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WHAT'S INSIDE

COPYRIGHT

Oracle's fair-use win against Google could have big impact, attorneys say

By Patrick H.J. Hughes

Tech giant Oracle has scored its second appellate victory in its long-running copyright infringement battle against Google, and attorneys say the decision could affect how alleged infringers assert the fair-use defense in software copyright disputes.

Oracle America Inc. v. Google LLC, Nos. 2017-1118 and 2017-1202, 2018 WL 1473875 (Fed. Cir. Mar. 27, 2018).

The U.S. Court of Appeals for the Federal Circuit on March 27 said Google's unauthorized copying of Oracle's Java software was not a fair use, overturning a unanimous jury verdict recognizing that the affirmative defense applied.

Oracle had won a previous appeal when the Federal Circuit in 2014 said copyright law protected its software's "application programming interfaces," or APIs. *Oracle Am. v. Google Inc.*, 750 F.3d 1339 (Fed. Cir. 2014).

Following that ruling, the appeals court remanded the dispute for a jury to consider Google's fair-use defense.

Google sought Supreme Court review of the copyrightability decision, but the justices denied certiorari. *Google v. Oracle Am.* 135 S. Ct. 2887 (2015).

REUTERS/Brian Snyder

'SIGNIFICANT OBSTACLE'

"If this decision stands, it will be a significant obstacle to anyone trying to claim fair use in a software context," said Van Lindberg, an

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EXPERT ANALYSIS

The developing landscape for attorney fee motions in the Eastern District of Texas

Lionel M. Lavenue, Courtney Kasuboski, Nicholas Doyle and R. Benjamin Cassady of Finnegan, Henderson, Farabow, Garrett & Dunner discuss examples of attorney fee awards and denials in a Texas venue that has a reputation for being attractive to patent litigants.

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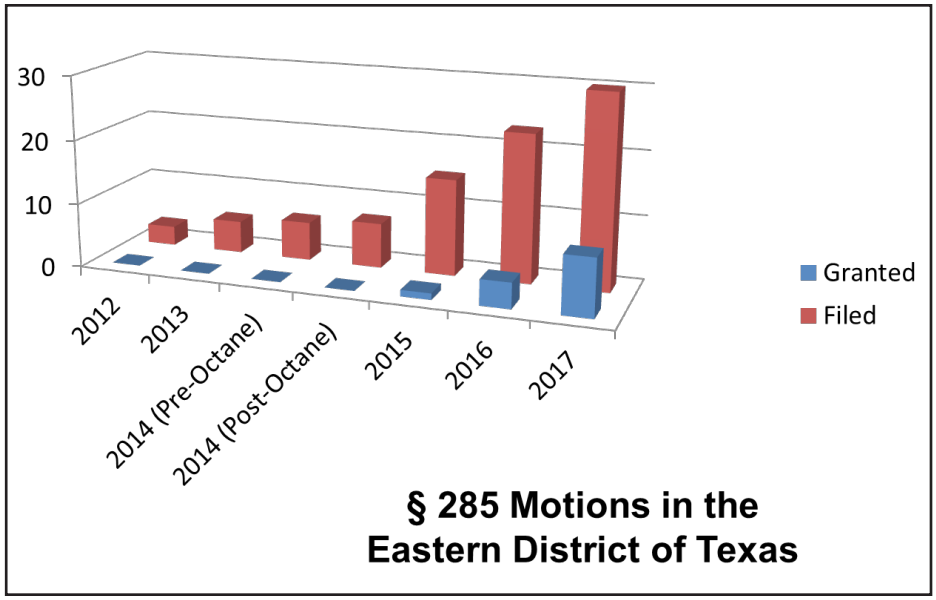
By Lionel M. Lavenue, Esq., Courtney Kasuboski, Esq., Nicholas Doyle, Esq., and R. Benjamin Cassady, Esq.
Finnegan, Henderson, Farabow, Garrett & Dunner

Since the 2014 Supreme Court decision in *Octane Fitness LLC v. ICON Health & Fitness Inc.*, 134 S. Ct. 1749, made it easier for successful patent litigants to recoup attorney fees and costs, legislative attempts to further curb bad-faith litigation have largely stalled.

As a result, much of the work in addressing bad-faith litigation has played out in the courts — and particularly in the U.S. District Court for the Eastern District of Texas.

Because it remains the most popular patent venue, how the Eastern District of Texas has interpreted and applied the *Octane Fitness* standard is of particular import.

As such, tracking that court's decisions in the context of *Octane Fitness* provides insight into the still-developing post-*Octane Fitness* world.



OCTANE FITNESS LOWERED THE STANDARD FOR SECTION 285

Section 285 of the Patent Act, 35 U.S.C.A. § 285, allows district courts to award attorney fees to a prevailing party in "exceptional cases."

The U.S. Court of Appeals for the Federal Circuit in *Brooks Furniture Manufacturing Inc. v. Dutailier International Inc.*, 393 F.3d 1378 (2005), set the pre-*Octane Fitness* standard, defining an "exceptional case" as one in which a party engaged in material inappropriate conduct, or where the claim was both objectively baseless and brought in subjective bad faith. Under this standard, "exceptionality" needed to be shown by clear and convincing evidence.

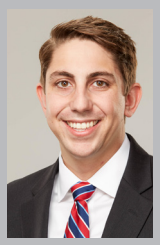
The Supreme Court in *Octane Fitness* rejected the *Brooks Furniture* test, finding that its high demands made recovery under Section 285 nearly impossible.

Further, recognizing that the common law allows for an exception to the general rule against fee shifting in instances of disobedience, bad faith or oppressive acts, *Octane Fitness* also lowered the clear and convincing evidence standard to one of preponderance of the evidence.

Now, an "exceptional case" is merely one that "stands out from others."

