Intellectual Property

2015 SUMMER BULLETIN

28 U.S.C. § 1782: A Powerful Tool in Global Disputes

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As the number and complexity of cross-border and multi-jurisdictional disputes increase, companies can use 28 U.S.C. § 1782 to obtain evidence from U.S.-based entities for use in those foreign proceedings. Specifically, § 1782 allows entities "interested in" a foreign proceeding to obtain discovery from a U.S. entity using the United States District Courts. It permits the District Court in the district in which an entity resides to direct that entity to produce documents or give testimony. Originally enacted by Congress to provide assistance to foreign tribunals, § 1782 is also a powerful tool for obtaining documents and testimony relevant to the foreign proceeding that is otherwise outside the jurisdiction of the foreign tribunal. *See Intel Corp. v. Advanced Micro Devices, Inc.,* 542 U.S. 241 (2004); *Lo Ka Chun v. Lo To*, 858 F.2d 1564 (11th Cir.1988). Section 1782 may be of particular interest in intellectual property disputes, since these often have the cross-border aspects that bring this statute into play.

To take advantage of § 1782, the party seeking discovery need only show that: (1) the request has been made either "by a foreign or international tribunal," or by "any interested person"; (2) that the request seeks evidence, whether an individual's "testimony or statement" or the production of "a document or other thing"; (3) that the evidence is "for use in a proceeding in a foreign or international tribunal"; and (4) the person from whom discovery is sought resides or is found in the district of the United States District Court ruling on the application for assistance.

Though powerful, § 1782 is not limitless. The law is not settled on whether § 1782 can reach documents within a U.S. target's "possession, custody, or control" if those documents or things are physically located overseas. On the one hand, U.S. courts have noted in dicta that § 1782 only reaches documents located inside the United States. *See, e.g., Four Pillars Enters. Co. v. Avery Dennison Corp.,* 308 F.3d 1075, 1079 (9th Cir. 2002) (suggesting there is "some support" for the view that § 1782 does not authorize discovery of material located in foreign countries, resolving on other grounds); *Norex Petroleum Ltd. v. Chubb Ins. Co. of Canada,* 384 F. Supp. 2d 45, 55 (D.D.C. 2005) (finding that the available "caselaw suggests that §1782 is not properly used to seek documents held outside the United States" but finding documents in question "are not discoverable for another reason").

On the other hand, other courts have reached a contrary conclusion: the plain language of the statute poses no such restriction and "requires only that the *party* from whom discovery is sought be 'found' here; not that the *documents* be found here." *See In re Gemeinshcaftspraxis Dr. Med. Schottdorf,* No. Civ. M19-88 (BSJ), 2006 WL 3844464 (S.D.N.Y. Dec. 28, 2006) (emphasis in original). In that case, the court ordered production of the documents sought under § 1782, including those in the control of the U.S.-based entity but located abroad. *See also In re Application of Republic of Kazakhstan,* 15 Misc. 0081 (SHS) (S.D.N.Y. June 22, 2015) (upholding order permitting discovery sought from New York office where documents were located in the firm's London branch).

In This Bulletin

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Threshold Requirements

Party Status Is Not Required

An entity seeking discovery under § 1782 does not need be a party to the foreign action and instead need only have "significant procedural rights" and "participation rights" in the foreign proceeding. For example, in *Intel*, Advanced Micro Devices (AMD) filed an antitrust complaint against Intel with the European Commission's Directorate-General for Competition (DG). Though AMD was not a party to the DG's investigation, it filed a petition in the United States District Court in Northern California seeking potentially relevant documents from Intel, a resident of the Northern District of California. The United States Supreme Court held that while AMD was not technically a party to the investigation, AMD nevertheless had standing because it had participation rights in the DG's proceedings: it could submit information in support of its allegations and could seek judicial review of the DG's disposition of its complaint.

