

Intellectual Property

2014 WINTER BULLETIN

The Time Has Finally Come for Post-Grant Review of Patents

BY STUART P. MEYER

The America Invents Act (AIA) came into law back in September 2011, but it was not until last March that its provisions were completely phased in. The changes last year included not only the switch from a “first-to-invent” to a “first-to-file” patent system but also the introduction of a new type of patent review. Previously, the AIA had introduced an *inter partes* review procedure (IPR) and a “covered business method” (CBM) patent review procedure. Both of these enabled third parties, in certain circumstances, to challenge the validity of patents through a quasi-litigation procedure in the Patent and Trademark Office (PTO). On March 16, 2013, a new phase began as patent applications filed on or after that date would be subject, upon their grant, to yet another type of challenge, the post-grant review (PGR). The PTO calls all three of these procedures “contested case” proceedings.

Because the PGR provisions of the AIA apply only to patents granted on applications filed after March 2013, very few patents issued to date are subject to this procedure. The PTO’s web site includes statistics showing that only one PGR petition has been filed to date, and that was promptly terminated, presumably due to the petitioner not knowing the filing date limitation. The typical pendency for patent applications, as of the PTO’s first fiscal quarter of 2014, is either 29 months (not counting requests for continued examination and appeals) or 38 months (including requests for continuing examination and appeals), according to the PTO’s performance “dashboard.” Thus, it will likely be late this year before we begin seeing significant numbers of patents issuing from applications that were filed on or after the March 2013 phase-in date.

PGRs differ in significant ways from IPRs and CBMs. For example, IPRs can be filed only based on published prior art (e.g., books, articles, other patents), while PGRs can be based on other grounds of invalidity, such as prior public use or sale, vague/indefinite claims, claims drawn to non-statutory subject matter (e.g., claims that preempt laws of nature or are unduly abstract under developing Supreme Court case law) and failure of the specification to provide a proper written description. As a second example, CBMs can be filed only by those who have been threatened with an infringement claim by the patent owner. This limitation does not apply to PGRs.

The significant limitation that is imposed on PGRs is that they must be filed within nine months of the patent being issued. This is a very tight time frame, given all that goes into deciding to file for a PGR and preparing the petition. First, the newly issued patent needs to be identified as one that is of interest, for example because it is held by a competitor, a known patent troll, or some other party likely to be an adversary. Next, the relevance of the patent needs to be examined. Some companies determine to attack patents, regardless of whether the claims impact their products/services, as a strategic gambit—for instance to make an existing adversary have to fight battles on multiple fronts at the same time. However, most companies want to attack only patents that they think might, for some reason, be asserted against them. Thus, in most cases some analysis of the claims will be called for to determine whether a patent is a relevant candidate for a PGR.

If a patent does appear to be such a candidate, the next step is to determine the manner in which it is to be attacked using PGR. In many instances, this may begin with a conventional prior art search. However, given that other grounds are available for

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invalidation using PGR, consideration should be given to these as well. A full review of the claims and the specification may reveal other, non-prior art grounds that may be suitable as the basis for a PGR petition. In particular, there may be strategic reasons not to assert prior art in a PGR since these arguments are often difficult to win with as a defense to an infringement challenge in court. Instead, it may be preferable to focus on flaws within the patent itself. Unlike federal courts, the PTO does not give challenged patents a presumption of validity, and the difficult “clear and convincing” evidence standard used in federal courts does not apply to litigation in the PTO.

Once the grounds for an invalidity challenge are identified, the process of drafting the petition itself requires significant time. In many cases, an expert will be needed to opine on some aspect of the claimed technology. The AIA contested case proceedings, including PGR as well as IPR and CBM proceedings, all require significant “front-loading” of effort, so the petitioner’s case must be fully made and supported when the petition is filed. The PTO Rules set an 80-page limit for PGR filings. This is in stark contrast to the “notice pleading” standard used to challenge a patent in federal court—complaints based on this standard can be less than 10 pages in length. Therefore, nine months turns out to be a very short time frame to identify a suitable candidate patent and prepare a winning petition. Since PGRs can be based on more than simply published prior art, the rules allowing additional discovery for PGRs are slightly relaxed in comparison with those for IPRs.

