

Intellectual Property

2013 FALL BULLETIN

Revoking the Right to “Access” a Public Website in Response to Unwanted Data Aggregators: Civil Liability Under the Computer Fraud and Abuse Act

BY MICHAEL DAVIS-WILSON, PATRICK E. PREMO AND MICHAEL A. SANDS

What does “authorized access” to a computer system mean under the federal Computer Fraud and Abuse Act (CFAA) and its state-law counterpart, California Penal Code 502, in the context of a publicly accessible website? Can a simple cease-and-desist letter operate to revoke such authorization rendering subsequent access subject to civil and potentially criminal liability under those laws? On August 16, 2013, the Honorable Charles R. Breyer of the United States District Court for the Northern District of California addressed such questions when he denied a defense motion to dismiss claims under the CFAA and Cal. Penal Code 502, in *Craigslist Inc. v. 3Taps Inc.*, No. CV 12-03816, 2013 U.S. Dist. LEXIS 116732 (N.D. Cal. Aug. 16, 2013). Commentary thus far on this important decision has focused largely on the issue of whether circumventing an “IP block” constitutes unauthorized access under the CFAA. However, the *3Taps* decision is also significant for its holdings on what effect a cease-and-desist letter has on authorization for CFAA purposes, and for the impact those holdings could have on businesses that obtain publicly available, including user-generated, information from public websites.

Craigslist operates Craigslist.org, a website that publishes classified ads submitted by users. 3Taps operates a website that aggregates and republishes classified ads from Craigslist.org. Upon learning about 3Taps’ aggregation, Craigslist sent 3Taps a cease-and-desist letter, instructing 3Taps that it was “no longer authorized to access, and [was] prohibited from accessing Craigslist’s website or services for any reason.” It also established a so-called “IP block,” configuring its servers to refuse access to any person attempting to reach Craigslist.org from IP addresses associated with 3Taps. It soon became clear that these measures were ineffective at preventing 3Taps from aggregating material from Craigslist.org, so Craigslist filed suit alleging (along with a variety of intellectual property claims) that 3Taps violated Craigslist’s Terms of Use, ignored the cease-and-desist letter, and had taken measures to circumvent the IP block. In taking such actions, Craigslist claimed 3Taps had therefore accessed Craigslist’s servers without authorization, in violation of the CFAA and Cal. Penal Code 502.

The CFAA¹ is a statute with both civil and criminal application, among other things, forbidding intentionally accessing a computer without authorization, or exceeding one’s authorized access, to obtain information from a computer used in interstate commerce. 3Taps quickly moved to dismiss Craigslist’s CFAA claims, arguing that the CFAA applies only to cases where the defendant has “hacked” a computer belonging to the plaintiff.

¹ The CFAA at the federal level and Cal. Penal Code 502 at the California state level are effectively identical in terms of their prohibition against unauthorized access to protected computer systems. The district court therefore analyzed the parties’ arguments under both statutes in the context of the CFAA; we will do the same.

In This Bulletin

Revoking the Right to “Access” a Public Website in Response to Unwanted Data Aggregators: Civil Liability Under the Computer Fraud and Abuse Act _____ 1

Who Gives a Sheet? What Makes Graphene Technologically and Legally Special _____ 3

Quick Updates _____ 4

Circuits Split on TTAB Preclusion – Will the Supreme Court Provide an Answer? _____ 4

Intellect Wireless Demonstrates the Kind of Conduct Necessary to Prove Inequitable Conduct _____ 5

Narrowly Interpreting the CUTSA Preemption Provision, California Appellate Court Allows Trade Secret Plaintiff to Proceed with Alternative Tort Remedies Against Former Employee _____ 6

Seventh Circuit Holds That the Register of Copyright Must Be Consulted Prior to Invalidating a Copyright _____ 7