Proceedings Need Not Be Ongoing

Even absent a pending adjudicative proceeding, a party may be able to obtain discovery under § 1782 as long as one is within "reasonable contemplation." *Application of Consorcio Ecuatoriano de Telecomunicaciones S.A. v. JAS Forwarding (USA), Inc.*, 747 F.3d 1262 (11th Cir. 2014); *Intel.* Courts require showing that a future proceeding is more than speculative and demand "reliable indications" such as an internal audit; investigation; or internal correspondence suggesting that judicial action was imminent. *See also Lazaridis v. Int'l Centre for Missing and Exploited Children, Inc.,* 760 F. Supp. 2d 109 (D.D.C. 2011) (a proceeding was within "reasonable contemplation" where the petitioner submitted two summonses for appearance before a Greek magistrate judge in connection with a "pre-accusatory proceeding."). Accordingly, an entity need not wait until suit is filed or an investigation initiated before proceeding under §1782.

Discoverability in the Foreign Tribunal Not Required

Section 1782 does not require that the documents sought be discoverable in the foreign jurisdiction. Instead, if a district court deems production is appropriate, the scope of discovery is within the court's discretion, subject to the limitations found in Federal Rule of Civil Procedure 26. *See Weber v. Finker,* 554 F.3d 1379, 1385 (11th Cir. 2009). Rule 26 permits the discovery of "any nonprivileged matter that is relevant to any party's claim or defense," and permits the discovery of information not itself admissible at trial, but "reasonably calculated to lead to the discovery of admissible evidence."

The scope of discovery can also extend to documents within the target U.S. entity's "custody or control." That can include documents held by agents and third-party contractors. Fed. R. Civ. Proc. 34; *Columbia Pictures, Inc. v. Bunnell,* 245 F.R.D. 443 (C.D. Cal. 2007).

Discovery May Be Available for Arbitral Proceedings

Where arbitration has been required by or involves a governmental entity, courts have held that the foreign arbitral body is a "foreign tribunal" for purposes of §1782. For example, in *In re Application of Mesa Power Group, LLC,* a district court found discovery available for a foreign arbitration proceeding under the North American Free Trade Agreement (NAFTA). 878 F. Supp. 2d 1296 (S.D. Fla. 2012). Mesa sought, and successfully obtained, the court's assistance in obtaining evidence from a third-party, NextEra, for use in a pending arbitration under NAFTA, which involved Mesa Power and the government of Canada. *See also In re Republic of Ecuador,* No. C-10-80225 MISC CRB (EMC), 2010 WL 4973492 (N.D. Cal. Dec. 1, 2010) (allowing discovery under § 1782 for use in foreign arbitration taking place pursuant to a bilateral investment treaty).

In contrast, some courts have concluded that private arbitral proceedings are not conducted by "foreign tribunals" and thus discovery under §1782 is not available. *See, e.g., El Paso Corp. v. La Comision Ejecutiva Hidroelectrica Del Rio Lempa,* 341 Fed. Appx. 31 (5th Cir. 2009) (private Swiss arbitral tribunal not a "tribunal" under §1782); *Nat'l Broad. Co. v. Bear Stearns & Co.*, 165 F.3d 184 (2d Cir. 1999) (private commercial arbitration proceedings under the auspices of International Chamber of Commerce not a "tribunal"); *In re Dubey*, 949 F. Supp. 2d 990, (C.D. Cal. 2013); *In re Arbitration Between Norfolk S. Corp., Norfolk S. Ry. Co., and Gen. Sec. Ins. Co. and Ace Bermuda Ltd.,* 626 F. Supp. 2d 882 (N.D. Ill. 2009); *In re Oxus Gold PLC,* No. MISC. 06-82, 2006 WL 2927615 (D.N.J. Oct. 11, 2006). However, a number of district court decisions in other circuits have held that private arbitral tribunals are indeed "tribunals" for purposes of the statute, under the logic that an arbitral body is a "first-instance decision maker" whose decision leads to a dispositive ruling. *See, e.g., In re Application of Babcock Borsig AG,* 583 F. Supp. 2d 233, 238 (D. Mass. 2008) (denying the request on other grounds, but finding that an arbitration in the International Chamber of Commerce was a "tribunal"); *Comision Ejecutiva Hidroelectrica del Rio Lempa v. Nejapa Power Co.,* 2008 WL 4809035 (D. Del. Oct. 14, 2008), vacated as moot, 341 Fed. Appx. 821 (3d Cir. 2009); *In re Hallmark Capital Corp.,* 534 F. Supp. 2d 951 (D. Minn. 2007); *In re Roz Trading Ltd.,* 469 F. Supp. 2d 1221 (N.D. Ga. 2006).