TEXAS' EASTERN DISTRICT SEES INCREASES

As expected, the Eastern District of Texas has seen a significant uptick in both number of Section 285 motions filed and the percentage of successful motions since *Octane Fitness* was decided. For example, Section 285 motions increased from three in 2012 to 30 in 2017.[1]


Lionel M. Lavenue (L) is a partner at **Finnegan, Henderson, Farabow, Garrett & Dunner** in Reston, Virginia. His practice focuses on patent trial litigation and on creating and managing large patent portfolios. With experience in more than 170 patent cases, he has managed or served as first chair in numerous district court cases, including patent infringement litigation before the U.S. Court of Federal Claims, disputes before the U.S. International Trade Commission and arbitrations. He can be reached at lionel.lavenue@finnegan.com. **Courtney Kasuboski** (not pictured) is a new associate at the firm's Washington office. She has contributed to numerous intellectual property-related articles. **Nicholas J. Doyle**, (C), an associate at the firm's Washington office, focuses his practice on patent litigation, with particular emphasis on abbreviated new drug application litigation and proceedings before the U.S. Patent and Trademark Office. He can be reached at nicholas.doyle@finnegan.com. **R. Benjamin Cassady** (R), an associate in the firm's Washington office. His practice focuses on patent litigation and strategy and, in particular, electrical and automotive technologies. He can be reached at r.benjamin.cassady@finnegan.com.

And where none were granted in the years leading up to *Octane Fitness*, almost a full one-third were successful in 2017.[2]

IRIS CONNEX SETS UPPER BOUNDARY

In early 2017, U.S. District Judge J. Rodney Gilstrap gave insight as to how broadly the Eastern District of Texas could apply *Octane Fitness*' lower standard for recovery.

Iris Connex LLC v. Dell Inc., 235 F. Supp. 3d 826 (E.D. Tex. 2017), shows that the Eastern District of Texas will give teeth to Section 285.

Iris Connex sued Dell in November 2015. Dell immediately moved to dismiss, and Judge Gilstrap ordered early claim construction.

At the claim construction hearing, the judge said Iris Connex advanced a "frivolous" claim construction, prompting Dell to ask that the case be found exceptional under Section 285 and that Iris Connex be sanctioned.

> Now, an "exceptional case" is merely one that "stands out from others."

In response, Iris Connex filed for bankruptcy and amended its initial corporate disclosure statement, which falsely indicated residency in Texas and omitted an interested parent company.

Dell supplemented its request for fees to include not only Iris Connex but also the parent company, principals and attorneys, accusing all of them of scheming to file hundreds of sham patent suits through underfunded shell companies.[3]

Based on this conduct, the Texas District Court found the *Iris Connex* case exceptional under Section 285.

Moreover, given the extremely troubling facts, the District Court not only found Iris Connex but also its parent company and principals liable.

Thus, Iris Connex showed the potentially broad reach of Section 285 and created a new test for liability against nonparties in exceptional cases.

Plainly, a nonparty can be found liable if that actor is responsible for conduct that makes the case exceptional, the actor is afforded due process and the decision is equitable.

Because the conduct in *Iris Connex* went so far beyond exceptional, the decision offered little clarity as to the precise threshold that must be met to make a case "stand out."

CONDUCT MAY NOT NEED TO RISE TO *IRIS CONNEX* LEVEL

While the *Iris Connex* case showed how the Eastern District of Texas may view exceptionality in the most extreme cases, other recent decisions from the same court demonstrate that the standard can be met in cases involving less absurd facts.

The plaintiffs in both *Opal Run LLC v. C&A Marketing Inc.*, No. 16-cv-24, 2017 WL 413163 (E.D. Tex. Nov. 29, 2017), and *My Health Inc. v. ALR Technologies Inc.*, No. 16-cv-535, 2017 WL 1129904 (E.D. Tex. Dec. 19, 2017), sued a large number of defendants.

The plaintiffs in each case sought settlement amounts indicating their cases were "nuisance" cases; they repeatedly attempted to ensure the defendants waived the right to obtain attorney fees; and they offered shaky legal arguments.

THE *OPAL RUN* CASE

The District Court found the *Opal Run* case exceptional because the plaintiff in that case sought an early settlement — to avoid a decision on the merits — and vigorously attempted to avoid exposure to attorney fees. For instance, Opal Run filed more than 20 lawsuits in one day, most of which it promptly settled for between $3,000 and $15,000.

Moreover, in seeking these settlements, Opal Run maintained that it would dismiss the cases only if the defendants would agree to waive any request for attorney fees.

This indicated to the District Court that Opal Run was more concerned with avoiding attorney fees than the merits of its claims.

Underscoring this point, the District Court noted that Opal Run served no written discovery and sought only one deposition, for which it did not issue a notice until a week before the end of discovery.

Further, during claim construction, Opal Run argued that no terms required construction even though it knew that the District Court's preliminary constructions would make a noninfringement judgment inevitable.

Instead, Opal Run simply changed its theory of infringement after the claim construction hearing.

The court concluded that, though none of this conduct individually violated any specific rules, it is rare for a patent case to go to trial with so little litigation effort.

Opal Run, according to the District Court, merely tried to outlast the defendants. The court said Opal Run acted unreasonably when it continued to litigate only to avoid a Section 285 motion.

THE *MY HEALTH* CASE

In *My Health*, the defendant moved for attorney fees after gaining dismissal on the ground that My Health's patent was directed toward ineligible subject matter pursuant to Section 101 of the Patent Act, 35 U.S.C.A. § 101.

While the District Court found the weakness in My Health's Section 101 position was enough to deem the case exceptional, it also listed five factors that made the case stand out.

First, the Supreme Court's decision in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), which effectively expanded the definition of unpatentable abstract idea, made My Health's positions under Section 101 demonstrably weak.

My Health's patent was directed to nothing more than mental steps and high-level compliance tracking, both of which were already deemed unpatentable by the courts. Thus, the timing of the lawsuit meant that a litigant should have known as much before filing.

Moreover, the District Court said it would be a mistake to overemphasize the preemption of validity because My Health's patent issued before *Alice* changed the way courts view abstract subject matter.

Second, My Health engaged in an extensive litigation campaign, working against the likelihood that it acted in good faith.

My Health filed 31 lawsuits, prompting 11 declaratory judgment actions and five inter partes review proceedings. But no determination on the merits was reached until five years after the campaign started.