Two further considerations need to be made prior to filing a PGR petition. First, filing a PGR leads to certain estoppel concerns. Estoppel applies to grounds that a “petitioner raised or reasonably could have raised” in the PGR petition and impacts both other contested case proceedings in the PTO and litigation in federal court. The idea is that a company should not be allowed to take two swipes at a patent based on the same argument—the first via a PGR and the second in a court action (e.g., as a defense to an infringement charge or by way of a request for declaratory judgment).

Second, filing a PGR exposes a company to an assertion that it is a willful infringer in a later infringement action should the PGR not be successful. A willful infringer is subject to treble damages plus the patent owner’s attorney fees in bringing an infringement action. Indeed, even looking for PGR candidate patents might lead to such an assertion if not done thoughtfully. For example, if a company’s non-legal staff casually looks at competitors’ patents to see which might be good targets for a PGR and,

worse yet, generates emails regarding how those patents have surprisingly broad claims that could cause infringement problems, those emails may be discoverable in litigation and lead to a finding of willfulness.

Some have suggested that the estoppel and willfulness concerns will lead companies to not bother using PGRs. However, a number of techniques can be used to manage these concerns quite successfully. These techniques greatly minimize the risks of using PGRs as a third-party patent management tool.

Managed correctly, estoppel is not likely to be as great a concern as some commentators have speculated. The case law concerning what grounds “reasonably could have [been] raised” in a PGR is nascent, and among the various proposals for additional patent reform in Congress have been those to get rid of the “reasonably could have raised” portion of the estoppel provision. Many suggest that the “reasonably could have raised” standard will not be broadly interpreted, even if it survives. One reason for this is the legislative history. For example, Senator Kyl commented during discussion of the AIA drafts that “reasonably” was inserted to ameliorate the perceived harshness of the “could have been raised” standard originally proposed. In any event, narrowly focused analysis of a patent, as well as constraints imposed by the page limitation for a PGR petition, can both provide the basis for strong arguments that grounds not presented could not reasonably have been raised in the PGR.

Likewise, concerns about willfulness readily can be managed by thoughtful process control in searching for candidate inventions. At Fenwick & West, we have developed highly automated processes for identifying candidate patents in a manner that does not actually disclose the particulars of the candidate patents and therefore does not expose the client (or Fenwick personnel) to the actual claims of the patents. Only when a candidate invention has been fully vetted by automated means as a likely potential target for a PGR is the company given a choice whether to look at any of the actual text of the patent. Even then, review can be limited to non-claim sections of the patent as appropriate to make decisions regarding suitability for PGR challenge.

Because the time period provided for identifying and analyzing candidate patents, as well as preparing a PGR petition, is so short, companies would be wise to start planning their PGR watch programs during 2014. Given proper attention to process, the cost for embarking on such a program is nominal, and the risk of estoppel and willfulness exposure is easy to manage.

GoldieBlox Fair Use

BY SEBASTIAN E. KAPLAN

Fair use of copyrighted works and trademarks should provide solid footing for innovators engaging in remix culture, but those who rely on its protections often tread on thin ice that can collapse under the weight of significant litigation costs and uncertain, fact-intensive requirements. The recent dispute between GoldieBlox (a startup toy company with a girl-empowerment agenda) and the Beastie Boys highlights the benefits and risks of relying on the fair use doctrine in the commercial context. See *GoldieBlox, Inc. v. Island Def Jam Music Group*, No. 13-cv-05428 (N.D. Cal. Filed Nov. 21, 2013). Particularly in the advertising context, with increased marketing attention to viral campaigns, decision-makers need to be more aware than ever of the business and legal aspects of remixing protected intellectual property. Outside the legal context, however, GoldieBlox's strategy was a major success—its viral ad won Intuit's "Small Business Big Game" contest, and the company aired a delightful new advertisement—using licensed music from Slade/Quiet Riot—during Super Bowl XLVIII to an estimated 111.5 million viewers.

