



IDEAS ON INTELLECTUAL PROPERTY LAW

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2021

Don't copy that

Lack of implied license results in copyright infringement

Functional color scheme isn't protected trade dress

Can you hear us now?

SCOTUS says app developers needn't reinvent the wheel

Patentee falls short on proving willful infringement



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FOR U.S. UTILITY PATENTS*

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FOR U.S. DESIGN PATENTS*

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FOR U.S. TRADEMARKS*

*ANT-LIKE PERSISTENCE

Don't copy that

Lack of implied license results in copyright infringement

The Internet continues to generate new twists and issues in copyright law, forcing courts to apply traditional legal concepts to technologies not contemplated when the Copyright Act was enacted. In one recent case, the U.S. Court of Appeals for the Eleventh Circuit considered whether the publication of material on a blog or “really simple syndication” (RSS) feed granted an implied license to use the material.

PLAINTIFF IS FED UP

MidlevelU operates a for-profit website that offers resources to health care providers. It also publishes a free blog designed to attract potential customers.

MidlevelU makes the full text of its blog articles available in an RSS feed. It also codes its website to instruct search engines to copy and archive every page on the site.

Newstex LLC, doing business as ACI Information Group, is a wholesale aggregator of news publications. It offers a curated index of abstracts and full-text articles of academic blogs to subscribers (mostly academic institutions). The full-text entries are from blogs for which it has a license; the abstracts are of blogs for which it doesn't.

In 2017, it subscribed to the RSS feed for MidlevelU's blog and included abstracts of the posts in its index. The index entries included a link to the original posts, but Newstex subscribers also could click on another link to view the full text without going to the MidlevelU website.

The companies didn't have a licensing agreement. After receiving a cease-and-desist letter from MidlevelU, Newstex removed its content and coded links to index entries for MidlevelU's articles to redirect to MidlevelU's website.

But MidlevelU content still appeared in the website repositories of university libraries. The entries credited ACI as the content's publisher and directed viewers to see the blog's full-text content in the “subscribers only” section of the aggregator's website.

Predictably, MidlevelU sued Newstex for copyright infringement. Newstex asserted it had an implied license to use the copyrighted material. The trial court ruled against Newstex on the license defense. Newstex appealed. The appeals court faulted some of the trial court's reasoning but ultimately agreed that Newstex didn't have an implied license.

PLAINTIFF POSTS A VICTORY

The trial court relied on an earlier decision, *Latimer v. Roaring Toyz, Inc.*, in which the court found that an implied license is created when one party:

- Creates a work at another person's request,
- Delivers the work to that person, and
- Intends that the person copy and distribute the work.



FAIR USE DEFENSE FAILS

The defendant in *MidlevelU v. ACI Information Group* (see main article) also asked the U.S. Court of Appeals for the Eleventh Circuit to reverse the jury's rejection of its fair use defense. It argued that no reasonable juror could have found that fair use didn't apply.

The court ran through the nonexclusive factors that generally determine whether a particular use is fair use: 1) the purpose and character of the use, 2) the nature of the copyrighted work, 3) the amount and significance of the portion taken, and 4) the effect of the use on the potential market for or value of the copyrighted work. It found that reasonable minds could differ about all four factors and whether fair use applied.

For example, the use of factual, as opposed to creative, material is more likely fair use. While the works at issue clearly weren't fictional, they also weren't bare factual compilations. At best, the court said, the nature of the work factor was neutral, but a jury reasonably could have found it weighed against fair use.

The trial court found that Newstex didn't satisfy the first element.

The appellate court explained that the lower court misread *Latimer* to mean that it created an exclusive test for implied licenses. But that case considered only the work-for-hire context — and, the court said, implied licenses can arise in circumstances outside that context. The court noted that other courts have recognized permission to use copyrighted material in web-based contexts vastly different from the facts in *Latimer*.

An implied license is created
when one party creates
a work at another person's request,
delivers the work to that person,
and intends that the person copy and
distribute the work.

Newstex claimed that an implied license arose because MidlevelU didn't code its website to instruct web crawlers (automated programs that crawl the Internet to locate, copy and archive webpages for a

search engine index) not to copy any of its pages. But Newstex didn't present any evidence that it used such a web crawler to collect content for its index.

To the contrary, Newstex presented testimony that it collected content by “grabbing it” through RSS feeds. As the court put it, “implied permission to enter through a front door (web crawler) does not also imply permission to enter through a back window (RSS feed).” Similarly, publishing the full text through an RSS feed didn't imply permission “to enter and throw a party” by selling summaries of the full text paired with software showing the full-text content.