Discretionary Factors

Though the potential scope of discovery under § 1782 is extensive, a court has discretion whether to order discovery in a specific matter and, if so ordered, what the breadth of the order shall be. Once an applicant establishes that the statutory requirements recited above have been met, the court must also weigh the factors enunciated by the Supreme Court in *Intel*: (1) whether "the person from whom discovery is sought is a participant in the foreign proceeding," because "the need for §1782(a) aid generally is not as apparent as it ordinarily is when evidence is sought from a nonparticipant"; (2) "the nature of the foreign tribunal, the character of the proceedings underway abroad, and the receptivity of the foreign government or the court or agency abroad to U.S. federal-court judicial assistance"; (3) "whether the §1782(a) request conceals an attempt to circumvent foreign proof-gathering restrictions or other policies of a foreign country or the United States"; and (4) whether the request is otherwise "unduly intrusive or burdensome." The Supreme Court in *Intel* added that "unduly intrusive or burdensome requests may be rejected or trimmed."

Thus, even if a party meets the basic statutory requirements, the District Court can deny discovery if it determines that the foreign tribunal "is not receptive to [U.S.] judicial assistance." In the Intel-AMD dispute, on remand from the Supreme Court, the District Court denied AMD's discovery requests in their entirety after the foreign tribunal submitted *amicus curiae* briefs stating that it did not "need or want" the Court's assistance and indicated that it would not even review the documents if they were produced to it. *Advanced Micro Devices v. Intel Corp.*, No. C 01-7033, 2004 WL 2282320 (N.D., Cal. Oct. 4, 2004).

A district court might also, in its discretion, refuse to grant discovery if the same discovery could otherwise be obtained in the foreign proceeding. To force an opponent to proceed in two separate court systems would be considered an abuse, with the inference being that "the party seeking U.S. discovery was trying to harass his opponent." *See Heraeus Kulzer GmbH v. Biomet, Inc.*, 633 F. 3d 591, 594 (7th Cir. 2011).

The § 1782 discretionary factors may extend to discovery questions involving foreign entities even when the statute itself is not invoked. In a recent decision by the Court of Appeals for the Federal Circuit, the court held that these factors should be applied when considering whether to amend a protective order in a patent suit in the U.S. to permit use of the discovery materials in a foreign proceeding. *In re Posco*, No. 2015-112 (Fed. Cir. July 21, 2015). Nippon Steel had sued Korean company POSCO for patent infringement in the District Court in New Jersey. In parallel, Nippon sued POSCO in Japan for trade secret infringement, and POSCO filed a request for declaratory judgment of non-infringement in Korea. In the U.S. lawsuit, the court had entered a protective order limiting use of confidential materials disclosed in that suit to "solely for purposes of the prosecution or defense of this action." Nippon later sought to amend the protective order so it could use some of those documents in the foreign proceedings. POSCO petitioned for a writ of mandamus to stop the disclosure directed by the District Court. The Federal Circuit instructed the District Court to consider on remand § 1782 and *Intel*'s discretionary factors. Although the Federal Circuit acknowledged that § 1782 and *Intel* may not directly govern requests to modify a protective order to make materials available in a foreign proceeding, it noted that at least three district courts have acknowledged that § 1782 and the *Intel* factors were relevant. As a result, where discovery questions implicate disclosure of documents in foreign proceedings, parties should consider and frame their arguments with these factors in mind.

