remotely monitored electronic devices by imbedding an agent in such devices that made surreptitious calls to a central monitoring site, since the specification did not uniformly make that reference. The specification used "present invention" in way that expressly contradicted earlier references to "present invention" as requiring both one call

during a time interval and randomness of that call. *Absolute Software, Inc. v. Stealth Signal, Inc.*, 2011 WL 4793149 (Fed. Cir. 2011)

COMPETITOR DID NOT MAKE ACCUSED SYSTEM THAT ALLEGEDLY INFRINGED PATENT FOR DETERMINING POSITION OF ITEMS SELECTED FROM DATABASE

A competitor did not “make” the accused system that allegedly infringed the “port” claim limitation in a patent for a system for remotely determining the position of a selected category of items of interest in a selected geographic vicinity from a database. Thus, the competitor did not directly infringe the patent. The competitor's customers, not the competitor, supplied the personal-computer and web-enabled devices constituting the “ports” needed to make the accused system for accessing database information. *Civix-DDI, LLC v. Hotels.Com, LP*, 2011 Markman 3678689, 2011 WL 3678689 (N.D. Ill. 2011)

PHRASE, “PREDETERMINED EVENT,” MEANT OCCURRENCE OF ONE OR MORE CONDITIONS CHOSEN IN ADVANCE

The phrase, “predetermined event,” in a patent for casino slot machine technology and player rewards, meant the occurrence of one or more conditions chosen in advance. The predetermined event could be random in its occurrence, as long as condition itself was chosen in advance. *IGT v. Bally Gaming Intern., Inc.*, 2011 WL 4600574 (Fed. Cir. 2011)

PRIOR ART REFERENCE DID NOT ANTICIPATE PATENT DESCRIBING METHOD FOR DISSOLVING ARGATROBAN IN ETHANOL, WATER, AND SACCHARIDE

A prior art reference which contemplated that hydrochloric acid would be used to completely dissolve a particular quantity of argatro-

ban, and only then would ethanol and sorbitol be added to the solution, did not anticipate the method claims of a patent describing a method for dissolving argatroban in ethanol, water, and a saccharide to treat heparin-induced thrombocytopenia. It did not matter whether “dissolving” was limited to compositions in which the argatroban was completely dissolved in a solvent containing ethanol, water, and a saccharide, or covered any system in which some argatroban was dissolved in a solvent containing ethanol, water, and a saccharide, even if most of the argatroban in the solution had been dissolved previously in another solvent system. *Mitsubishi Chemical Corp. v. Barr Laboratories, Inc.*, 2011 WL 3288394 (Fed. Cir. 2011)

ACCUSED METHOD FOR MANUFACTURING FLEXIBLE MATERIAL FOR USE IN PROTECTIVE WEAR DID NOT LITERALLY INFRINGE PATENT CLAIMS

An accused method for manufacturing flexible material for use in protective wear did not literally infringe claims in a patent describing a method of manufacturing flexible material requiring the presence of a “jig.” The patentee contended that excess foam material between the cut elements functioned as a jig because it held the individual elements in position for the bonding step. However, the claim required a device that was different from the material on which the work was performed. *McDavid Knee Guard, Inc. v. Nike USA, Inc.*, 2011 Markman 3651028, 2011 WL 3651028 (N.D. Ill. 2011)

PATENT FOR USE OF COMPOUND ATOMOXETINE TO TREAT ADHD SATISFIED UTILITY REQUIREMENT FOR VALIDITY

A patent for the use of the compound atomoxetine to treat attention-deficit/hyperactivity disorder (ADHD) satisfied the utility requirement for validity, even though the specification

did not contain experimental data showing the results of treatment of ADHD. The utility of atomoxetine was accurately stated and fully described in the specification, there was no allegation of falsity in the disclosed utility, experimental verification was obtained before the patent was granted, and the patent examiner did not require the presentation of additional data. *Eli Lilly and Co. v. Actavis Elizabeth LLC*, 2011 WL 3235718 (Fed. Cir. 2011)

THERE WAS SUFFICIENT EVIDENCE TO SUPPORT JURY'S VERDICT OF OBVIOUSNESS

There was sufficient evidence to support a jury's verdict of obviousness in an action alleging the infringement of patents relating to vacuum seed metering technology. The alleged infringer's expert testified, at some length, as to how three prior art references each disclosed elements of the asserted claims for purposes of anticipation, and for each combination or change made to the prior art, what might motivate the change and why it would be obvious given the purported problem. *CNH America LLC v. Kinze Mfg., Inc.*, 2011 WL 3555778 (D. Del. 2011)

INTER PARTES REEXAMINATION WAS NOT FINAL PRIOR TO EXHAUSTION OF ALL APPEAL RIGHTS

Inter partes reexamination was not final prior to exhaustion of all appeal rights. Thus, the estoppel effects of reexamination could apply until then. *Bettcher Industries, Inc. v. Bunzl USA, Inc.*, 2011 WL 4537797 (Fed. Cir. 2011).