Background

GoldieBlox is a Bay Area startup with the goal to "get girls building." The Stanford-educated founder and CEO, Deborah Sterling, aims to provide construction toys that encourage young women to pursue careers in science, technology, engineering, and math (STEM subjects). Around February 2013, the company launched an integrated children's book and construction set called GoldieBlox and the Spinning Machine. Over the summer, the toy reached Amazon's "Top 100 Toys & Games Best Sellers".

On November 18, 2013, GoldieBlox released an online video titled "GoldieBlox, Rube Goldberg, & Beastie Boys 'Princess Machine.'" The video shows young girls triggering a complicated Rube Goldberg device, while playing original lyrics set to the music for the Beastie Boys' 1986 hit anthem "Girls." Whereas the Beastie Boys recited lyrics such as "Girls to do the dishes / Girls to clean up my room / Girls to do the laundry / Girls and in the bathroom," GoldieBlox replaced those lyrics with a more empowering message: "Girls to build a spaceship / Girls to code the new app / Girls to grow up knowing / That they can engineer that." The video quickly went viral, garnering over 8.5 million views on YouTube.

Three days after GoldieBlox released the video, the Beastie Boys' lawyer contacted GoldieBlox's attorneys to ask about GoldieBlox's use of the Beastie Boys' music. The same day, GoldieBlox filed a declaratory

relief action in the U.S. District Court of the Northern District of California. The Complaint set off a flurry of media coverage shortly before Black Friday and the start of the holiday shopping season.

On Monday of Thanksgiving week, the Beastie Boys issued an open letter emphasizing that the band had made a "conscious decision not to permit our music and/or name to be used in product ads." Soon after, GoldieBlox and the public learned that the Beastie Boys' late Adam Yauch had included in his will a holographic prohibition on any use of his music in advertising. By Tuesday night, GoldieBlox had removed the video from YouTube and its website. On Wednesday, GoldieBlox published its own open letter stating it had removed the video to respect Mr. Yauch's wishes and offering to drop its lawsuit if the Beastie Boys would release any claims of infringement. Most commentators, including myself, thought that move signaled the end of the dispute.

But to everyone's surprise, the Beastie Boys filed an answer and eight counterclaims a week and a half later. Alleging that GoldieBlox "has acted intentionally and despicably with oppression, fraud, and malice toward the Beastie Boys Parties," the Beastie Boys sued for copyright and trademark infringement, and state law claims related to rights of publicity. The trademark claim rests on GoldieBlox's inclusion of "Beastie Boys" in the title to the video. The counterclaims accused GoldieBlox of a "systematic campaign of infringement" and pointed to other GoldieBlox videos that used popular songs from artists such as Queen and Daft Punk. In addition to injunctive relief, the Beastie Boys seek actual damages, lost profits, disgorgement, exemplary and punitive damages, and attorneys' fees. The case has been assigned to Judge Lucy Koh, and, barring early settlement, we will likely see early motion practice in the next months.

The Fair Use Doctrine

The central issue in the GoldieBlox litigation is the strength of GoldieBlox's fair use defense. Courts' applications of fair use doctrines are notoriously fact-intensive, which means litigating fair use is expensive, and infringement claims often survive dismissal.

Copyright Fair Use

Fair use of a copyrighted work is not an infringement of copyright, as codified in 17 U.S.C. § 107. Section 107 enumerates four non-exclusive factors for Courts to consider:

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;

- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

Many courts add a fifth factor, “the public interest,” to the equation.

The U.S. Supreme Court held that commercial use of a copyrighted work is not presumptively unfair, but noted that the use “of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994) (reversing an appellate court’s decision that 2 Live Crew’s parody of “Oh, Pretty Woman” was not fair use). Here, GoldieBlox has a strong argument that the video transformed the song “Girls” by adding a “new expression, meaning, or message.” The video and its new lyrics appear to replace a misogynistic message with a philogynistic one.