In its motion, 3Taps relied heavily on *United States v. Nosal*, 676 F.3d 854 (9th Cir. 2012)(*en banc*). *Nosal* is the leading Ninth Circuit case in a line of recent decisions holding that the CFAA does not reach defendants who use information to which they have authorized access for unauthorized purposes. David Nosal was a former employee of an executive search firm who persuaded former colleagues to give him confidential company information for use in his competing business. The Ninth Circuit held that the former colleagues' violation of company policies regarding the use of company information — a “use restriction” rather than an “access restriction” — did not constitute a violation of the CFAA. 3Taps argued that Craigslist's CFAA claims relied on 3Taps' alleged violations of Craigslist's Terms of Use, which were mere “use restrictions” and hence not the proper basis for a CFAA claim under *Nosal*.

In an April 30, 2013 order granting in part 3Taps' motion to dismiss, the district court held that Craigslist's Terms of Use were indeed use restrictions, the violation of which could not support a CFAA claim. More importantly, however, the court also held that Craigslist's cease-and-desist letter and its IP block were in fact access restrictions. The court then went on to observe that the parties had not addressed the question of whether the CFAA applies to situations where the owner of an otherwise public website attempts to selectively bar access to otherwise publicly available, user-generated content by specific entities. The parties swiftly took the court up on its invitation to submit supplemental briefing on that point.

In its supplemental brief, 3Taps argued that Craigslist's efforts to bar 3Taps' access to its public website were merely use restrictions by another name because they were motivated by Craigslist's disapproval of the competitive uses to which 3Taps would put the information obtained. Such efforts could not, therefore, form a valid foundation for a CFAA claim under the authority of *Nosal*.

The district court's August 16, 2013 order rejected 3Taps' argument, holding that the combination of Craigslist's cease-and-desist letter and its IP block did in fact constitute an access restriction, and that its purported *motive* in implementing such an access restriction was beside the point. The concerns raised by the Ninth Circuit in *Nosal* about selectively criminalizing behavior based on a website's terms of service, the court held, are not implicated when

a person has received clear notice and is explicitly banned from a website entirely. The district court therefore held that “3Taps' deliberate decision to bypass that barrier and continue accessing the website constituted access ‘without authorization’ under the CFAA,” and denied 3Taps' motion to dismiss.

Articles and blogs commenting on this case have mostly focused on the holding that circumventing an IP block constitutes unauthorized access under the CFAA. Treating IP blocks as an effective access restriction has been criticized by a number of commentators because IP addresses are not necessarily associated with a particular individual, and an individual can change or conceal his or her IP address relatively easily. Thus, an IP block is neither an accurate nor an effective way of blocking a specific entity's access to a website. Nevertheless, IP blocks are frequently employed by website owners seeking to prevent access by specific entities because they are a reasonably cost-effective blocking method that does not require the implementation of user credentials.²

Focusing too closely on the IP block holding, however, may be missing the forest for the trees. The district court's decision indicates that the dispositive issue is whether a defendant has been adequately notified that its access of public information on an otherwise public website has been de-authorized. Although the court explicitly avoided holding whether a cease-and-desist letter alone would be adequate to de-authorize access in the absence of a technological barrier, the practical effect of the court's decision makes this issue essentially a factual question of notice. It may be irrelevant whether an IP block is or is not an “access restriction” or even technically effective, if its true role is to demonstrate through the defendant's circumvention of the block that the defendant “knew” its access was not authorized.