JURISDICTION WAS LACKING FOR INVENTOR'S INFRINGEMENT CLAIM AGAINST UNITED STATES FOR NONISSUED PATENTS

An inventor's purported two patents related to maritime technology that the United States allegedly infringed by using that technology in

national security programs were not yet issued by the United States Patent and Trademark Office (USPTO). Thus, the Court of Federal Claims lacked jurisdiction over the patent infringement claims, under the statute authorizing infringement claims against the United States but only for issued patents. The inventor's provisional applications for patents had not yet matured into patents. *Martin v. U.S.*, 2011 WL 3584315 (Ct. Fed. Cl. 2011)

COMBINATION OF TWO EARLIER PATENTS RENDERED PATENT DIRECTED TO HIGH PERFORMANCE DATA CABLES INVALID FOR OBVIOUSNESS

A combination of two earlier patents rendered a patent directed to high performance data cables and methods of making such cables invalid for obviousness, in relation to a limitation for the "plurality of protrusions". The earlier patents disclosed all limitations in the subject patent. A person of ordinary skill in the art would have been motivated to combine said patents regardless of whether they addressed the same type of crosstalk. Further, the patent holders were unable to show that secondary indicia of non-obviousness overcame the competitors' showing of invalidity because the patent holders were unable to establish any nexus between sales and the patented invention or that \$3 million in sales constituted a commercial success. *Belden Technologies Inc. v. Superior Essex Communications LP*, 2011 WL 3555890 (D. Del. 2011)

MODIFYING PROTECTIVE ORDER TO ALLOW LITIGATION COUNSEL TO PARTICIPATE IN REEXAMINATION PROCEEDINGS WAS NOT WARRANTED

Modification of the protective order entered in a patent action, so as to allow the patentee's litigation counsel and designated representatives who had had access to the alleged infring-

er's confidential information to participate in patent reexamination proceedings, was not warranted. The challenged provision of the protective order was specifically negotiated by the parties, and both the possibility that the alleged infringer would seek reexamination of the patent and the requested modification of the protective order were foreseeable at the time the protective order was entered. In addition, the alleged infringer and third parties relied upon the protective order in conducting discovery, and the patentee did not establish good cause for the requested modification, even though it would have to hire separate counsel to represent it in the reexamination proceedings. An unacceptable risk of or opportunity for inadvertent disclosure of confidential information also existed. *Chicago Mercantile Exchange, Inc. v. Technology Research Group, LLC*, 2011 WL 3510934 (N.D. Ill. 2011)

DISTRICT COURT'S POSTVERDICT ELABORATION ON CONSTRUCTION OF TERM "UNDULATING" ION PATENT FOR CORONARY STENTS WAS NOT ERROR

In a patent infringement action, the district court's postverdict elaboration on the construction of the claim term "undulating" in a patent for coronary stents was not error, on the competitor's motion for judgment as matter of law that it did not infringe the claim. The district court did not improperly narrow its construction of "undulating" as requiring "at least a crest and a trough", but merely clarified that the construction required multiple waves, which was inherent in the construction's use of terms "crest" and "trough" to imply changes of direction, with curves extending beyond the point of inflection. *Cordis Corp. v. Boston Scientific Corp.*, 100 U.S.P.Q.2d 1329, 2011 WL 4470563 (Fed. Cir. 2011)

ORDER STAYING PATENT INFRINGEMENT SUIT AGAINST SOFTWARE DEVELOPER'S CUSTOMERS WAS NOT FINAL APPEALABLE ORDER

A district court's order staying a patent infringement suit against a software developer's customers pending resolution of claims against the developer was not a final appealable order. The stay did not have the effect of surrendering federal action to a state court or to an administrative body. The delay was not indefinite. The customers were merely peripheral to the litigation against the developer. There was no evidence that the patent holder would suffer irreparable harm. *Spread Spectrum Screening LLC v. Eastman Kodak Co.*, 100 U.S.P.Q.2d 1266, 2011 WL 4454930 (Fed. Cir. 2011)

