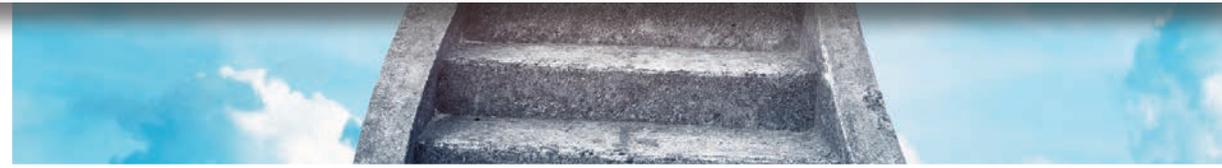




IDEAS ON INTELLECTUAL PROPERTY LAW



AUGUST/SEPTEMBER
2020

Stairway to litigation

Led Zeppelin prevails in copyright case

Patentee misses the mark on pre-lawsuit infringement damages

Trademark licensee denied preliminary injunction

Court finds license isn't "perpetual"

Use it or lose it: Protecting IP during a public health crisis



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#3

FOR U.S. UTILITY PATENTS*

#6

FOR U.S. DESIGN PATENTS*

#11

FOR U.S. TRADEMARKS*

*ANT-LIKE PERSISTENCE

Stairway to litigation

Led Zeppelin prevails in copyright case

It has taken many steps to get here, but the copyright infringement case involving Led Zeppelin’s classic rock anthem “Stairway to Heaven” may finally be over. In finding in favor of the band, the U.S. Court of Appeals for the Ninth Circuit made some notable rulings — including one that reverses some of its long-standing precedent — and this could significantly impact other copyright cases.

THE ORIGINAL SCORE

The plaintiff alleged that Led Zeppelin copied “Stairway to Heaven” from its song “Taurus.” Specifically, he claimed that the opening notes to the Zeppelin song are substantially similar to those in “Taurus.”

A jury ruled for Led Zeppelin, based on a lack of substantial similarity between the songs. The plaintiff appealed on multiple grounds and, in 2018, a three-judge appellate panel vacated the judgment and sent the case back to the district court for a new trial. But, before a new trial could be held, the Ninth Circuit granted a rehearing before 11 judges.

THE REPRISE

The plaintiff argued that the district court should have given a jury instruction on the inverse ratio rule in both hearings before the appellate court. Under the rule, if a defendant had a high degree of access to the copyrighted work, the plaintiff has a lower burden of proof when it comes to showing substantial similarity between the two works.

The Ninth Circuit didn’t just disagree about whether such an instruction was appropriate here — it took the opportunity to abrogate the rule in the circuit and overrule earlier cases to the contrary. The rule, it said, defies logic and creates uncertainty for the courts and the parties.

The court acknowledged that the other federal circuit courts of appeal are split on the inverse ratio rule,



but it pointed out that most of those that have considered the rule have declined to adopt it (that is, the Second, Fifth, Seventh and Eleventh Circuits). Only the Sixth Circuit endorses the rule.

The court of appeals also reviewed its “checkered application” of the rule in previous cases. In particular, it admitted having applied the rule in confusing ways throughout the 1990s and early 2000s. While the court several times affirmed that the rule guided its analysis of similarity, it never explained how to apply the rule. The result of this “tangled precedent,” the court said, has been confusion about when to apply the rule, as well as the amount of access and similarity needed to invoke it.

Further, the court said, the rule implies that complete access should result in infringement liability. But access doesn’t eliminate the requirement that the plaintiff show the defendant actually copied the work.

The court also highlighted the impracticality of putting so much weight on access in “our digitally interconnected world.” With the many ways to access media online, access could be established by a trivial showing that the work was available on demand. The inverse ratio rule today unfairly advantages those whose work is most accessible by lowering the bar of proof for similarity. And, the court found, a work doesn’t deserve stronger legal protection simply because it’s more popular or owned by better-funded rights holders.

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A BRIDGE TOO FAR

The plaintiff also argued that the district court should have instructed the jury that the selection and arrangement of otherwise unprotectable musical elements (such as notes or a scale) *are* protectable. He lost on this point, too.