The large number of lawsuits and merits challenges, coupled with a pattern of consistent settlements on the eve of merits determinations, supported the conclusion that My Health was filing nuisance suits.

Third, the District Court indicated that consistent settlements between $25,000 and $50,000 further indicated that these were nuisance suits.

Since these amounts are far less than the amount needed to defend a patent suit, these relatively insignificant settlements ensured that the Section 101 issues with My Health's patent were never evaluated and remained unexposed.

Fourth, My Health's attorneys would contact defendants directly, even when they knew that parties were represented by counsel, which violated ethical rules.

Fifth and finally, My Health initially appealed the Eastern District of Texas' Section 101 decision to the Federal Circuit but then moved to voluntarily dismiss the appeal on the day its appeal brief was due.

The motion was granted based on My Health's false claims, which included a claim that each party had agreed to dismiss the appeal and bear its own costs.

Even though the District Court found 3rd Eye did not own the substantive rights to the '980 patent and found 3rd Eye had admitted as much in earlier litigation, it denied e-Watch's motion for attorney fees.

While recognizing the "significant shortcomings" in 3rd Eye's litigating position, the District Court was also quick to point out that it was inappropriate for e-Watch to raise the issue of standing for the first time shortly before it filed its motion for fees.

Specifically, the District Court identified a date nearly a year before e-Watch moved for fees as the latest date that e-Watch would have been aware of the possible standing issue.

In doing so, the District Court pointed out that the time and expense wasted by the parties was exceptional "in the sense that neither party at any point in the proceedings provided any true assistance to the court with respect to the issue of plaintiff's standing to sue, let alone the myriad of other issues raised over the course of litigation."

A nonparty can be found liable if that actor is responsible for conduct that makes the case exceptional, the actor is afforded due process and the decision is equitable.

Though this pattern of conduct made the case stand out, the District Court found My Health's weak Section 101 positions alone made the case exceptional. It ordered My Health to pay attorney fees to four defendants.

THE DISTRICT COURT HAS REMAINED STINGY

Even though conduct need not rise to the level of egregiousness displayed in the *Iris Connex* case to be found exceptional, the Eastern District of Texas still denied attorney fees by a 2-1 ratio in 2017.

Thus, the District Court seems determined to remain true to the "exceptional case" requirement of Section 285, as it denied motions for attorney fees even in the face of conduct that may stand out to some.

Take, for example, *3rd Eye Surveillance LLC v. e-Watch Corp.*, No. 14-cv-725, *opinion issued* (E.D. Tex. July 13, 2017).

After a jury held that U.S. Patent No. 7,323,980 was valid but not infringed, e-Watch moved for attorney fees after post-trial briefings showed that 3rd Eye did not have standing to sue.

The District Court concluded that, in addition to not meeting the preponderance of the evidence standard laid out by *Octane Fitness*, awarding fees would give e-Watch an undeserved windfall.

Moreover, the District Court admonished both parties for failing to litigate in a reasonable manner, underscoring that parties who plan to move for attorney fees under Section 285 should prepare to identify the basis for their claims as soon as possible.[4]

SINCE OCTANE FITNESS

While the increase in filings and success rates is notable, over two-thirds of motions for attorney fees were still denied in 2017.

Those cases that have been found exceptional tend to fall into two tiers. In the first tier are *Iris Connex*-level cases, where a litigant's conduct has gone far beyond any acceptable behavior.

The second tier involves more typical — but still unreasonable — conduct, such as the conduct displayed in the *Opal Run* and *My Health* cases.

Truly incredible cases such as *Iris Connex* — effectively two or three standard deviations from the norm — allow for truly exceptional recovery, but that level of egregiousness is not necessary for an award of fees under Section 285.

Cases such as *My Health* and *Opal Run* stand out too — even if less so than *Iris Connex* — and still warrant fee awards.

Thus, the successful Section 285 motions in 2017 demonstrate that litigants need not show the Eastern District of Texas, which has seen everything, something it has never seen before to convince the court that a case is exceptional.

Moreover, parties who notify their opponents and the District Court of any "exceptional" conduct or legal positions when they happen — as opposed to only after the case has concluded — will maximize their chances of success on Section 285 motions. WJ

NOTES

[1] While some may speculate that the Eastern District of Texas' reputation as a plaintiff-friendly forum may discourage successful defendants from filing Section 285 motions in the first place, data collected from Docket Navigator by the authors indicates that the court decided such motions in approximately 1.9 percent of the 1491 cases terminated in that district in 2017. That percentage is almost identical to the percentage recorded in the U.S. District Court for the District of Delaware, which decided Section 285 motions in 2.2 percent of the 761 cases terminated in 2017. Of the three most popular patent venues, the U.S. District Court for the Northern District of California appears to be the outlier; that court decided Section 285 motions in 9.7 percent of 195 terminated cases last year.

[2] According to data collected from Docket Navigator's "Motion Success" analytics tool, none of three Section 285 motions were granted in 2012; none of five in 2013; none of 13 in 2014 (the year *Octane Fitness* was decided); one of 15 in 2015; four of 23 in 2016; and nine of 30 in 2017. Searches were tailored for post-trial attorney fee motions under Section 285 filed in 2017 in the Eastern District of Texas.

[3] For a complete discussion of the *Iris Connex* case, *see* Lionel M. Lavenue, R. Benjamin Cassady & Kara A. Specht, *The Eastern District of Texas Shifts Fees to Nonparty in Exceptional Case,* WESTLAW J. INTELL. PROP., Mar. 29, 2017.

[4] *See MD Security Solutions LLC v. Protection 1 Inc.,* No. 15-cv-1968, *order issued* (M.D. Fla. Sept. 26, 2017) (denying defendant's request for discovery to support a Section 285 claim after plaintiff moved to dismiss the case following a final written decision in an inter partes review that found the asserted claims invalid).