If other courts follow the *Craigslist* holding, there could be major repercussions for companies whose business model depends on the ability to gather public information from public websites. Some of these aggregator companies, like 3Taps, collect such user-generated content for the purpose of redistributing it essentially verbatim; others, like certain popular travel sites, for example, collect

² IP blocks may also be useful when a website owner seeks to block an entity using user credentials that have been provided to it by an authorized user. See *Facebook, Inc. v. Power Ventures, Inc.*, 844 F. Supp. 2d 1025 (N.D. Cal. 2012).

information for the purpose of comparing and analyzing different sources of information. Some aggregators enter agreements with the sites they collect from, but in many cases — particularly ones where the aggregator competes directly or indirectly with the source — such agreements may not be possible, essentially permitting established companies to assert a property right over public information, including content generated by users, and erecting barriers to new, often innovated, competition. If a clearly worded cease-and-desist letter is sufficient to expose an aggregator (and possibly its management³) to civil or even criminal liability under the CFAA, such business models may no longer be viable. Where aggregators are merely free-riding off other sites' content, this may be no great loss. But some aggregators add genuine value by analyzing and organizing information in new ways. The loss of such ventures may become one of the many exhibits in the case for an updated CFAA that would deal more thoughtfully with the changes to the online environment since it was originally drafted in 1984.

Who Gives a Sheet? What Makes Graphene Technologically and Legally Special

BY PAUL SMITH

Graphene — a sheet of graphite that is one carbon atom thick — has been the subject of research efforts since the 1960s. With recent advances in graphene synthesis methods, patent activity in this field has increased enough for *The Wall Street Journal* (August 24, 2013) to describe it as a “scientific gold rush.” As graphene moves from sponsored research projects into industrial development, the intensity of patent activity has inventors and patent owners concerned about potential litigation and the prospects of their own graphene patent applications in an increasingly crowded field.

But what makes graphene so different from other materials? And what is driving the high level of patent activity? More importantly, how do inventors of more recent graphene-based inventions make headway at the U.S. Patent and Trademark Office (Patent Office)

³ On September 25, 2013, the CEO of Power Ventures, a company which collected information from Facebook and other social networks, was found personally and jointly liable with the company for violations of the CFAA and CAN-SPAM Act. *Power Ventures*, No. 08-CV-05780, 2013 U.S. Dist. LEXIS 137890 (N.D. Cal. Sept. 25, 2013).

in light of the trend? This article will first discuss the technological and commercial importance of graphene, and then outline strategies for patenting graphene-based inventions.

Technological and Commercial Implications of Graphene

Unlike most technological advances of the past 20 years, graphene has the potential to revolutionize dozens of unrelated industries. The very unusual physical, chemical, electrical, and optical properties of graphene are applicable to a dizzying array of technologies. Promising results have been shown for graphene in fuel cells, catalysts, optical displays, and many other applications.

Graphene is easily adaptable to a variety of applications, which simplifies some aspects of product development. For example, graphene can be easily mixed with plastics, lending its incredible intra-sheet strength to a plastic matrix and making the combined material much stronger. Improving strength (and other properties including resistance to chemical or thermal degradation, conductivity, etc.) inspires both the creation of new products and the improvement of existing products.

Bulk graphene has also been tested as a catalyst for chemical reactions, improving reaction rates and yields far more than conventional transition metal catalysts. For example, graphene has been used in fuel cells to improve the efficiency of electricity production.

Graphene can not only be mixed in a bulk material, but can also be deposited as a thin film in the fabrication of electronics. These thin films can lead to new computer processors and faster, more efficient, and smaller electronic devices.

The above list is a small sampling of the wide variety of graphene applications that have shown promising results. Undoubtedly, graphene has more exotic properties yet to be discovered. This is because the electrons within the two-dimensional structure of graphene are influenced by quantum mechanical effects. These effects create unusual electrical, conductive, and optical properties that have yet to be fully appreciated, let alone applied commercially.

In short, graphene fits the materials engineering paradigm in which the structure of the material, its properties, and the methods used to process the material are all connected to each other. Because

of this connection, changing one of these elements affects the other two. This complicates the study of the material, but it also enables a designer material to be crafted for a specific product or application by using the structure, properties, and processing intentionally. Graphene's adaptable form and unique properties make it a textbook example for this paradigm and a candidate for application to many different technologies.