The court explained that a selection and arrangement copyright protects the particular way in which the artistic elements form a coherent pattern, synthesis or design. The plaintiff and his experts, though, identified only random similarities scattered throughout the two songs. The court found that labeling these elements a “combination” of unprotectable elements didn’t convert the argument into a selection and arrangement case.

Instead, the plaintiff needed to demonstrate how the elements were particularly selected and arranged. Without such arrangement, there’s no liability for taking “ideas and concepts” from the plaintiff’s work, even in combination.

A FINAL NOTE

The Ninth Circuit’s ruling in *Skidmore* is especially noteworthy because the circuit includes Hollywood, a rich source of copyrighted material. Among other things, its reference to the rise of digital media suggests the court’s analysis of copyright and other intellectual property cases will evolve to reflect the current media environment. ▣

COURT CLARIFIES THE SCOPE OF THE COPYRIGHT

The plaintiff in the *Skidmore* case (see main article) also argued that, under the Copyright Act of 1909 (which was applicable when the copyright for his song issued in 1967), the copy of an unpublished work submitted along with a copyright registration application (known as a deposit copy) doesn’t define the scope of the copyright. He asserted that copyright protection under the 1909 law extended beyond the sheet music to sound recordings. No federal appellate court had addressed this issue.

The U.S. Court of Appeals for the Ninth Circuit noted that the purpose of the deposit copy was to make a record of the claimed copyright, provide notice to third parties and prevent confusion about the scope of the copyright. Moreover, it found the practical treatment of deposit copies underscored their importance. The 1909 law prohibits their destruction without notice to the copyright owner, and the Register of Copyrights retains them for the full copyright term.

The court came to the “inescapable conclusion” that the deposit copy limited the scope of the copyright. The district court, therefore, didn’t err by declining to play sound recordings of the song to prove substantial similarity.

Patentee misses the mark on pre-lawsuit infringement damages

Patent owners have to do more than simply obtain their patents if they want to recover full damages for patent infringement. As one patent owner learned the hard way, failing to give the public notice of the patent by marking products that use the patented invention can dramatically limit the amount of recoverable damages.

PATENTED SYSTEM MAKES WAVES

Arctic Cat holds two patents related to thrust steering systems for personal watercraft. The patents were issued in 2003 and 2004, but the company had stopped selling personal watercraft before those dates.

In 2002, Arctic Cat entered into a licensing agreement with Honda for the patents. Although the initial draft of the agreement required Honda to mark all licensed products with the applicable patent numbers, the final version expressly stated that Honda had no marking obligations. Honda began selling unmarked watercraft, and Arctic Cat made no efforts to ensure those products were marked.

In 2014, Arctic Cat sued Bombardier Recreational Products Inc. for patent infringement. Before trial,

Bombardier asked the court to limit the potential damages because of Honda's sales of unmarked products. The court declined, holding that Bombardier needed to prove that Honda's personal watercrafts used the patented steering systems and therefore required marking. Because Bombardier failed to prove this point, the court denied the request.

If a patentee makes or sells a patented item and fails to properly mark the product, it can't collect damages until it provides notice or sues the alleged infringer.

At trial, the jury awarded Arctic Cat royalties dating back to six years before the lawsuit was filed. Bombardier appealed. The U.S. Court of Appeals for the Federal Circuit affirmed the infringement finding, but it vacated the district court's ruling placing the burden on Bombardier to prove Honda's products used the patented inventions. Rather, the appellate court said, once Bombardier identified the product that should have been marked, the burden shifted to Arctic Cat to prove the products didn't use the inventions.

The case returned to the district court, where Arctic Cat conceded it couldn't prove that. Nonetheless, it claimed it was entitled to pre-suit damages for the period of time after Honda allegedly stopped selling its unmarked products and before the lawsuit was filed. Arctic Cat argued



that the marking requirement applies only when a patentee (or its licensee) is actively making, selling or using unmarked products.

The district court disagreed and dismissed the case before trial. Arctic Cat then appealed.