The Beastie Boys, however, may not let that accusation go untested. Their counterclaims describe “Girls” as a “satirical anthem,” suggesting “Girls” itself undermines patriarchal norms by absurdly representing such sentiments. Given that the Beastie Boys have publicly apologized for the insensitive nature of their early lyrics—although not “Girls” specifically—that claim may not survive factual scrutiny. Nevertheless, the allegation raises the question: can you parody a parody? In this situation, it may be enough that GoldieBlox added a new meaning about women and engineering, regardless of whether “Girls” was actually misogynistic or satirical. But meaning is often in the eye of the beholder, and decision-makers should carefully consider the core message of works they intend to remix.

Under the second factor, “Girls” is a creative expression that falls within the core of copyright protection, but in *Campbell*, the Supreme Court suggested this factor is not “ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.”

It is the third factor where GoldieBlox seems most likely to fall through the ice. It allegedly used the entire musical score of “Girls.” In *Campbell*, the Supreme Court held “[p]arody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation.” But 2 Live Crew did not use the entire “Oh, Pretty Woman” score—it added distinctive sounds, solos in different keys, and an altered drum beat to the original. Even so, the Supreme Court remanded for the district court to

evaluate whether 2 Live Crew took more of the original music than necessary.

The Ninth Circuit Court of Appeals recently focused on a very limited use of copyrighted material. In *SOFA Entertainment, Inc. v. Dodger Productions, Inc.*, 709 F.3d 1273 (9th Cir. 2013), the Ninth Circuit affirmed summary judgment on fair use for a defendant who used a 7-second excerpt from plaintiff’s TV show. In *Seltzer v. Green Day, Inc.*, 725 F.3d 1170 (9th Cir. 2013), the Ninth Circuit affirmed summary judgment for Green Day’s use of plaintiff’s illustration of a screaming face in the video backdrop of Green Day’s stage show. The Ninth Circuit determined that appropriating the entire work would not weigh against Green Day because the illustration was not “meaningfully divisible.” *Campbell*, however, suggests that music is divisible, and it is not clear how GoldieBlox would defend using the entire musical score for the Beastie Boys’ song. The lesson here is that you can reduce your liability exposure by transforming as much of, and using as little of, the original work as possible.

The Supreme Court has stated that the fourth factor is the “single most important element of fair use.” *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539 (1985). Under this factor, GoldieBlox’s position is strong. It is unlikely the Beastie Boys can show consumers listened to the video instead of purchasing the song, given the changed lyrics and video format. And while other artists could argue that the video could negatively affect licensing fees for advertisements, Mr. Yauch’s will effectively forecloses that argument. Indeed, the will, which convinced GoldieBlox to take down the video, may be the Beastie Boys’ Achilles heel. Anyone considering transforming a copyrighted work for advertising purposes should consider how actively the copyright owner pursues licensing opportunities for the targeted work.

Trademark Fair Use

The Beastie Boys’ trademark infringement claims rest on GoldieBlox’s use of the Beastie Boys’ name in the title of the accused video and related social media posts. Assuming GoldieBlox also defends against these claims on the grounds of fair use, it finds strong footing in existing Ninth Circuit law. In *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), Mattel sued MCA for the band Aqua’s song “Barbie Girl,” which poked fun at the Barbie doll’s materialism. The Ninth Circuit affirmed summary judgment for MCA and held: “A title is designed to catch the eye and to promote the value of the underlying work. Consumers expect a title to communicate a message about the book or movie, but they do not expect it to identify the publisher or producer.” Unless GoldieBlox’s social media posts misled consumers about the source or

sponsorship of the video, Beastie Boys will have a tough row to hoe in arguing that the title of the video alone constitutes infringement.

Conclusion

GoldieBlox's viral video was a huge initial success, and its recent Super Bowl advertisement effectively vindicates its strategy, although the company remains at risk of paying substantial attorneys' fees and potential damages. For businesses considering a similar strategy, a solid understanding of the elements of fair use and the litigiousness of the targeted copyright owner will help reduce exposure.