Samsung hit with $7 million fee award in Imperium patent lawsuit

(Reuters) - A federal judge in Texas has added more than $7 million in attorney fees to the $19 million in enhanced damages Samsung Electronics was ordered to pay nonpracticing entity Imperium IP Holdings for willfully infringing two of its patents on digital photography technology.

Imperium IP Holdings (Cayman) Ltd. v. Samsung Electronics Co. et al., No. 14-cv-371, 2018 WL 1602460 (E.D. Tex. Apr. 3, 2018).

U.S. District Judge Amos Mazzant III in Sherman, Texas, who presided over the 2016 trial and later trebled the jury verdict, on April 3 gave Cayman Islands-based Imperium nearly the entire $7.1 million in fees it had sought. Judge Mazzant shaved off about $30,000 for improperly billed clerical work.

"The total is now $28,035,669, and growing as time and Samsung sales march on," said John Battaglia of Fisch Sigler, which represents Imperium. "The current sum includes the jury award, court imposed trebled damages, prejudgment interest, taxable costs, non-taxable costs and now attorney's fees."

Attorneys for Samsung Electronics did not immediately respond to requests for comment on April 4. Samsung, represented by Ropes & Gray and Siebman Burg Phillips & Smith, had asked Judge Mazzant to award Imperium no more than $3.8 million in fees.

In a complaint filed in June 2014 in U.S. District Court for the Eastern District of Texas, Imperium accused Samsung of infringing three patents in its portfolio.

A jury found that two of the patents were valid and that Samsung had willfully infringed them, awarding Imperium $6.9 million in lost royalties.

Judge Mazzant tripled that amount in August 2016, but reduced it to $19.2 million last April to reflect updated sales figures from Samsung.

Meanwhile, Samsung obtained in December 2016 a ruling from the U.S. Patent Trial and Appeal Board on its petition for inter partes review of the infringed patents.

The PTAB largely invalidated the Imperium patents, but Judge Mazzant ruled last April that the PTAB decision had no effect on the earlier award. *Imperium IP Holdings (Cayman) Ltd. v. Samsung Electronics Co. et al.*, No. 14-cv-371, 2017 WL 1716788 (E.D. Tex. Apr. 27, 2017).

Imperium filed a motion for costs and attorney fees in May, submitting a detailed list to the court last October.

Samsung opposed the request. It argued that at least a third of fees Imperium requested were for work on the failed patent claims, and that many more were for duplicative work or overcharges.

These included bills for top partners performing research and other low-level tasks, and for paralegals performing work that should have been done by clerical staff.

Judge Mazzant agreed that the paralegals could not bill at $200 an hour for "housekeeping" tasks like copying and printing documents.

However, the judge declined to second-guess the top partners' decision to perform research themselves, saying they were entitled to decide how to run their practice.

He also found that the successful and unsuccessful claims Imperium made "were so closely related that allocating the amount of time spent litigating each individual claim would have been impossible," and that no reduction was warranted because the hours worked were "inextricably intertwined."

Samsung has already appealed the verdict and the enhanced award to the U.S. Court of Appeals for the Federal Circuit. Imperium has a separate appeal pending of the PTAB decision. WJ

(Reporting by Barbara Grzincic)

Related Filings:
District Court opinion: 2018 WL 1602460
District Court opinion: 2017 WL 1716788
District Court opinion: 203 F.Supp.3d 755
Complaint: 2014 WL 4719616

REUTERS/Kim Hong-Ji

Federal Circuit reverses PTAB's invalidation of Sophos cybersecurity patent

(Reuters) – A federal appeals court March 28 handed a victory to Sophos Group PLC, saying the Patent Trial and Appeal Board improperly invalidated one of the network security provider's patents.

Sophos Ltd. v. Iancu, No. 2017-1567, 2018 WL 1517198 (Fed. Cir. Mar. 28, 2018).

A three-judge panel of the U.S. Court of Appeals for the Federal Circuit vacated a PTAB ruling that invalidated a Sophos patent on a method of malware detection, saying PTAB incorrectly construed the scope of a key term in the patent.

Finjan Holdings Inc., a cybersecurity company that derives most of its revenue from licensing its patents on early innovations in the industry, sued Sophos for patent infringement on eight other patents in 2014 in U.S. District Court in San Francisco.

In 2015 Finjan asked PTAB to invalidate the Sophos patent, which was not included in the infringement litigation.

PTAB agreed in 2016, saying the Sophos patent was invalid because the malware detection method it described was obvious in light of prior art. *Finjan Holdings Inc. v. Sophos Ltd.*, No. IPR2015–01405, 2016 WL 7987957 (P.T.A.B. 2016).

That same year a federal jury in San Francisco said Sophos infringed on the eight Finjan patents and awarded $15 million in damages.

Sophos and Finjan entered into a confidential settlement in 2017 that included cross-licenses to each other's patent portfolios.

After reaching the deal Finjan stopped participating in Sophos' appeal of the PTAB decision.

The Patent and Trademark Office's Office of the Solicitor intervened in the case so it could defend PTAB's ruling to the Federal Circuit.

Sophos argued on appeal that PTAB's obviousness determination was based on an incorrect claim construction.

The appeals court agreed, saying PTAB "fundamentally misread the patent" and reached a claim construction "detached from the essential function of the invention."

U.S. Circuit Judge Richard Taranto wrote the decision on behalf of a panel that also included Sharon Prost and Kathleen O'Malley. WJ

(Reporting by Jan Wolfe)

Related Filings:
Opinion: 2018 WL 1517198

Alexa, you're infringing my patent

By Patrick H.J. Hughes

Amazon's voice-activated virtual assistant, Alexa, is infringing a patent that allows hand-held devices to operate a service over a computer network, according to a lawsuit filed in a Texas federal court.

Uniloc USA Inc. et al. v. Amazon.com Inc., No. 18-cv-123, complaint filed, 2018 WL 1581861 (E.D. Tex. Mar. 31, 2018).

Plano, Texas-based Uniloc USA Inc. says in the complaint, filed in the U.S. District Court for the Eastern District of Texas, that Amazon is directly infringing U.S. Patent No. 6,216,158, by making, using and marketing "smart home" products controlled by its Alexa platform.