LIMITED ENTRY

The court's decision confirms that creating material at another's request isn't the essence of a license; an owner's *grant of permission* to use the material is. And when the owner's conduct clearly conveys a consent to use of the material, the owner grants an implied nonexclusive license. Unfortunately for Newstex, the court found that MidlevelU's conduct didn't constitute consent. □

Functional color scheme isn't protected trade dress

A product's trade dress — the design and shape of the product or its packaging — isn't subject to trademark protection if it is deemed functional. The word "functional" may conjure visions of parts and components, but courts can find a product's color functional, too. That's what happened in a case involving dental products.

ORAL ARGUMENTS

Sulzer Mixpac AG (Mixpac) and A&N Trading Company (A&N) compete in the market for mixing tips that are attached to cartridges filled with materials used by dentists to create impressions of teeth for dental procedures. To accommodate different types of dental procedures, mixing tips vary in their diameters, the lengths of the helixes that mix component materials and cap sizes.

Mixpac owns 12 trademark registrations for particular colors on mixing tips. The registrations show that Mixpac offered its "Candy Colors" on mixing tip caps as early as 1997. Nonetheless, A&N displayed and advertised mixing tips with identical, or nearly identical, colors at a dental convention in 2016.

Mixpac sued A&N for unfair competition, trademark infringement, trademark counterfeiting and false designation of origin. A&N countersued, alleging that Mixpac's trademark registrations should be canceled because its use of Candy Colors on mixing tips was functional.

The district court found that Mixpac's use of the colors wasn't functional, awarded it \$2 million in damages and issued a permanent injunction against A&N. A&N appealed.

ANOTHER BITE AT THE APPLE

The trial court concluded that the Candy Colors were nonfunctional because Mixpac's use of them added to its cost to manufacture the mixing tips. Further, some of its competitors used different colors or



no colors for their mixing tips. The U.S. Court of Appeals for the Second Circuit found these findings weren't clearly erroneous.

A design feature is functional if it's essential to the use or purpose of the product at issue or affects the product's cost or quality.

It faulted the lower court, though, for failing to apply the appropriate functionality two-part test to Mixpac's marks. That test first asks whether the design feature is essential to the use or purpose of the product at issue or affects the product's cost or quality. If so, the feature is functional.

If not, a court must move to a fact-intensive test that determines whether the feature would put

competitors at a significant non-reputation-related disadvantage. The feature must not have such an effect on competition to receive trademark protection.

The Second Circuit found that the colors on the mixing tips corresponded to different tip diameters. This allowed users to quickly match the proper mixing tip with the proper cartridge and, therefore, improved the operation of the goods. In other words, the colors affected the quality of the product — a question the district court didn't examine.

The appeals court ultimately concluded that the colors were functional. As a result, Mixpac's trade dress was unprotectible. The court reversed the trial court and sent the case back so final judgment could be entered in the defendant's favor.

BRACE YOURSELF

The appellate court's ruling demonstrates the limits of trademark protection when it comes to trade dress. Trademark holders should tread cautiously when suing over features such as color because they may prove more functional than they seem at first glance. □

Can you hear us now?

SCOTUS says app developers needn't reinvent the wheel

After more than a decade of litigation, the U.S. Supreme Court has resolved a dispute between tech giants in a way that has software developers breathing a sigh of relief. The Court held that the copyright doctrine of fair use permits developers to continue to build off of the work of others in many cases without fear of infringement liability — which, in this case, could have meant billions of dollars in damages.

CASE DEVELOPMENTS

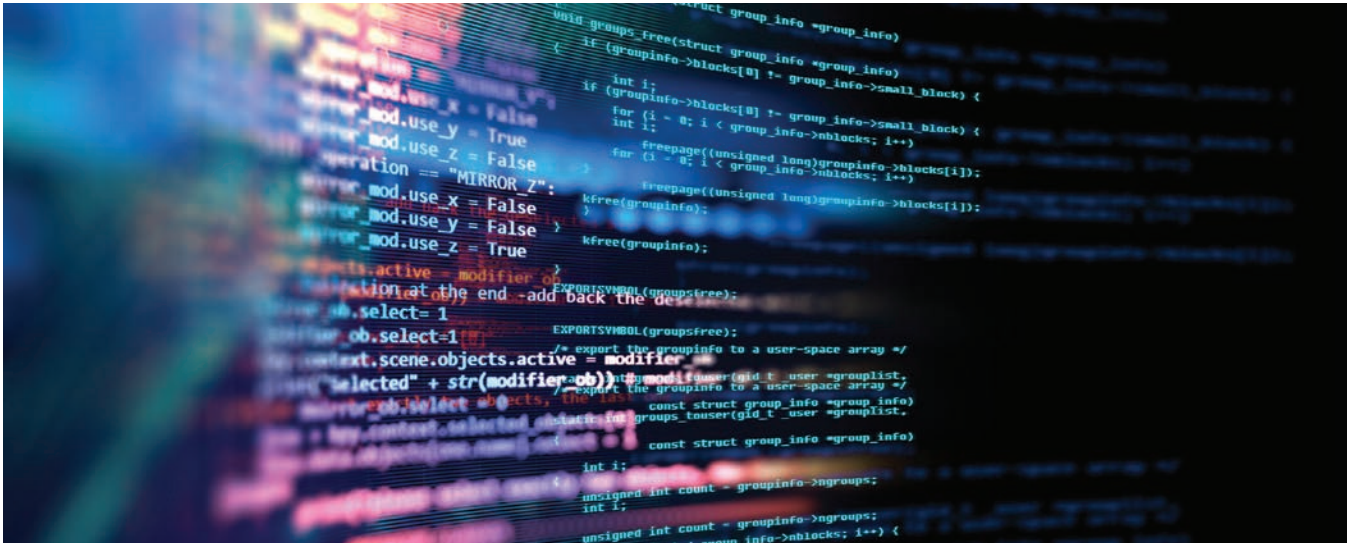
Oracle America Inc. holds a copyright in a computer platform that uses the popular Java computer programming language. In 2005, Google LLC acquired Android Inc., with the intention of building a new software platform for mobile devices. To allow the millions of programmers familiar with Java to work with the Android platform, Google copied about 11,500 lines of code from the Java platform.