Patenting Graphene-based Inventions

The intense patent activity in graphene stems from the enormous technological and commercial potential of graphene described above. The activity is analogous to "The Great Game" of the 19th century, in which England and Russia vied to dominate the Middle East to control critical trade routes between Europe and Asia. Analogously, because graphene lies at the crossroads of dozens of distinct commercial and technological fields, inventors are vying to control the intellectual territory that will allow them to influence many of these distinct fields.

But because much of the territory underlying the graphene crossroads has already been claimed, patenting graphene poses challenges. Graphene, as a single sheet of carbon atoms (or an assembly of a few sheets), has a relatively simple structure. This simple structure makes it more difficult to distinguish new inventions over inventions already described in patents or patent applications, many of which have very broad composition-of-matter claims (See, e.g., U.S. Patent No. 7,071,258). In addition, the technology and legal background needed to understand and explain the uniqueness of a new graphene invention in the context of existing patents requires both specialization and breadth.

There are two key elements to overcoming these two challenges: 1) an understanding of graphene technology; and 2) an understanding of the landscape of the technical field in which the new graphene invention lies. Understanding graphene technology enables the patent application and claims to be drafted clearly and strategically. For example, patent claims can be written with an appropriate scope so that already known aspects of graphene technology are avoided. The patent claims can also be written strategically with different fallback positions built in to provide options when negotiating with the Patent Office. This controlled retreat allows the patent scope to be narrowed slowly, preserving as much breadth to the invention as possible in light of the prior art.

Understanding the landscape in which the invention lies also helps the author of the patent application to appropriately frame the invention, highlighting the interesting aspects of the invention in light of the known art. This contrast between the new invention and the known art, written clearly and persuasively, helps to explain the benefits of the invention to a patent examiner. These contrasts and benefits can then be used to identify or explain unexpected results of the invention. Unexpected results can be used to great effect when negotiating with the Patent Office. In particular, identifying an unexpected result can trump an obviousness rejection by essentially capturing aspects of the inventiveness that are difficult to appreciate within the normal analysis performed by a patent examiner.

Understanding the technology and landscape can be fueled by some research on the part of the patent application author. With more than 8 million issued patents, the Patent Office file histories hold many lessons for the author of a patent application. Using a well-crafted search in the proper technology field, an author can identify new arguments, strategies, and patent prosecution techniques to incorporate into the application, and even creatively adapt arguments from different technologies. However, this must be done with thoughtfulness to avoid finding references that are relevant to the current invention, which must then be disclosed to the Patent Office.

Summary

Graphene has the potential to revolutionize a wide variety of critical technologies, from energy production to communication equipment. Accordingly, inventors have been busy patenting intellectual property to control critical territory in the graphene field. To advance more recently filed patent applications, inventors of new graphene-based technologies should be aware of the landscape in which they are inventing and incorporate creative arguments and strategic negotiating positions into their applications.

Quick Updates

Circuits Split on TTAB Preclusion — Will the Supreme Court Provide an Answer?

When does a Trademark Trial and Appeal Board (TTAB) ruling have preclusive effect in a federal court? The answer may depend on which circuit you are in. At least, that is what petitioner B&B Hardware is arguing

to the Supreme Court, urging it to grant *certiorari* in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, No. 13-352 (filed Sept. 18, 2013).

B&B's appeal stems from an Eighth Circuit ruling following a jury verdict for the respondent, Hargis. *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F.3d 1020 (8th Cir. 2013). At issue was how the district court should have treated an earlier decision by the TTAB of no likelihood of confusion during an opposition proceeding. B&B urged the district court to give the TTAB ruling preclusive effect, or at least heavy weight. The district court declined, and also excluded testimony about the TTAB decision from the jury to avoid confusion. *Id.* at 1027-28. The Eighth Circuit affirmed, holding that the issues before the TTAB and the district court were different because the Eighth Circuit examines different factors than the TTAB, including actual use, and that the burden of proof had been different. The TTAB is also a unique forum in that it does not decide damages, generally permits less discovery, and cannot award monetary sanctions.