The '158 patent covers a "system and method using a palm-sized computer to control network devices."

The suit says Alexa, like the system described in the '158 patent, allows smartphones and tablets to issue control instructions to other devices over a computer network.

A customer instructs the other devices by speaking into an Alexa-compatible device that relays the message to an operating device, according to Amazon's website.

Uniloc says Amazon violates patent law by selling devices that use the Alexa platform, including Amazon's Echo line of products that play music and videos and operate a plethora of devices, under a "Works with Alexa" tagline.

Amazon allows sellers of products that can be operated with the Alexa platform to use the "Works with Alexa" tag.

Uniloc says Amazon is liable for enabling these products to infringe the '158 patent under the doctrine of equivalents, a legal rule that establishes that devices can infringe a patent even if those devices fail to complete all steps of that patent.

The suit also says Amazon is liable for indirect infringement for actively inducing its customers to infringe the '158 patent through purchases, training videos, brochures and installation guides.

Uniloc seeks a declaration that Amazon has infringed the '158 patent. It also seeks damages for infringement, injunctive relief, interest, expenses, costs and attorney fees.

Uniloc has filed numerous high-profile patent suits against Amazon, Google and other technology companies, often resulting in settlements over the alleged infringement of Uniloc's software patents. WJ

REUTERS/Rick Wilking

The suit says Alexa, in a way similar to the system described in the '158 patent, allows smartphones and tablets to issue control instructions to other devices over a computer network. Here, Amazon Alexa and Echo chief Mike George speaks at a conference in 2017.

Attorneys:
Plaintiffs: James L. Etheridge, Ryan S. Loveless, Brett A. Mangrum, Travis L. Richins and Jeff Huang, Etheridge Law Group, Southdale, TX

Related Filings:
Complaint: 2018 WL 1581861

See Document Section B (P. 43) for the complaint.

Patent, copyright claims over profitability software survive

By Donna Higgins

A business software firm's allegations that a competitor infringed five patents can proceed because the defendant failed to show that the patents covered only abstract ideas, which are not protectable, a San Francisco federal judge has ruled.

Vendavo Inc. v. Price f(x) AG et al., No. 17-cv-6930, 2018 WL 1456697 (N.D. Cal. Mar. 23, 2018).

U.S. District Judge Richard Seeborg of the Northern District of California also declined to dismiss a copyright infringement allegation but did toss a trade secret theft claim and a claim for unfair competition with leave to amend.

Plaintiff Vendavo Inc. provides software for businesses to maximize profitability. Former Vendavo employees founded defendants Price f(x) Inc. and its German counterpart Price f(x) AG to offer the same type of software, according to the judge's order.

Vendavo sued Price f(x) in December, alleging violations of the Defend Trade Secrets Act, 18 U.S.C.A. § 1836, and patent and copyright law, as well as unfair competition.

Price f(x) moved to dismiss, arguing that Vendavo's patents covered only mathematical formulas and algorithms and therefore failed the two-part test set forth in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014).

In *Alice* the U.S. Supreme Court said a court looking to determine whether an invention is patentable must first determine whether the patent claims are directed to ineligible subject matter, such as an algorithm. If they are, the court must then ask whether the invention includes any additional elements that would render it patentable.

Judge Seeborg said that at this stage of the case Price f(x) had the burden of showing that the patents were invalid, and it did not do so.

"Its presentation provides inadequate analysis and explanation of the substance of the claimed inventions, the prosecution history and potential construction issues to permit drawing informed conclusions as to which side of the abstract idea/inventive concept line any or all of these patent claims lie," the judge said.

A more developed record is needed to determine if the five patents are valid, he said.

REMAINING CLAIMS

Price f(x) also sought dismissal of the remaining claims, with mixed success.

Judge Seeborg dismissed the trade secrets claim, saying the complaint lacked enough detail.

"Vendavo has set out its purported trade secrets in broad, categorical terms, more descriptive of the types of information that generally may qualify as protectable trade secrets than as any kind of listing of particular trade secrets Vendavo has a basis to believe actually were misappropriated here," he said.

The plaintiff also failed to adequately explain the timing of the alleged misappropriation and failed to distinguish between the actions of Chicago-based Price f(x) and Germany-based Price f(x) AG, the judge said. Those elements are important because federal trade secrets law includes temporal and territorial limitations, he said.

He declined to dismiss the copyright infringement claim, saying the complaint adequately alleges Vendavo's ownership of its software and the defendants' alleged infringement of that software's source code.

Finally, Judge Seeborg dismissed the unfair-competition claim, saying its viability depends on whether Vendavo can successfully plead intellectual property law violations.

He gave Vendavo leave to amend the dismissed claims. WJ

Related Filings:
Order: 2018 WL 1456697
Motion to dismiss: 2018 WL 1174257

Lawsuit over LeBron James, NBA stars' tattoos in video games can proceed

(Reuters) – A federal judge March 30 rejected a request by the maker of the popular NBA 2K video game series to dismiss a lawsuit over its depiction in the game of tattoos belonging to LeBron James and other National Basketball Association stars.

Solid Oak Sketches LLC v. 2K Games Inc. et al., No. 16-cv-724, 2018 WL 1626145 (S.D.N.Y. Mar. 30, 2018).

U.S. District Judge Laura Taylor Swain in Manhattan said she needed a better understanding of how Take-Two Interactive Software Inc.'s flagship game is "generally played," before deciding whether its "realistic" depiction of tattoos licensed by Solid Oak Sketches LLC amounted to fair use.

Solid Oak is seeking damages for the depiction of tattoos belonging to James, Eric Bledsoe and Kenyon Martin, for which it owns copyright registrations.

Take-Two has countered that gamers see the tattoos only "fleetingly," and that it was fair to depict NBA stars as they are in real life, in the proper context.

Neither Take-Two nor its lawyers immediately responded to requests for comment. The New York-based company has said it does not comment on legal matters.

"The judge got it right," Darren Heitner, a lawyer for Solid Oak, said. "It absolutely would have been premature to rule in the opposite fashion, and we look forward to proceeding with the case."