Intellectual Property Ramifications

As companies are faced with disputes abroad, including intellectual property disputes where relevant evidence is located in the United States, they should be prepared to use § 1782, or have it used against them, to obtain documents and testimony. Section 1782 can be effective in intellectual property disputes, where a party's product allegedly infringing a foreign patent is manufactured, at least in part, in the United States; or if a dispute involves families of patents spanning across jurisdictions. *See Cryolife, Inc. v. Tenaxis Medical, Inc.*, No. C08-05124 HRL, 2009 WL 88348 (N.D. Cal. Jan. 13, 2009) (granting request for documents and testimony concerning starting materials for respondent's sealant product, which was the subject of a patent infringement action in Germany); *In re Iwasaki Electric Co.*, No. M19-82, 2005 WL 1251787 (S.D.N.Y. May 26, 2005) (petitioner involved in patent litigation in Germany, U.S. and Japan sought documents and deposition transcripts from related U.S. litigation for use in related disputes abroad); *In re Procter & Gamble Co.*, 334 F. Supp. 2d 1112 (E.D. Wis. 2004) (defendant in underlying litigation sought discovery relevant to its defenses that it was immune from suit for patent infringement based on settlement of prior litigation or that the patent at issue was invalid).

U.S. Supreme Court Upholds Ban on Post-Patent Expiration Royalties

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Fifty years ago, in *Brulotte v. Thys Co.*, the U.S. Supreme Court held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se." 379 U.S. 29, 32 (1964). On June

22, 2015, in *Kimble v. Marvel Entertainment, LLC* (a 6-3 decision), the U.S. Supreme Court upheld the *Brulotte* rule.

Factual Background in *Kimble v. Marvel Entertainment, LLC*

Around 1990, Kimble invented a Spider-Man toy that allowed a user to mimic Spider-Man's web-shooting abilities with foam string. *Kimble v. Marvel Enters. Inc.,* 727 F.3d 856, 857-58 (9th Cir. 2013). After filing a patent application on this invention, Kimble met with Marvel's predecessor company to discuss the idea covered by Kimble's pending patent application and other ideas and know-how. According to Kimble, Marvel's predecessor verbally agreed to compensate him if the company used any of his ideas. The company subsequently told Kimble that it was not interested in developing his idea, but later began manufacturing a similar Spider-Man role-playing toy.

In 1997, Kimble sued Marvel for patent infringement and breach of contract. The parties ultimately settled that litigation. The settlement agreement had no expiration date and did not include any specific time limit on Marvel's obligation to pay Kimble three percent of net product sales.

Subsequently, the parties had a number of disagreements about royalty payments. Kimble filed suit for breach of contract, and Marvel counterclaimed seeking a declaration that it was no longer obligated to pay Kimble under the settlement agreement based on sales of products after the expiration of the patent. Applying the *Brulotte* rule, the district court held that the royalties had to end when the patent expired. *Kimble v. Marvel Enters., Inc.,* 692 F.Supp.2d 1156, 1159-1161 (D. Ariz. 2009).

The Ninth Circuit Court of Appeals affirmed. *Kimble*, 727 F.3d 856. Because the settlement agreement was limited to a royalty for patent rights alone (it did not, for example, include a discounted rate for the non-patent rights) or otherwise indicate that the royalty was in no way subject to patent leverage, the Ninth Circuit held that no royalties were due under the settlement agreement after the patent expired. Although the Ninth Circuit characterized the *Brulotte* rule as "counterintuitive" and "its rationale … arguably unconvincing," the court recognized that it was bound by Supreme Court authority.