Other circuits that have weighed in have not reached a consensus. The Second Circuit allows preclusion where the TTAB "indeed compared conflicting marks in their entire marketplace context, the factual basis for the likelihood of confusion issue is the same, [and] the issues are the same." *Levy v. Kosher Overseers Ass'n of Am., Inc.*, 104 F.3d 38 (2d Cir.1997). The Third Circuit has held a TTAB decision of no likelihood of confusion in a cancellation proceeding preclusive in a later district court infringement case. *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244 (3d Cir. 2006) (affirming district court's application of issue preclusion to dismiss trademark infringement complaint). The Fourth Circuit has held that "the agency expertise of the TTAB" obligates the district court to give the TTAB's fact findings "due respect" and to give meaningful consideration to the bases underlying the TTAB's conclusion. *Miguel Torres, S.A. v. Cantine Mezzacorona, S.C.A.R.L.*, 108 F. App'x 816, 820 (4th Cir. 2004). Similarly, the Fifth and Eleventh Circuits do not give TTAB decisions preclusive effect, but give the finding deference "unless the contrary is established by evidence which, in character and amount carries thorough conviction." *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9-10 (5th Cir. 1974); *See Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1180, 1181 (11th Cir. 1985) (Fifth Circuit opinions before the creation of the Eleventh Circuit are binding on the Eleventh Circuit). The Seventh Circuit has given a

Federal Circuit appeal of a TTAB ruling preclusive effect, and some district courts in that circuit have also applied the reasoning to unappealed TTAB decisions. *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375 (7th Cir. 1984). The Ninth Circuit has not weighed in, though California district courts have stated that TTAB opinions should receive "some consideration." *Guess?, Inc. v. Tres Hermanos*, 993 F. Supp. 1277 (C.D. Cal. 1997); *Grey v. Campbell Soup Co.*, 650 F. Supp. 1166 (C.D. Cal. 1986), *summarily aff'd*, 830 F.2d 197 (9th Cir. 1987).

The respondent's brief is not due until November 20, 2013. It is unclear whether the Supreme Court will take up the case, and if so, whether they would hear the case this term or next. Either way, trademark owners should keep in mind the potential effects of a TTAB ruling when deciding whether to litigate before the TTAB, a federal court, or both. Trademark owners should also keep this in mind when considering appeals of adverse TTAB decisions.

Intellect Wireless Demonstrates the Kind of Conduct Necessary to Prove Inequitable Conduct

Inequitable conduct by a patent applicant in the U.S. has long been a defense against patent infringement. Inequitable conduct requires two elements: (1) an act of misrepresentation or omission to the U.S. Patent and Trademark Office (Patent Office) of material information (2) performed with the specific intent to mislead or deceive. In 2011, the Federal Circuit (sitting *en banc*) issued the *Therasense, Inc. v. Becton, Dickinson & Co.* decision, which raised the bar to proving the intent prong of inequitable conduct. 649 F.3d 1276 (Fed. Cir. 2011). In *Therasense*, the Federal Circuit held that withholding material information resulted in inequitable conduct only when the patent applicant made a deliberate decision to withhold. Additionally, courts could no longer infer intent to deceive solely because the reference was material and known to the patent applicant. After *Therasense*, there remained an open question of what conduct could qualify as inequitable conduct. The Federal Circuit recently provided an example of inequitable conduct in *Intellect Wireless, Inc. v. HTC Corporation*, 732 F.3d 1339 (Fed. Cir. 2013).

In *Intellect Wireless*, in order to overcome a prior art rejection, the patent applicant filed a declaration stating that he had reduced the invention to practice and demonstrated the system at a meeting. But, the declaration was false; the inventor had not reduced

the invention to practice. The patents filed by the patent applicant describe a device that displays information transmitted over a wireless network. However, the actual prototype system contained only preloaded images.