Swain said that before deciding whether Take-Two committed copyright infringement, she wanted to know how the "average lay observer" would see the tattoos while playing the game, and how prominent the tattoos actually were.

REUTERS/Victor Fraile

The company that owns the copyright registrations for tattoos belonging to LeBron James, shown here, is seeking damages for the depiction of those tattoos in a video game.

"The visibility and prominence of the tattoos on screen are affected by countless possible game permutations that are dependent on individual players' choices," Swain wrote.

Grand Theft Auto is among Take-Two's other franchises. WJ

(Reporting by Jonathan Stempel)

Attorneys:
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Defendants: Dale M. Cendali, Emma P. Raviv and Joshua L. Simmons, Kirkland & Ellis, New York, NY

Related Filings:
District Court opinion: 2018 WL 1626145
Complaint: 2016 WL 7454890

Insurer's bid for quick ruling in coverage suit 'premature,' jeweler says

By Jason Schossler

A wholesale jeweler has asked a South Carolina federal judge to reject its insurer's "grossly premature" attempt to avoid covering the company's defense in an underlying copyright infringement suit.

Owners Insurance Co. v. Cruz Accessories et al., No. 17-cv-2215, defendant's response filed, 2018 WL 1465209 (D.S.C. Mar. 16, 2018).

Several genuine issues of material fact are still in dispute regarding Owners Insurance Co.'s coverage obligations, Cruz Accessories says in a March 16 response to Owners' motion for summary judgment in the U.S. District Court for the District of South Carolina.

Owners filed a declaratory judgment action against Cruz, also known as H&C Corp., last August, claiming it has no duty to defend or indemnify the jeweler because the allegations in the underlying dispute do not constitute an "advertising injury" as defined in Cruz's commercial general liability policies.

If the court grants Owners' summary judgment motion, Cruz says it should at least have an opportunity to conduct discovery so it can fully respond.

COPYRIGHT INFRINGEMENT CLAIMS

The plaintiff in the underlying litigation, World End Imports Inc., alleges that Cruz and its owner, Michael Summer, unlawfully copied and sold counterfeit versions of World End's jewelry, in violation of the U.S. Copyright Act, 17 U.S.C.A. §§ 106 and 501. *World End Imp. v. Summer*, No. 16-cv-5060, *complaint filed* (D.N.J. Aug. 18, 2016).

New Jersey-based World End asserts four claims against the defendants: copyright infringement, contributory copyright infringement, vicarious copyright infringement and unfair competition.

The suit seeks damages, an injunction barring the defendants from infringing World End's copyrighted designs and an order compelling them to destroy all infringing designs in their possession.

SUMMARY JUDGMENT SOUGHT

In a memo supporting its summary judgment motion, Owners says it is currently defending Cruz against World End's claims under a full reservation of rights.

But Owners says it should be let off the hook for any defense or indemnification obligations because the underlying suit does not allege a covered advertising injury.

According to the insurer, World End's purported damages do not arise from any of Cruz's advertisements.

Instead, the alleged damages are due to Cruz's manufacture and sale of products that allegedly infringe World End's copyrighted designs, the insurer says.

Further, Cruz's policies expressly exclude coverage for an advertising injury arising from copyright infringement, according to the insurer's memo.

FACTS IN DISPUTE?

Cruz says the court must deny Owners' bid for a quick resolution of its lawsuit because too many issues of material fact are up in the air.

For one, Cruz disputes that the policies attached to the insurer's complaint are certified copies of the policies actually issued to the jeweler.

Cruz also disputes that the insurer timely reserved any rights to avoid any obligations under the policies.

According to the jeweler's response, Cruz first received a reservation-of-rights letter from the insurer more than 10 months after Owners assumed complete control over the defense in the World End action.

This delay in issuing the letter bars Owners from now attempting to avoid any coverage duties, Cruz says.

Further, Cruz says it disagrees with Owners' claim that the underlying suit fails to allege a covered advertising injury.

According to the jeweler, the underlying suit specifically alleges the company displayed unauthorized reproductions of certain copyrighted works on its website.

Thus, the underlying suit explicitly alleges copyright infringement in an advertisement, Cruz says. WJ

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Defendant: Steven R. LeBlanc, Greenville, SC

Related Filings:
Response: 2018 WL 1465209
Memo supporting summary judgment: 2018 WL 1046326
Complaint: 2017 WL 3613280

Judge rules out laches, 'naked licensing' in dental trademark spat

By Patrick H.J. Hughes

A lawsuit involving two dental companies that use the word "Affordable" in their trademarks will proceed, as a Nevada federal judge has thrown out one party's defenses.

Boston Dental Group LLC v. Affordable Care LLC, No. 16-cv-1636, 2018 WL 1566331 (D. Nev. Mar. 29, 2018).

Boston Dental Group LLC failed to persuade U.S. District Judge Richard B. Boulware II of the District of Nevada to recognize defenses that would end the dispute over the federal registration of its Affordable Dental mark.

Affordable Care LLC said its Affordable Dentures mark was likely to be confused with the Affordable Dental mark. Boston Dental countered by claiming Affordable Care's mark had been abandoned and the confusion accusation was barred by laches, a legal doctrine that applies when actions are prejudicially delayed.

Judge Boulware rejected the claim that Affordable Care abandoned its mark through "naked licensing," which happens when a trademark licensor fails to control the way an authorized licensee uses that mark.

Furthermore, Boston Dental did not suffer a prejudicial delay from the years it took Affordable Care to complain, the judge said, dismissing the laches defense.

DENTAL DUEL

North Carolina-based Affordable Care provides nonclinical services such as billing, financing and advertising to more than 230 affiliated dental practices, according to Judge Boulware's order.

Since 2002 the company has held an Affordable Dentures trademark registration, which is part of a family of "Affordable" marks it licenses to its affiliates.

The Affordable Dentures trademark is listed on the federal principal register, which covers trademarks that are distinctive due to their unique characteristics, long history or exclusive use.