Supreme Court's Opinion in *Kimble v. Marvel Entertainment, LLC*

In its June 22, 2015 opinion in Kimble, the U.S. Supreme Court acknowledged that "[a] broad scholarly consensus supports Kimble's view of the competitive effects of post-expiration royalties, and we see no error in that shared analysis." For example, "[a] more extended payment period coupled (as it presumably would be) with a lower rate, may bring the price the patent holder seeks within the range of a cash-strapped licensee." However, the Court indicated that it was bound to adhere to the principles of *stare decisis* and declined to overrule *Brulotte*. In doing so, the Court stated that "[r]especting *stare decisis* means sticking to some wrong decisions." In fact, the Court noted that *stare decisis* only has consequences when it is used to sustain incorrect decisions; "correct judgments have no need for that principle to prop them up."

According to the majority, *stare decisis* in this case was "superpowered." First, the majority believed that *Brulotte* interpreted a statute, 35 U.S.C. § 154. Despite amending patent law several times since *Brulotte,* Congress has declined to amend that law to reverse *Brulotte's* effect. In addition, there was a "reasonable possibility" that parties have structured their business transactions based on *Brulotte,* which lies at the intersection of property and contract rights.

In view of this "superpowered" case of *stare decisis*, the Court needed a "superspecial justification" to warrant reversing *Brulotte,* but found none. First, the Court determined that *Brulotte's* statutory and doctrinal underpinnings remained intact. Section 154 continues to cut off patent rights after a set number of years. And S*cott Paper Co. v. Marcalus Mfg. Co.,* 326 U.S. 249 (1945), which the Court characterized as the decision on which Brulotte primarily relied, remains good law. Second, the Court found that nothing about *Brulotte* was unworkable. Indeed, the decision "is simplicity itself to apply," since a court need only ask whether the contract requires post-patent expiration royalties.

Although the Court recognized the possibility that the Brulotte rule may hamper competition or technologic innovation, it determined that "[c]ritics of the *Brulotte* rule must seek relief not from this Court but from Congress."

Writing in dissent, Justice Alito (joined by Chief Justice Roberts and Justice Thomas) countered that *Brulotte* "was not based on anything that can plausibly be regarded as an interpretation of the terms of the Patent Act. It was based instead on economic theory — and one that has been debunked." According to the dissent, *Brulotte* also "poses economic barriers that stifle innovation" since deferred royalty agreements can be economically efficient. In addition, *Brulotte* unsettles contractual expectations where the parties are completely unaware of the ban on post-patent expiration royalties, as Kimble and Marvel were. The dissent characterized *Brulotte* as an "obvious mistake" that the Court should have corrected.

The dissent also said that *Brulotte* "does not represent a serious attempt to interpret the Patent Act. The dissent noted that:

> "A licensing agreement that provides for the payment of royalties after a patent's term expires does not enlarge the patentee's monopoly or extend the term of the patent. It simply gives the licensor a contractual right. Thus, nothing in the text of the Act even arguably forbids licensing agreements that provide for post-expiration royalties."

From this the dissent concluded that "*Brulotte* was thus a bald act of policy making."

The *Brulotte* Rule Going Forward

In the *Kimble* opinion, the U.S. Supreme Court provided some guidance regarding licensing arrangements that would be enforceable under *Brulotte*. As a threshold matter, the Court made clear that "all the decision bars are royalties for using an invention after it has moved into the public domain." In accord with this, the Court confirmed that *Brulotte* "allows a licensee to defer payments for pre-expiration use of a patent into the post-expiration period…." Thus, "[a] licensee could agree, for example, to pay the licensor a sum equal to 10 percent of sales during the 20-year patent term, but to amortize that amount over 40 years."