PATENTEE'S ARGUMENT DOESN'T HOLD WATER

The Federal Circuit began its second review by noting that the marking requirement in Section 287 of the Patent Act doesn't apply when a patentee never makes or sells a patented item. Such patentees can recover damages even without notice to an alleged infringer.

If, however, a patentee makes or sells a patented item and fails to properly mark the item, it can't collect damages until it 1) begins providing constructive notice (by marking the item) or actual notice, or 2) sues the alleged infringer. The patentee can recover damages only for the period after the notification or lawsuit filing has occurred. A patentee's licensee also must comply with Sec. 287.

The court found that Arctic Cat's obligation to mark arose when Honda began selling patented items. The cessation of sales of unmarked products didn't eliminate or fulfill Arctic Cat's notice obligation. The notice requirement, the Federal Circuit said, can't be switched on and off as the patentee or licensee starts and stops making or selling its product. Unmarked products remain on the market, incorrectly telling the public that no patent exists — and nothing precludes the patentee or a licensee from resuming sales.

A MARKED DIFFERENCE

The Federal Circuit affirmed the lower court's ruling denying Arctic Cat pre-suit damages. By agreeing to leave out a marking obligation in its licensing agreement with Honda, and failing to ensure that the products were marked, the company forfeited a substantial amount of money. Be sure not to leave money on the table when you sign licensing agreements by failing to ensure your patented products are marked. □

Trademark licensee denied preliminary injunction *Court finds license isn't "perpetual"*

Preliminary injunctions generally are considered extraordinary remedies, as the U.S. Court of Appeals for the Tenth Circuit recently reminded a popcorn manufacturer. The manufacturer had sought a preliminary injunction against a licensor that terminated its agreement. Although the district court found that an injunction was warranted because the manufacturer held a "perpetual license," the appellate court held otherwise.

THE KERNELS OF THE CASE ARE PLANTED

Mrs. Fields Franchising LLC (Fields) owns the rights to the "Mrs. Fields" trademark. It licenses those

rights to other entities that manufacture, sell and distribute products with the trademark.

Fields had a licensing agreement that gave MFGPC the exclusive right to produce and sell prepackaged popcorn products bearing the mark. The agreement required MFGPC to pay running royalties, as well as guaranteed royalties.

In 2014, Fields terminated the agreement, citing a failure to pay royalties. MFGPC disputed Fields' authority to terminate, asserting that no royalties were due. Fields subsequently sued MFGPC, seeking

a declaratory judgment that the license agreement was properly terminated. MFGPC counterclaimed for breach of contract and sought a preliminary injunction prohibiting Fields from interfering with its right to sell the branded popcorn.

In August 2018, the district court found that Fields had no right to terminate because MFGPC had paid the royalties due. It concluded that MFGPC had proven its breach of contract claim, and the only remaining issue was the amount of damages.

In March 2019, the court granted a preliminary injunction, finding MFGPC was likely to prevail at trial. Fields, which had already entered a popcorn licensing agreement with another company, appealed.

THE APPELLATE COURT POPS OFF

Fields argued that the district court had erred in finding that the agreement granted MFGPC a perpetual license. After reviewing the agreement, the Court of Appeals held that the district court had indeed erred.

The agreement's "term and termination" provision laid out an initial term of 60 months. The agreement would then automatically renew for successive five-year terms as long as MFGPC wasn't in "material default," until such time as either party terminated the agreement with no more than 20 days' prior written notice to the other party.

In other words, the court explained, either party could prevent the license agreement from renewing at the end of each five-year period even without a default or breach.

The agreement also outlined a set of six specific circumstances under which the parties could

otherwise terminate the agreement (as opposed to preventing it from renewing). For example, Fields could terminate at any time if MFGPC was "determined to be insolvent" or filed for bankruptcy.

Both a likelihood of success
at trial and the existence of
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to obtain a preliminary injunction.

At best, the court found, MFGPC reasonably could have expected to continue using the license only as long as 1) Fields was willing to allow the agreement to automatically renew, and 2) none of the six specific circumstances occurred and prompted Fields to terminate the license. The court concluded that Fields clearly didn't intend to proceed with the license and notified MFGPC of that fact.