Quick Updates

European Commission Proposes New Rules Seeking Uniform Trade Secret Protection

On November 28, 2013, the European Commission (EC) issued a proposal for a directive "on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use, and disclosure." This proposal represents a response to the increasing global importance of trade secrets and concerns regarding their protection.

Businesses are constantly developing and advancing confidential know-how in order to remain competitive, and the theft of this confidential know-how remains a serious threat to business investment and to intellectual property rights. Recent EC assessments have revealed that existing protection against trade secret misappropriation varies considerably across European Union Member States (member states). This uneven level of protection discourages businesses from developing and exchanging knowledge across borders because the lack of uniformity makes businesses wary about sharing information, specifically in the areas of research and development. These proposed rules seek to establish a uniform set of adequate legal remedies against the misappropriation and misuse of confidential know-how to incentivize businesses to engage in innovative activities across member states.

To qualify for protection as a trade secret under the directive, (1) the information must be confidential; (2) it must have commercial value because of its confidentiality; and (3) the holder of such information must have taken reasonable steps to keep it confidential. This definition is consistent with the definition of "undisclosed information" in the Agreement on Trade Related Aspects of Intellectual Property Rights, known as the TRIPS Agreement. The directive asserts that the key element making acquisition, use, and disclosure of a trade secret

unlawful is the absence of consent from the trade secret holder.

The directive also establishes measures, procedures, and remedies available to the trade secret holder. Such measures include providing judicial authorities with mechanisms for preserving confidentiality of trade secrets in court proceedings, as well as preliminary injunctions and precautionary seizure of infringing goods. Additional corrective measures include prohibition of use or disclosure of a trade secret and destruction or delivery of the information subject to protection. When adopting these injunctions and corrective measures, judicial authorities take into account, among other things, the value of the trade secret, measures taken to keep it secret, conduct of the infringer, the impact of unlawful disclosure, and the legitimate interests of the parties, third parties, and the public. Remedies for these unlawful acts also include potential damages awards to the trade secret holder.

The EC hopes that harmonizing trade secret protection across the European Union will help companies, large and small, and across all sectors, to continue developing, innovating, and collaborating. The EC's proposal will next be presented to and considered by the Council of Ministers and the European Parliament for evaluation before it can be adopted as a directive.

Recent 35 U.S.C. § 101 Challenges Bring Varied Results

The U.S. Supreme Court will hear arguments in *Alice Corporation Pty. Ltd. v. CLS Bank International*, No. 13-298, on March 31, guaranteeing a different form of March Madness for patent law practitioners. In the meantime, courts are responding to uncertainty created by the U.S. Court of Appeals for the Federal Circuit's widely splintered decision in different ways.

In the United States District Court for the Eastern District of Texas, Judge Leonard Davis recently found claims invalid under § 101, relying primarily on *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013), *petition for cert. filed sub nom. WildTangent, Inc. v. Ultramercial, LLC* (U.S. Aug. 23, 2013) (No. 13-255) and *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). *Clear With Computers, LLC v. Dick's Sporting Goods, Inc.*, No. 6:12-cv-00674 (E.D. Tex. Jan. 21, 2014). Judge Davis declined to stay *Clear With Computers LLC's* case against *Dick's Sporting Goods* and a number of other defendants pending a Covered Business Method Review, instead granting defendants' motions on the pleadings and finding the asserted claims invalid under § 101. The claims, which were directed to a "system which facilitates sales from an inventory of

the selling entity,” were unpatentable because the only independent claim could be “performed entirely by a human, mentally or with pencil and paper.” Clear With Computers argued that the asserted claims specified a “configuration engine of a computer system,” which it had construed as including “one or more solvers.” Because the specification contained detailed description of the “solvers” performing the method in a way that a human being was not capable of, a human being could not replace the “configuration engine.” Judge Davis rejected that argument, noting that the focus of the eligibility analysis was on the claims, not the specification, and that claim 1 included only a passing reference to the “configuration engine” and no references at all to “solvers.” Clear with Computers’ attempt to argue that the claim was valid under the “machine or transformation” test was also rejected. Judge Davis agreed with the defendants that the “configuration engine of a computer system” was simply a general-purpose computer without specified programming and was not essential to the invention. No transformation occurred because the invention simply receives product queries and does not transform them. The dependent claims merely claimed additional ways of presenting the inventory information and therefore only provided a “token and conventional, post-solution limitation that is insufficient to render the claim patent eligible.”