The Court also confirmed that a hybrid license covering patent and non-patent rights is enforceable under *Brulotte,* for example, where that license provides a step-down royalty rate that applies upon patent expiration. As the Court explained, "a license involving both a patent and a trade secret can set a 5 percent royalty during the patent period (as compensation for the two combined) and a 4 percent royalty afterward (as payment for the trade secret alone)." Such post-expiration royalties for a non-patent right are acceptable even where the non-patent right is "closely related to a patent." While using this as an example, the Court did not discuss whether a portion of a royalty that is based explicitly on both patent and non-patent rights (*e.g.* know-how) could be enforced at a lower rate based on evidence presented of the value of the non-patent rights relative to the patent rights.

Courts will likely continue to require evidence, such as in the contract itself, that any post-patent expiration royalties are not for use of expired patents, but are instead, for example, for use of non-patent rights (*e.g.,* know how, trade secrets) or are amortized payments for use of the patented technology during the patent term. Courts will also likely limit the holding of Kimble to its narrow facts, which were that a royalty based exclusively on a patent cannot be extended beyond the expiration of that patent.

Quick Updates

The United States Patent & Trademark Office Issues Second Round of Proposed Rule Changes for Patent Trial and Appeal Board Trials

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The United States Patent & Trademark Office (USPTO) has made good on its commitment to solicit and consider public comments regarding the Patent Trial and Appeal Board (PTAB) post-patent issuance proceedings created by the Leahy-Smith America Invents Act of 2011 (AIA). After issuing a first round of changes earlier in the year, on August 19 the USPTO issued a second set of proposed rule changes including allowing patent owner use of testimonial evidence, revising claim construction standards, and adding a Rule 11 requirement for all papers filed with the PTAB. According to USPTO Director Michelle Lee, these changes are intended to reflect improvements that can be made to the PTAB post-patent issuance proceedings based on the experience of the public with the proceedings. The USPTO will consider public comments on the proposed changes if they are received before October 19, 2015.

Here is a brief summary of the most significant proposed rule changes:

- *New testimonial evidence in its preliminary response.* Currently petitioners may include testimonial evidence in the form of an expert declaration but the patent owner is not permitted to include any testimonial evidence. The proposed rule would enable patent owners to provide a more robust challenge to the petition by answering the petitioner's evidence, potentially leading to a decrease in the rate of institution of trial at the PTAB.

- *Claim construction standards.* The PTAB confirms that it will continue to use the broadest reasonable interpretation standard for unexpired patents, but will apply the *Phillips*-type claim construction for claims in patents that will expire during the pendency of the proceedings. Because the claims of those patents cannot be amended, the petitioner can determine, with guidance from the USPTO, which claim construction will be applied. The USPTO has requested additional comments regarding how and when to determine that the patent will expire before the proceedings are complete.

- *Rule 11 standard.* Under the proposed rule, practitioners before the PTAB would have to provide a Rule 11-type certification for all papers filed with the PTAB. The proposed rule includes a provision for sanctions for noncompliance, providing the PTAB with a method to better police practitioner misconduct.

The USPTO declined to change its current practice of considering requests for an oral hearing on a case-by-case basis or to consider requests for additional discovery of secondary considerations on a case-by-case basis. The proposed rule change would allow a patent owner to raise a challenge regarding a real party-in-interest and privity at any time during the proceeding. While the USPTO prefers that the issue be addressed as early as possible during the proceeding, it also recognized that limiting the challenge to the preliminary stages would value efficiency over fairness.

The changes proposed by the USPTO and the responses to comments received by the public show that the USPTO is listening. Whether the proposed rule changes go far enough, or will ultimately create more challenges, such as the claim construction standard, remains to be seen.