Las Vegas-based Boston Dental opened a practice called Affordable Dental in the city in 2008 and later opened other offices in Nevada and California, according to the order.

It applied to federally register an Affordable Dental trademark in 2012 to cover services that include dentistry, oral surgery and orthodontics.

The Patent and Trademark Office registered the Affordable Dental mark on the supplemental register, which provides less protection than the principal register. Registration on the supplemental register, for instance, does not establish prima facie evidence of trademark ownership.

In December 2015 Affordable Care filed a petition with the Trademark Trial and Appeal Board seeking to cancel the Affordable Dental mark registration.

Boston Dental filed a counterclaim with the TTAB the next year, saying Affordable Care had abandoned its mark through naked licensing. That case is pending.

Meanwhile, Boston Dental filed suit in July 2016, seeking several judicial declarations. It said there was no likelihood the marks would confuse consumers and that Affordable Care had abandoned the Affordable Dentures mark.

Affordable Care filed a counterclaim seeking a declaration of consumer confusion. Both sides moved for summary judgment over Boston Dental's defense to the counterclaim.

NAKED LICENSING

In support of its naked-licensing charge, Boston Dental argued that trademark holders have a duty to control their marks.

Affordable Care failed that duty because Nevada law expressly limits the control a nondentist can have over a dentist, so the company is legally incapable of maintaining the quality of its Nevada licensees' trademark use, Boston Dental said.

Judge Boulware agreed that a trademark licensor has a duty to control how its marks are used.

Affordable Care's service contract with its Las Vegas affiliate accomplishes that duty, however, because the contract includes policy guidelines such as operation hours and staffing requirements and sets minimum dentist availability for emergencies, the judge said.

Even under the state's rules, Affordable Care "maintains express rights of control to a degree sufficient to ensure standardized quality among affiliates," the judge said.

LACHES DEFENSE

Boston Dental also argued that Affordable Care should have complained about any likelihood of confusion when the first Las Vegas Affordable Dental office opened in 2008.

If Affordable Care had not waited until December 2015 to object to the Affordable Dental mark, Boston Dental could have spent its time and resources developing a different brand, the company said.

The judge disagreed. While Boston Dental provided evidence that some people saw a likelihood of confusion as early as 2008, it did not show that this was communicated to Affordable Care, the judge said.

Even if Boston Dental could establish an unreasonable delay, it failed to show prejudice, the judge said.

Boston Dental failed to prove it invested resources specifically in its Affordable Dental brand, as opposed to its Boston Dental brand, the judge concluded. WJ

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Related Filings:
Order: 2018 WL 1566331
Registrant's motion for leave: 2016 WL 3257778

Fledgling insurer tells Blue Cross to back off on trademark dispute

By Kteba Dunlap, Esq.

A 2-year-old insurance company is suing health insurance behemoth Blue Cross and Blue Shield Association for a declaratory judgment that its trademarks do not infringe BCBS' intellectual property rights.

Clear Blue Financial Holdings LLC v. Blue Cross and Blue Shield Association, No. 18-cv-137, complaint filed, 2018 WL 1404458 (W.D.N.C. Mar. 19, 2018).

Clear Blue Financial Holdings LLC, the parent company of a property and casualty insurer, asked the U.S. District Court for the Western District of North Carolina on March 19 to rule that BCBS has no basis for asserting its trademark against Clear Blue.

APPLICATIONS AND DISPUTE

Founded in 2015, Clear Blue acts a "fronting provider," or a licensed insurer that issues policies on behalf of self-insured companies.

Clear Blue applied for trademarks for its name and logo last July 27, the complaint says. The marks were approved by the U.S. Patent and Trademark Office on Oct. 28 and Nov. 11.

The dispute began Dec. 20, when BCBS sent a cease-and-desist letter to Clear Blue, according to the complaint. The letter said Clear Blue's pending trademark applications infringed BCBS' "longstanding rights in its Clear Blue mark and its famous Blue Cross and Blue Shield word and design marks."

BCBS demanded that Clear Blue abandon the applications and stop using its name and logo. The health insurer cited "numerous, incontestable U.S. federal registrations" for "blue-formative" words and a "significant common law" interest in the name Clear Blue.

On Jan. 3, BCBS requested and received an extension of time to oppose Clear Blue's trademark applications, according to the complaint. After a brief correspondence between the parties that resolved nothing, Clear Blue filed its suit.

'SEPARATE MARKETS'

In the complaint, Clear Blue lays out several arguments against BCBS' assertion of rights.

First, although both companies are insurers, they have separate markets and Clear Blue has nothing to do with health insurance, the suit says.

Secondly, BCBS cannot claim rights to all blue-formative words in insurance, Clear Blue claims, naming dozens of other registered blue-based names and marks in the insurance industry.

Third, BCBS never registered the name "Clear Blue" and has not filed an infringement suit, the complaint says.

Finally, the logos themselves are not similar and there is no likelihood of confusion for consumers, according to Clear Blue.

The complaint requests a declaration that Clear Blue's name and logo do not violate any rights or laws, plus court costs and attorney fees. WJ

Attorneys:
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Related Filings:
Complaint: 2018 WL 1404458

No coverage for surgical firm in IP row over poached employees and secrets

By Thomas Parry

A Pennsylvania surgical product firm's insurer does not owe it coverage against claims the firm poached a rival's employees and trade secrets, a Philadelphia federal judge has ruled, because the allegations did not trigger libel and slander provisions in the firm's policy.

TELA Bio Inc. v. Federal Insurance Co., No. 16-cv-5585, 2018 WL 1366652 (E.D. Pa. Mar. 16, 2018).

U.S. District Judge Mitchell S. Goldberg of the Eastern District of Pennsylvania rejected TELA Bio Inc.'s argument that allegations it stole employees and proprietary information from LifeCell Corp. implied charges of defamation that triggered coverage under its commercial general liability policy with Federal Insurance Co.

Even if the claims against TELA Bio did warrant coverage, the policy's intellectual property rights exclusion would apply to snuff that coverage out, Judge Goldberg said.