PATENT FOR LOW DEFECT AXIALLY GROWN SINGLE CRYSTAL SILICON CARBIDE (SiC) WAS INVALID BECAUSE OF PRIOR INVENTION

An inventor appreciated the novelty of the low defect silicon carbide (SiC) material it grew through seeded sublimation. Thus, a subsequent patent for low defect axially grown single crystal SiC was invalid because of prior invention, even though the inventor did not specifically corroborate that an axial region in the wafer met each defect limitation in the patent claims. The inventor disclosed findings concerning the wafer through a presentation and paper at an international conference. *Fox Group, Inc. v. Cree, Inc.*, 2011 WL 3468352 (E.D. Va. 2011)

ALLEGED INFRINGER WAS ENTITLED TO ABSOLUTE INTERVENING RIGHTS WITH RESPECT TO REEXAMINED PATENT FOR POLYMER THAT ACCELERATED HEMOSTASIS

The scope of the asserted claims in a patent infringement action was substantively changed on reexamination, and thus the competitor was entitled to absolute intervening rights, which

granted the competitor the absolute right to use or sell accused products that it made, used, or purchased before the grant of the reexamined patent for a polymer that accelerates the hemostasis process, which causes bleeding to stop. The original claims permitted the polymer to exhibit some biological reactivity. However, the claims were altered on reexamination to require that the polymer exhibit no detectable biological reactivity. *Marine Polymer Technologies, Inc. v. HemCon, Inc.*, 100 U.S.P.Q.2d 1257, 2011 WL 4435986 (Fed. Cir. 2011)

MONETARY DAMAGES COULD NOT HAVE ADEQUATELY COMPENSATED PATENTEE FOR COMMERCIALIZATION OF INFRINGING ANDA PRODUCTS

Monetary damages could not have adequately compensated patentee for commercialization of competitors' infringing Abbreviated New Drug Application (ANDA) products, and thus patentee would have suffered irreparable harm without a permanent injunction. Launch of a generic product, undoubted at a lower cost, would have significantly affected the patentee's revenue stream and such reduction of revenue subsequently would have impacted the patentee's ability to allocate its resources to product development and the generic products would have affected the patentee's market share and violated the exclusionary rights of patents. *Pozen Inc. v. Par Pharmaceutical, Inc.*, 2011 WL 3439527 (E.D. Tex. 2011)

WAIVER PREVENTED ALLEGED INFRINGER FROM SEEKING DISQUALIFICATION OF PATENTEE'S COUNSEL BASED ON CONFLICT OF INTEREST

Under Washington law, as used in the waiver provision of a joint defense agreement, which stated the parties' acknowledgment that nothing in the agreement, nor compliance with its terms by either party, would be "used as a basis

to seek to disqualify the respective counsel of such party in any future litigation," the term "respective counsel" was not limited to the current counsel for each party, but instead included counsel who thereafter left the employment of one of the parties to join another company or law firm. Therefore, the waiver provision barred an alleged infringer, as one party to the agreement, from seeking to disqualify an attorney who formerly had been employed by the other party, and his new law firm, from representing the patentee in a subsequent patent infringement action brought against the alleged infringer, based on a conflict of interest. *In re Shared Memory Graphics LLC*, 100 U.S.P.Q.2d 1251, 2011 WL 4390020 (Fed. Cir. 2011)

PATENTEE'S FAILURE TO DISCLOSE INFORMATION ABOUT COMPETITOR'S SCANNER ARMS DID NOT CONSTITUTE INEQUITABLE CONDUCT

Vacating its prior opinion after reconsidering it in light of the "sea-change" created by the Federal Circuit in *Therasense, Inc. v. Becton, Dickinson & Co.*, a district court held that a patentee's failure to disclose information about a competitor's scanner arms and their triggering abilities to a patent examiner, in applying for a patent for an optical laser scanner attached to a six-jointed articulated arm that the user could manipulate around objects in order to image them from various perspectives, was not material. Thus, the patentee did not engage in inequitable conduct. The undisclosed information would not have altered the patent examiner's finding of inventorship. The named inventor maintained intellectual domination of the project throughout his communications with the competitor. The competitor failed to show that the patent would not have been issued to the inventor alone if the information about the competitor's collaboration had been disclosed. The competitor also failed to show that the patent examiner would have found the claimed inventions obvious if the competitor's

arm and software had been disclosed during the prosecution. *Metris U.S.A., Inc. v. Faro Technologies, Inc.*, 2011 Markman 4346852, 2011 WL 4346852 (D. Mass. 2011)