The Latest Congressional Attempt to Enact a Federal Trade Secrets Act

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Congress is again considering federal trade secrets legislation. The identical bills H.R. 3326 and S. 1890 comprise The Defend Trade Secrets Act of 2015. The bills were introduced and referred to committee on July 29, 2015. H.R. 3326 is sponsored by Rep. Collins (R-GA) and co-sponsored by 12 Republican and 6 Democratic representatives. S. 1890 is sponsored by Sen. Hatch (R-UT) and co-sponsored by two Republican and three Democratic senators. Although only 3% of bills were enacted in the past few years, at least one legislative watch group gives The Defend Trade Secrets Act ("DTSA") a higher than average chance of enactment. Last year's versions of the bills had some success. The House Judiciary Committee recommended that The Trade Secrets Protection Act of 2014 (H.R. 5233) be considered further, although the Senate Judiciary Committee did not reach a vote on the Defend Trade Secrets Act of 2014 (S. 2267).

In the event the DTSA does become law, it would create a private right of action to bring trade secret misappropriation claims in federal court. It would also provide for specific procedures for obtaining an ex parte seizure order, including a requirement that seized materials be held by the court. Otherwise, the DTSA mostly tracks the Uniform Trade Secrets Act ("UTSA"), which has been adopted by 48 states.

One difference is the proposed standing requirement. The DTSA is limited to a trade secret "that is related to a product or service used, or intended for use in, interstate or foreign commerce." It is not clear how attenuated a relationship may be between a trade secret and a particular product or service before the jurisdictional hook fails. Trade secrets concerning human resources, accounting practices, or other administrative areas of corporate life that do not relate directly to any one particular product or service may be left out of the federal right of action.

Another difference from the UTSA is the civil seizure provision in the proposed bills. The provision would authorize a court to issue an ex parte order seizing property if the seizure was necessary to prevent the propagation or dissemination of a trade secret. This provision borrows heavily from 15 U.S.C. § 1116(d), concerning seizure of counterfeit goods under the Lanham Act. It is not clear why the bills' drafters believe that perpetrators of trade secret misappropriation share significant similarities with counterfeiters. A lot of trade secret misappropriation is done by insiders—e.g., former employees—whose names and identifying information are known to the trade secret owner. Insiders are, generally speaking, lower flight risks than counterfeiters. Critics of the bills, including a coalition of academics, argue that this provision is ripe for abuse, allowing companies to disrupt competitor's operations by seizing company computers and servers. If the DTSA passes, companies in highly competitive markets should consider implementing response plans in the event that a court orders seizure of their hardware. Response plans should include ways to isolate and remove specific data from particular systems without disrupting the company's entire IT infrastructure.

Garcia v. Google En Banc

KATHLEEN LU AND JENNIFER STANLEY

In May, the United States Court of Appeals for the Ninth Circuit issued its long-awaited *en banc* opinion in *Garcia v. Google,* 743 F.3d 1258 (9th Cir. 2014), reversing a broad secret injunction issued by the three-judge panel. The case, stemming from an actress, Cindy Lee Garcia, who claimed she had been tricked into performing in a controversial anti-Muslim movie, had drawn widespread industry and media attention as evidenced by the 13 amicus briefs on appeal. A three-judge panel of the Ninth Circuit had issued a mandatory injunction to Google to take down all versions of the film and to keep monitoring to take down any more that were uploaded. It had also issued a gag order prohibiting Google from telling anyone about the secret injunction for nearly a week.

The *en banc* panel reinstated the district court's denial of a preliminary injunction, finding that Garcia was unlikely to meet all the requirements for the injunction she wanted. It looked to the factors the Supreme Court set out in *Winter v. NRDC*, 555 U.S. 7 (2008): Garcia had to show that: (1) she was likely to succeed on the merits; (2) she was likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tipped in her favor; and (4) an injunction was in the public interest. The *en banc* opinion also emphasized that Garcia wanted Google to remove and keep removing the film from YouTube, in essence a mandatory injunction requiring Google to take action rather than simply refrain from action. A mandatory injunction required her to show that the law and facts clearly weighed in her favor.