SURGICAL RIVALS

According to Judge Goldberg's written opinion, TELA Bio co-founder David McQuillan started the reconstructive surgery firm in 2012 shortly after leaving LifeCell Corp., a New Jersey-based company also specializing in "tissue repair and replacement products."

In launching TELA Bio, McQuillan hired 20 employees from LifeCell, despite the fact they had signed noncompetition agreements, according to the opinion. Several of the hires provided the new firm with LifeCell trade secrets, the opinion said.

In March 2015, LifeCell sued TELA Bio, McQuillan and two other co-founders in New Jersey state court, leveling claims of unfair competition, unjust enrichment, and misappropriation of intellectual property, according to the opinion.

TELA Bio turned to Federal Insurance for coverage under its CGL policy, and before the insurer responded with a denial, TELA filed a declaratory judgment suit in the U.S. District Court for the District of New Jersey.

Federal Insurance moved the coverage dispute to the Eastern District of Pennsylvania and filed a bid to dismiss the case.

TELA Bio then asked the Philadelphia federal court to consider the case under New Jersey law and filed a motion for partial summary judgment.

NO LIBEL OR SLANDER IMPLIED

Judge Goldberg granted Federal Insurance's motion, finding that the insurer owed no coverage for LifeCell's suit against TELA.

First, the judge found that because the principle location of TELA Bio's insured activities took place in Pennsylvania, that state's laws applied to the insurance dispute.

With that determination, the judge noted that unlike New Jersey, Pennsylvania restricted the question of coverage to a comparison between the underlying claims and the policy.

LifeCell's allegations that TELA Bio poached employees and trade secrets did not constitute "libel and slander" as required for coverage under the CGL policy's personal and advertising injury, Judge Goldberg said.

He rejected TELA Bio's argument that LifeCell had alleged libel and slander in its complaint by implication. The complaint accused TELA Bio of questioning LifeCell's capacity to perform and boasting about the new company's "superior intellectual property rights," TELA Bio noted.

"In sum, read either separately or as a whole, the allegations in the underlying suit relied upon by TELA Bio have nothing to do with harm to another's reputation," Judge Goldberg said.

"Rather, the allegations pertain to a business dispute over stolen employees and confidential trade secrets," he said.

IP RIGHTS EXCLUSION

Finally, the judge found that even if the LifeCell suit had triggered coverage, the policy's IP rights exclusion would have prevented coverage.

The exclusion contained a ban on the "entirety of all allegations in any claim or suit, if such claim or suit includes an allegation of or a reference to an infringement or violation of an intellectual property law or right," according to the opinion.

Judge Goldberg said the exclusion was "perhaps harsh," but found that it clearly applied to the LifeCell suit. WJ

Related Filings:
Opinion: 2018 WL 1366652

Oracle

CONTINUED FROM PAGE 1

intellectual property attorney at Dykema in San Antonio, who was not involved in the case.

"Software is used across industries, and that is what makes this decision so possibly wide-ranging," he said. "Even if an API is primarily functional, the creativity associated with building that API means that companies may get patent-like control for copyright-length terms."

J. Michael Keyes, IP partner at the Seattle office of Dorsey & Whitney, who also was not involved in the case, said the decision is "a hugely important development in the law of copyright and fair use."

He noted that the appeals panel did not rule out the fair-use defense for all actions involving computer code, "but this court had no qualms about assessing and reassessing evidence and arguments that were made to the jury."

"It's a decision that needs to be carefully and thoughtfully considered in any case involving fair use, particularly in the context of software," Keyes said.

"It's a decision that needs to be carefully and thoughtfully considered in any case involving fair use, particularly in the context of software," Dorsey & Whitney attorney J. Michael Keyes said.

"Software is used across industries, and that is what makes this decision so possibly wide-ranging," Dykema attorney Van Lindberg said.

COPYING CODE

The dispute stems from Google's acquisition of Android Inc. in 2005. That same year Google and Oracle's predecessor began fruitless discussions about Google's potential use of the Java platform for Android phones, according to the Federal Circuit opinion.

The parties could not agree on whether Google could copy certain API packages for the Android programs, the opinion said.

Google copied some API packages anyway, and in 2010 Oracle filed suit in the U.S. District Court for the Northern District of California.

After the first trial and appeal over copyrightability, and after the second jury rendered its fair-use verdict, U.S. District Judge William Alsup affirmed the jury's finding that "Google copied only so much as was reasonably necessary for a transformative use." *Oracle Am. v. Google* No. 10-3561, 2016 WL 3181206 (N.D. Cal. June 8, 2016).

Oracle appealed to the Federal Circuit, which reversed.

NOT TRANSFORMATIVE

U.S. Circuit Judge Kathleen O'Malley, writing for the three-judge panel, agreed with the District Court that the critical question was whether Google's "work" was transformative.

The opinion cited *Campbell v. Acuff-Rose Music* 510 U.S. 569 (1994), which held that a work that is copied can be transformative if it supersedes the original work or adds something new.

Google had changed the format of Oracle's code but had not used that code for anything that differed from the way the code was used for the Java platform, the panel said.

"Where, as here, the copying is verbatim, for an identical function and purpose, and there are no changes to the expressive content or message, a mere change in format ... is insufficient as a matter of law to qualify as a transformative use," the panel said.

The appeals court similarly rejected Google's argument that a reasonable jury could have found the company's use was fair because it only copied and used a small portion of the Java API packages to create its platform.

Even if Google copied only a small part of Java, what it copied was qualitatively significant and important to the creation of the Android platform, the panel said.

"Allowing Google to commercially exploit Oracle's work will not advance the purposes of copyright in this case," the panel concluded. WJ

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Related Filings:
Federal Circuit opinion: 2018 WL 1473875
District Court opinion: 2016 WL 3181206
Opinion denying certiorari: 135 S. Ct. 2887

Petition for certiorari: 2014 WL 5319724
Federal Circuit's 2014 opinion: 750 F.3d 1339
Complaint: 2010 WL 3355241

See Document Section A (P. 17) for the opinion.

CASE AND DOCUMENT INDEX