Soon afterward, the attorney prosecuting the asserted patents revised the declaration, stating that the applicant was relying upon constructive—not actual—reduction to practice. In other words, what the patent applicant meant when he stated in the declaration that he had reduced the invention to practice was that he had fully described it in the patent application (constructive reduction to practice), not that he had actually built the invention (actual reduction to practice). However, the applicant made two fatal flaws. First, the revised declaration still mentioned actual reduction to practice. Second, contrary to Patent Office procedures, the applicant did not specifically identify to the Patent Office which facts were false in the original declaration.

Additionally, during later prosecution of a related application, the applicant submitted a press release to the Patent Office stating that the Smithsonian had acquired the applicant's prototypes. However, the applicant gave the prototypes to the Smithsonian, including wooden and plastic imitation smartphones. Wooden and plastic imitation smartphones cannot transmit data wirelessly. Based on the multiple false declarations and the false press release, the Federal Circuit affirmed a finding of deceptive intent and held the patents unenforceable for inequitable conduct.

Intellect Wireless shows an example of the level of conduct required to render a patent unenforceable. Neither switching course during prosecution nor submitting a false declaration rises to the level of inequitable conduct so long as the applicant comes clean to the Patent Office. Had the applicant clearly identified which facts in the original declaration were false, the patents at issue would still be enforceable. *Intellect Wireless* shows that the burden of proving intent post-*Therasense*—while high—is not insurmountable.

Narrowly Interpreting the CUTSA Preemption Provision, California Appellate Court Allows Trade Secret Plaintiff to Proceed with Alternative Tort Remedies Against Former Employee

The California Uniform Trade Secrets Act (CUTSA) includes an oft-cited preemption provision, section

3426.7, which states in pertinent part that CUTSA does not affect “other civil remedies that are not based upon misappropriation of a trade secret.”

Courts have interpreted this provision as implicitly preempting any alternative civil claims, such as unfair competition or interference with business relationships, that are based on trade secret misappropriation. On October 15, 2013, the California Court of Appeal for the Fourth Appellate District issued a decision, in *Angelica Textile Services, Inc. v. Park*, narrowly interpreting the CUTSA preemption provision; so long as a trade secret plaintiff's alternative civil claims are not based “entirely” on the trade secret misappropriation, the Court held, the plaintiff is entitled to pursue such claims. 220 Cal. App. 4th 495. The decision reverses the finding of the lower court, which had granted summary judgment for the plaintiff's non-CUTSA tort claims on the basis of the CUTSA preemption provision.

The plaintiff, Angelica Textile Services, Inc., sued its former vice president, Jaye Park, asserting causes of action for misappropriation of trade secrets under CUTSA, breach of contract, breach of fiduciary duty, interference with business relationships, unfair business practices, unfair competition, and conversion. The claims generally arose out of Park's alleged solicitation of Angelica's largest customers for a new competing venture he had established while still employed by Angelica, allegedly with the help of hundreds of documents over which Angelica claimed trade secret protection. The trial court granted Park's motion for summary adjudication with respect to the non-CUTSA claims upon concluding that they were preempted by section 3426.7. The case proceeded to trial on the remaining trade secret claims, where the jury concluded that none of the documents allegedly stolen by Park qualified as trade secrets under CUTSA, and the trial court entered a judgment in favor of defendants.

On appeal, Angelica did not challenge the jury's finding on its trade secret claim but instead argued that the trial court had erred in dismissing the non-CUTSA claims on summary judgment. First, with respect to Angelica's breach of contract claim against Park, the appellate court held that CUTSA should never be interpreted to displace a breach of contract claim that overlaps with a trade secret claim, regardless of whether the claims arose from the same nucleus of facts. Second, with respect to Angelica's non-contract civil claims (breach of fiduciary duty, unfair competition, interference with business

relations, and conversion), the Court held that because Angelica had put forth supporting facts for each of these claims that were arguably independent and distinct from the facts supporting its trade secret misappropriation claim, these claims should not be displaced under the CUTSA preemption provision. The court reversed the lower court's grant of summary adjudication of the non-CUTSA claims and remanded the case to the lower court to proceed with litigation on the merits of those claims.