RECIPE FOR DISASTER

Both a likelihood of success at trial and the existence of irreparable harm must be established to obtain a preliminary injunction. The Tenth Circuit found that the district court's erroneous determination that the license agreement gave MFGPC a perpetual license "fatally infected" its analysis of MFGPC's claim to either factor.

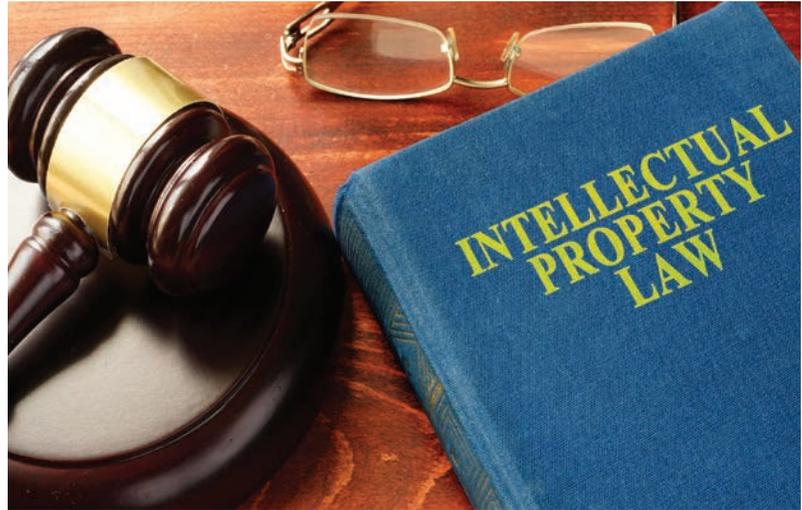
Therefore, the appellate court reversed the injunction.

Because many trademark owners license the right to use a mark to others, it's important to make sure the licensing agreement is clear. Contact an attorney to review your licensing agreements. ■



Use it or lose it: Protecting IP during a public health crisis

Your intellectual property (IP) — whether it’s a patent, trademark or copyright or it’s something else — probably is a cornerstone of your business. That’s why you need to protect and enforce it, even during tumultuous times like the COVID-19 pandemic. Although the crisis forced the U.S. Patent and Trademark Office (PTO), the U.S. Copyright Office and some courts to temporarily close to the public, they’ve largely remained open for business, with some modifications.



ADJUSTMENTS UNDER THE CARES ACT

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted in late March, provides the PTO and the Copyright Office temporary authority to extend certain filing and fee deadlines. The offices have used this and other authority to modify timing and other requirements for customers affected by COVID-19.

For example, the PTO temporarily waived some requirements for original handwritten signatures and petition fees in certain situations for customers affected by the virus. The PTO also extended the filing deadlines for a variety of trademark- and patent-related actions that originally were due between March 27, 2020, and April 30, 2020. (It’s possible there could be additional extensions by the time you’re reading this; check with your legal counsel for the latest information.)

The Copyright Office extended some deadlines, as well. It also expanded its capabilities to receive electronic submissions, including, in some circumstances, electronic copies of the requisite “best edition” physical copies.

INFRINGEMENT ENFORCEMENT

During the pandemic, some federal courts have canceled oral arguments and hearings, while others have conducted them virtually. IP owners with infringement claims, however, shouldn’t assume the applicable deadlines for lawsuit and other filings have also been extended. They could inadvertently forfeit rights.

Regardless of the status of government office closures, the duty to enforce and protect your IP doesn’t stop. Continue to monitor new products through trade publications and Internet searches. Investigate any goods or products that may appear to infringe your IP. If necessary, send a cease-and-desist or assertion-of-rights letter to any possible infringers.

DON'T LET DOWN YOUR GUARD

It’s unclear how COVID-19 will affect future courthouse accessibility, filings and deadlines. Whatever happens, it’s important to continue to police your IP and be sure to check with counsel to determine if any temporary modifications affect your IP rights. ■



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