On the other hand, in the United States District Court for the District of Delaware, MetLife recently moved to dismiss a case under § 101, arguing that The Money Suite Company’s patent “is directed to an abstract idea—using a computer to generate a quote for a financial product—and is thus non-patentable subject matter.” *Money Suite Co. v. MetLife, Inc.*, No. 13-1748-GMS (D. Del. Jan. 9, 2014). Rather than address the merits of the motion, Chief Judge Gregory M. Sleet stayed the case *sua sponte* pending the Supreme Court’s ruling in *CLS Bank*. Judge Sleet noted that the Federal Circuit’s “fractured” *CLS Bank* opinion indicated that the court was divided on the applicability of the “abstract idea judicial exception to patent eligibility under § 101 of the Patent Act” to computer-implemented inventions. Judge Sleet expressed hope that the Supreme Court’s decision to grant certiorari in *CLS Bank* would lead “to an opinion that shall provide guidance for innovators and district courts alike with regard to patent eligibility of computer-implemented inventions under 35 U.S.C. § 101.” Judge Sleet is not alone. Will these last few months of uncertainty bring a flurry of attempts to invalidate patents? If the case is before Judge Sleet, a § 101 motion would certainly provide a brief respite for some defendants while we all wait with bated breath.

Ninth Circuit Rejects Presumption of Irreparable Harm for Trademark Owners

Reversing decades of precedent, the Ninth Circuit Court of Appeals recently eliminated the presumption of irreparable harm for trademark owners seeking a preliminary injunction. The presumption of irreparable harm had been in doubt for several years following Supreme Court precedent in the patent context. In *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, 736 F.3d 1239 (9th Cir. 2013), the Ninth Circuit finally confronted whether that precedent applied in the trademark context, holding: “Those seeking injunctive relief must proffer evidence sufficient to establish a likelihood of irreparable harm.”

Although plaintiffs seeking preliminary injunctions must normally prove irreparable harm, for decades trademark owners could presume such harm once they had shown a likelihood of success on their infringement claims. Two Supreme Court decisions in 2006 and 2008 threw that presumption into question. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) jettisoned presumption in patent cases. Then *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008) required parties in a non-patent case to show that irreparable harm was “likely,” not merely “possible.”

The Ninth Circuit did not immediately extend *eBay* and *Winter* to trademark cases. In fact, three years after *eBay*, the Ninth Circuit invoked the presumption in affirming a preliminary trademark injunction. *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*, 571 F.3d 873 (9th Cir. 2009). But shortly after, *Flexible Lifeline Systems, Inc. v. Precision Lift, Inc.*, 654 F.3d 989 (9th Cir. 2011), a copyright case, criticized, but did not reverse, *Marlyn Nutraceuticals*’ “summary treatment of the presumption.” With the *Herb Reed* decision, the presumption is officially dead.

The underlying dispute in *Herb Reed Enterprises* concerned trademark rights to “The Platters,” the name of the successful 1950s vocal group. On appeal from the district court’s grant of a preliminary injunction, the Ninth Circuit reversed the district court’s finding of irreparable harm.

Addressing the crux of the matter, the Ninth Circuit clarified its new rule: “We now join other circuits in holding that the eBay principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a trademark infringement case.” Although the district court had not presumed irreparable harm, it erred in relying on plaintiff’s “unsupported and conclusory statements regarding harm [plaintiff] might suffer.” The Ninth Circuit found

that plaintiff's platitudes about "loss of control over business reputation" and "damage to goodwill" were inadequate absent actual proof. In an important footnote, however, the court noted that the rules of evidence do not bind district courts during preliminary injunction hearings, and hearsay may support a claim of irreparable harm.