The decision in *Angelica* reiterates other recent decisions from California appellate districts restricting the reach of the CUTSA preemption provision, and it should be viewed favorably by businesses seeking to protect against unfair competition and misappropriation of confidential materials by departing employees.

Seventh Circuit Holds That the Register of Copyright Must Be Consulted Prior to Invalidating a Copyright

Litigants seeking to invalidate copyright registrations premised on material misstatements in the application must first confirm with the Register of Copyright that, had it known of the misstatement, the application would have been rejected. In *DeliverMed Holdings, LLC v. Schaltenbrand*, Nos. 12-3773, 12-3774, 2013 U.S. App. LEXIS 20456 (7th Cir. Oct. 7, 2013), the Seventh Circuit remanded a decision invalidating a clearly fraudulent registration where the district court failed to follow the requirements of § 411(b)(2) of the Copyright Act. Prior to the 2008 amendment adding this provision, district courts could independently invalidate materially inaccurate registrations.

The case centered on the fallout from a failed partnership and its mail-order pharmacy, DeliverMed. One of the partners commissioned a design firm to create DeliverMed's logo. The design company then worked with an independent graphic designer to make the logo. At no point did the graphic designer assign his copyright to either the design firm or to DeliverMed. The partnership imploded and litigation loomed. The partner who commissioned the logo applied to register the copyright on April 1, 2011. The application claimed that DeliverMed had been assigned the copyright from the design firm. However, the purported assignment was dated on

April 8, 2011, and the graphic designer had never assigned his copyright to anyone.

DeliverMed sued several of the partners and an affiliated company for using the logo. The defendants then sought a declaratory judgment that the copyright registration was invalid. The district court agreed, finding that the application contained fraudulent misstatements such that it was invalid under § 411(b)(1)(A)-(B). This provision bars an infringement action based on registrations where the application contained knowingly inaccurate information that, "if known, would have caused the Register of Copyrights to refuse registration."

On appeal, the Seventh Circuit wholeheartedly agreed that DeliverMed intentionally misled the Register. Yet the court raised for the first time compliance with the rarely litigated § 411(b)(2) of the Copyright Act. This provision requires that "[i]n any case in which inaccurate information . . . is alleged, the court shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration." The district court's failure to seek guidance from the Register thus constituted legal error, requiring remand to "ask the Register whether it would have refused DeliverMed's application had it been aware that DeliverMed had no written ownership transfer agreement at the time of its application."

The court then "strongly caution[ed]" against the abuse of § 411(b)(2). Although the Register must be consulted, it need not occur at the outset of the case. Instead, "courts can demand that the party seeking invalidation first establish that the other preconditions to invalidity are satisfied before obtaining the Register's advice on materiality."

In a separate portion of the decision, the Seventh Circuit reaffirmed its view that there is a "very strong presumption" that successful defendants against a copyright infringement suit will be entitled to their attorneys' fees. Citing its earlier decision in *Assessment Technologies of Wisconsin, LLC v. Wire Data, Inc.*, 361 F.3d 434 (7th Cir. 2004), the court noted that the purpose of the presumption was to discourage litigants from nuisance settlements where they held a meritorious defense. Attorneys' fee awards were particularly appropriate in this case where there was such a clear record of bad faith in the copyright registration.