Garcia could not clearly establish that she held a copyright in her brief performance in the film at issue for a number of reasons: (1) deferring to the expertise of the Copyright Office which denied her registration, she did not fall under the Copyright Act's definition of an author of the film; (2) Garcia's theory would splinter copyright in works involving many actors or contributors, creating logistical and financial nightmares; and (3) in order for copyright to attach, an author must "fix" the work, and the director, not Garcia, "fixed" her performance by recording it.

Garcia also had failed to show irreparable harm to her copyright interests. Instead, all the harms she claimed, and on which the three-judge panel had relied, were threats of violence based on her association with a negative portrayal of Muslims, not damage to any economic copyright interest, such as the marketability of her performance.

The *en banc* panel vacated the injunction that had been in place for over a year, but Judge Reinhardt criticized the delay caused by the court's refusal to hear the case immediately. In dissent of the order that had refused to hear *en banc* the panel's denial of an emergency stay of the injunction, Judge Reinhardt called the injunction "unconscionable" and labeled the court an "architect" of "the infringement of fundamental First Amendment rights" which caused "irreparable damage to free speech rights in the lengthy intervening period."

The case formally closed in late June, with Garcia stipulating to dismissal.

Potential Confusion Is No Substitute for Actually Anticipated Harm – A Second Whiffed Attempt at a Preliminary Injunction in *Pom Wonderful v. Pur Beverages*

Litigants seeking a preliminary injunction are well aware of the *Winter* factors: likelihood of success on the merits, likelihood of irreparable harm, the balance of equities, and the public interest. *Winter v. NRDC, Inc.,* 555 U.S. 7 (2008). The interrelation between these factors is often less clear. Pom Wonderful, producer of premium pomegranate beverages, ran into a snag when attempting to prevent Pur Beverages' use of "pom" in its "pūr pŏm" energy drink. *Pom Wonderful LLC v. Pur Beverages LLC,* No. 2:13-cv-06917, Dkt. No. 68 (C.D. Cal. Aug. 6, 2015). The Ninth Circuit had already determined that there was a likelihood of consumer confusion for use of the exact same word mark "pom" in the similar product space of pomegranate-related drinks. *Pom Wonderful LLC v. Hubbard,* 775 F.3d 1118 (9th Cir. 2014). But while actual confusion may show that future irreparable harm is likely, Pom Wonderful only had evidence of potential confusion. Pom Wonderful's speculation regarding harm was insufficient. This showcases the value of developing survey evidence or other concrete data early in litigation when seeking a preliminary injunction. And if the parties do not directly compete, it will be valuable to also develop evidence that customers use both products to nudge potential harm into likely harm.

Even without such concrete evidence, there are other tactics to convert a seemingly potential harm into a likely one. Pom Wonderful argued that its brand message of "purity and healthfulness" would be damaged by the cheaper "pūr pŏm", which has no pomegranate juice, only pomegranate flavoring. The court dismissed this argument as supported by no evidence that harm to reputation or goodwill would follow an association with "pūr pŏm". Pom Wonderful's declaration represented that its customers value taste and health. But Pom Wonderful had no evidence that "pūr pŏm" was unhealthy or that energy drinks were not associated with good taste or health. Pom Wonderful had no evidence that its customers had even heard of "pūr pŏm", let alone evidence that Pom Wonderful had suffered brand damage. Having evidence of brand damage would require actual damage at the preliminary injunction stage. But Pom Wonderful had other choices. It could have developed evidence that consumers do not think of energy drinks as healthy or tasty. It could have developed evidence that its consumers have received "pūr pŏm" advertising. Pom Wonderful could likely have found some support for either of these through basic searches. Alternatively, Pom Wonderful could have reframed the damage to its messaging. Pom Wonderful could have argued that rebranding "pom" to focus on the flavor rather than the substance of the beverage damages Pom's goodwill. This would have eliminated Pom Wonderful's need for evidence regarding what consumers think of "pūr pŏm". It could be worth spending time at the outset to develop a theory of brand damage that relies more on the nature of the competing product itself than on consumer reaction to that product. Your shortened declaration will thank you.

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