CASE HIGHLIGHTS—TRADE SECRETS

AWARD OF PREJUDGMENT INTEREST ON LICENSOR'S LOST PROFITS FOR TRADE SECRET MISAPPROPRIATION WAS NOT APPROPRIATE

An award of prejudgment interest on a licensor's lost profits for trade secret misappropriation was not appropriate because the damages expert's estimates were based on assumptions or speculation regarding what would have happened if the misappropriation had not occurred. Although the expert used actual sales numbers, those sales provided merely an estimate or proxy for the number of sales that the licensor would have made to licensee if the misappropriation had not occurred. *ClearOne Communications, Inc. v. Chiang*, 2011 WL 3468215 (10th Cir. 2011)

PRESUMPTION AGAINST EXTRATERRITORIALITY DID NOT GOVERN TRADE SECRET MISAPPROPRIATION INVESTIGATION BY ITC

The presumption against extraterritoriality did not govern an investigation by the International Trade Commission (ITC) to determine whether imported goods had been produced through exploitation of trade secrets in which the act of misappropriation had occurred abroad. A provision of the Tariff Act had been expressly directed at unfair methods of competition and unfair acts “in the importation of articles” into the United States, the Commission did not apply that provision to sanction purely extraterritorial conduct, and the legislative history of the provision supported the Com-

mission's interpretation of it as permitting it to consider conduct that occurred abroad. *TianRui Group Co. Ltd. v. International Trade Com'n*, 2011 WL 4793148 (Fed. Cir. 2011)

DISTRICT COURT ABUSED ITS DISCRETION IN NOT GRANTING MISTRIAL AFTER NOT INVESTIGATING COLORABLE CLAIM OF JURY TAINT

On a trade secret claim under Massachusetts law regarding the ability to attach a handguard to a weapon using a single-clamp mechanism, a district court did not take adequate steps pre-verdict to determine if the presence of a clamp in the jury room that had been brought in by juror during deliberations had a prejudicial effect on the jury as a whole, by asking “what” the clamp was, “who” brought it in, and “when” it was present. Thus, the district court abused its discretion in not granting a mistrial, since the court did not inquire as to its effect on the jurors. *Atlantic Research Marketing Systems, Inc. v. Troy*, 2011 WL 4600585 (Fed. Cir. 2011)

EVIDENCE WAS INADMISSIBLE FOR PURPOSES OF SUMMARY JUDGMENT

In a software developer's action under New York law against the City of New York for breach of contract, misappropriation of trade secrets, unfair competition, and unjust enrichment, relating to the city's alleged misuse of a forensic DNA services database used to identify victims of the terrorist attacks of September 11, 2001, an affidavit of a city employee submitted by the plaintiff, which stated that another city employee had admitted in a settlement conference that he had shown a print-out of the database schema to the FBI, in violation of contract provisions, was inadmissible, for purposes of rebutting the city's motion for summary judgment. The alleged admission had been offered during an attempt to settle the claim. *Gene Codes Forensics, Inc. v. City of New York*, 2011 WL 2652394 (S.D. N.Y. 2011)

EXEMPLARY DAMAGES AWARD OF \$85 MILLION WAS WARRANTED ON SUCCESSFUL COUNTERCLAIM UNDER CALIFORNIA UNIFORM TRADE SECRETS ACT

An exemplary damages award of \$85 million in favor of a competitor, equal to the remitted compensatory damages award, was warranted on its successful counterclaim against a toy manufacturer for trade secrets misappropriation under the California Uniform Trade Secrets Act (CUTSA). The manufacturer had engaged in long-standing reprehensible conduct of encouraging employees to use false pretenses to obtain information about the com-

petitors' plans, using the competitor's trade secret information to preempt unreleased products, and reaping \$85 million in unjust enrichment, as would have favored granting the requested award in an amount double the compensatory damages award. However, such conduct was not evil and had diminished several years prior. Further, the need for deterrence was absent due to the litigation exposing the manufacturer's conduct and likely causing others in the close-knit toy industry to cast a wary eye towards the manufacturer in the future. *Mattel, Inc. v. MGA Entertainment, Inc.*, 2011 WL 3420594 (C.D. Cal. 2011)