Intellectual Property Bulletin Editorial Staff

<i>Staff Editor</i>	Stuart P. Meyer
<i>Assistant Editors</i>	Antonia L. Sequeira Christopher D. Joslyn
<i>Article Contributors</i>	Eric Ball, David M. Lacy Kusters, Kathleen Lu, Marybeth Milionis, Patrick E. Premo, Michael A. Sands, Paul Smith, Jennifer Stanley, Michael Davis-Wilson, Betsy White

Fenwick & West LLP Practice Groups

Intellectual Property

David L. Hayes	<i>Chair</i>
Sally M. Abel	<i>Chair, Trademark Group</i>
Ralph M. Pais	<i>Chair, Technology Transactions Group</i>
Mark S. Ostrau	<i>Co-Chair, Antitrust and Unfair Competition Group and Co-Chair, Cleantech Group</i>
John T. McNelis	<i>Chair, Patent Group</i>
Jennifer Stanley	<i>Chair, Copyright Group</i>
Michael J. Shuster	<i>Co-Chair, Life Sciences Group</i>

Litigation

Darryl M. Woo	<i>Chair</i>
Tyler A. Baker	<i>Co-Chair, Antitrust and Unfair Competition Group</i>
Laurence F. Pulgram	<i>Chair, Commercial & Copyright Litigation Groups</i>
Michael A. Sands	<i>Co-Chair, Electronic Information Management Group</i>
Robert D. Brownstone	<i>Co-Chair, Electronic Information Management Group</i>
Kevin P. Muck	<i>Chair, Securities Litigation Group</i>
Charlene M. Morrow	<i>Chair, Patent Litigation Group</i>
Jedediah Wakefield	<i>Chair, Trademark Litigation Group</i>
Rodger R. Cole	<i>Chair, Trade Secret Litigation Group</i>
Daniel J. McCoy	<i>Co-Chair, Employment Practices Group</i>
Victor Schachter	<i>Co-Chair, Employment Practices Group</i>
Christopher J. Steskal	<i>Chair, White Collar/Regulatory Group</i>

Corporate

Richard L. Dickson	<i>Chair</i>
Douglas N. Cogen	<i>Co-Chair, Mergers and Acquisitions Group</i>
David W. Healy	<i>Co-Chair, Mergers and Acquisitions Group</i>
Horace Nash	<i>Co-Chair, Securities & Corporate Finance Group</i>
Jeffrey R. Vetter	<i>Co-Chair, Securities & Corporate Finance Group</i>
Scott P. Spector	<i>Chair, Executive Compensation and Employee Benefits Group</i>
Stephen M. Graham	<i>Co-Chair, Life Sciences Group</i>
Cynthia Clarfield Hess	<i>Co-Chair, Start-ups and Venture Capital Group</i>
Mark A. Leahy	<i>Co-Chair, Start-ups and Venture Capital Group</i>
Scott B. Joachim	<i>Chair, Private Equity Group</i>
Sayre E. Stevick	<i>Co-Chair, Cleantech Group</i>

Tax

David L. Forst	<i>Chair</i>
Kenneth B. Clark	<i>Chair, Tax Litigation Group</i>

Fenwick & West's Intellectual Property Group offers comprehensive, integrated advice regarding all aspects of the protection and exploitation of intellectual property. From providing legal defense in precedent-setting user interface copyright lawsuits and prosecuting software patents to crafting user distribution arrangements on behalf of high-technology companies and implementing penetrating intellectual property audits, our attorneys' technical skills enable the Firm to render sophisticated legal advice.

Offices

801 California Street
Mountain View, CA 94041
Tel: 650.988.8500

555 California Street, 12th floor
San Francisco, CA 94104
Tel: 415.875.2300

1191 Second Avenue, 10th Floor
Seattle, WA 98101
Tel: 206.389.4510

www.fenwick.com

The contents of this publication are not intended and cannot be considered as legal advice or opinion.

© 2013 Fenwick & West LLP. All Rights Reserved.

We appreciate your feedback!

If you have questions, comments, or suggestions for the editors of the IPB, you can email them to IPB@fenwick.com.

For subscription requests and address changes, please email IPB@fenwick.com.