Following the "Platters" decision, district courts will likely be on heightened alert when addressing injunctions in trademark cases. Defendants opposing preliminary trademark injunctions should highlight evidentiary deficiencies in the plaintiff's case, and criticize platitudes about plaintiffs' asserted harm. Trademark plaintiffs, in contrast, should emphasize unique facts showing the risk of continued use of an allegedly infringing mark, such as irate customers, frayed vendor relationships, or threats to market share during critical periods of a company's growth. By focusing on the unique consequences of infringement, a plaintiff with a strong trademark case will be more likely to obtain an injunction, supported by a record that can survive on appeal.

Ninth Circuit Weighs in on Copyrightability of Hookah

This new opinion from the Ninth Circuit Court of Appeals on a quirky topic offers some insights on copyright law generally. Inhale, a seller of hookah water containers, sued a competitor, Starbuzz Tobacco, for selling similar-looking containers. *Inhale, Inc. v. Starbuzz Tobacco, Inc.*, 739 F.3d 446 (9th Cir. 2014). For those unfamiliar with hookahs, the Ninth Circuit provided a helpful footnote: "A 'hookah' is a device for smoking tobacco. It contains coals that cause the tobacco to smoke. A user's inhalation through a tube causes the smoke to travel through water, which cools and filters the smoke, before it reaches the user. The water is held in a container at the base of the hookah." Two points from this decision stand out.

First, the district court had granted summary judgment to the defendant on the basis that the hookah water container was not copyrightable under the "useful article" doctrine. As the product at issue was a water container, Inhale conceded it was a useful article. Protection for "the design of a useful article" is available "only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article." 17 U.S.C. §101. Inhale argued that its design was "conceptually separable" and attempted to distinguish prior authority by arguing that its container shape was "distinctive." Both the district

court and the Ninth Circuit reviewing *de novo* rejected these arguments.

In particular, the Ninth Circuit considered the Copyright Office's opinion on the topic. Administrative deference, in which the court will not disturb an agency's interpretation "if the statute is silent or ambiguous" and "the agency's answer is based on a permissible construction of the statute" (*See Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984)), did not apply because the materials were an internal manual and opinion letter. Instead, the proper level of deference was "only to the extent that those interpretations have the 'power to persuade,'" quoting *Christensen v. Harris Cnty.*, 529 U.S. 576 (2000). The Copyright Office's determination that "whether an item's shape is distinctive does not affect separability" was "persuasive" because "[t]he shape of the alleged 'artistic features' and of the useful article are one and the same," citing a letter from Nanette Petruzzelli, Assoc. Register, U.S. Copyright Office, to Jeffrey H. Brown, attorney for MSRF, Inc., *Re: Fanciful Ornamental Bottle Designs 1-9*, Control No. 61-309-9525(S), April 9, 2008; *Compendium of Copyright Office Practices II* § 505.03.

Judge Bea wrote separately to state that while he joined in the result, he did not think the Court needed to look to agency materials because "[t]he text of 17 U.S.C. § 101 does not suggest that 'distinctiveness' is an element of separability." Nevertheless, this opinion serves as a reminder that the Copyright Office's opinion letters and manual can be valuable resources in decision-making for both businesses and judges.

Second, the Ninth Circuit affirmed the district court's award of \$111,993 in attorneys' fees to the defendant, and further tacked on fees for defending the appeal. In awarding fees, the district court noted "Starbuzz's 'total success on the merits' and the need for deterrence of 'similarly frivolous claims against innocent Defendants.'" The Ninth Circuit approved of this analysis as "wellfounded in the record and... in keeping with the purposes of the Copyright Act." Future successful defendants are sure to point to this opinion in arguing for fees, especially to quote the court's conclusion that "[a] successful defense furthers the purposes of the Copyright Act just as much as a successful infringement suit does."



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