The copied lines are part of a tool called an application programming interface (API). An API permits

programmers to incorporate prewritten computing tasks into their own programs. Google believed that the success of its platform relied on attracting skilled programmers to develop Android-based applications that would in turn attract consumers.

Oracle sued Google. It alleged that Google infringed its copyright by copying the “structure, sequence, and organization” of the Java API into Android. During the protracted litigation, the U.S. Court of Appeals for the Federal Circuit ruled that the copied lines were subject to copyright protection.

A jury subsequently found that Google's use of the Java lines constituted permissible fair use. The Federal Circuit reversed that finding. The Supreme Court agreed to review the appellate court's determinations as to both copyrightability and fair use. But, because the Court chose to decide as little as necessary to resolve the case, the Court assumed the lines could be copyrighted and focused on whether the defendant's use of them was fair use.



A CELLULAR ANALYSIS

To determine whether Google’s copying of the API qualified as fair use, the Supreme Court analyzed the four guiding factors outlined in the Copyright Act’s fair use provision:

1. The purpose and character of the use. This element turns largely on whether the copying was “transformative.” The Court found the defendant’s use of the API was indeed a transformative use. Its purpose was to create a different task-related system for a different computing environment (smartphones) and to create a platform (Android) that would help achieve that objective. In other words, its use was consistent with the basic objective of copyright law — creative progress.

The purpose and character of the use in a fair use copyright defense turns largely on whether the copying was “transformative.”

2. The nature of the copyrighted work. The Court found that the copied lines are inherently bound with uncopyrightable ideas (the organization of the API), as well as the creation of new creative expression (code developed independently by the

defendant). Unlike other computer programs, the value of the copied lines is derived primarily from the investment of computer programmers who know the API’s system. Thus, this factor favored fair use.

3. The amount and substantiality of the portion used compared with the work as a whole. The 11,500 lines used represent only 0.4% of the entire API at issue. The defendant copied them not because of their creativity and beauty, but because they would permit programmers to apply their skills to a new smartphone computing environment. The substantiality factor, the Court said, generally favors fair use where, as here, the amount of copying was tethered to a valid and transformative purpose.

4. The effect on the potential market for or value of the work. The Court pointed out that Android isn’t a market substitute for Java. Moreover, Java’s copyright holder would benefit from the reimplementations of its interface into a different market. And enforcing copyright in these circumstances would risk causing creativity-related harms to the public. These considerations meant this factor also favored fair use.

A RINGING VICTORY

It remains to be seen whether APIs truly are copyrightable. But that fact may prove irrelevant considering the high court’s broad reading of fair use in the API context. □

Patentee falls short on proving willful infringement

The U.S. judicial system acknowledges that patent infringement is bad — and willful patent infringement is even worse. So much so that a finding of willful infringement allows a court to increase damages up to three times the amount assessed by the jury. Willfulness isn't easy to prove, though, as one patentee recently discovered.

BLOOD FEUD

Bayer Healthcare LLC owns a patent on certain forms of a protein, produced by the liver, that's useful in treating hemophilia. The protein has a short half-life, though, so it must be administered frequently. The patent covers a process that increases the half-life, increasing convenience and reducing treatment costs.

Bayer sued Baxalta Inc. for patent infringement. A jury found that the defendant had infringed the patent and Bayer was entitled to reasonable royalty damages.

However, the trial court hadn't sent the question of willful infringement to the jury. Rather, it held that Baxalta's conduct didn't meet the requirements for willfulness "as a matter of law," meaning no reasonable jury could find otherwise in light of the evidence.

Both parties appealed. Bayer contested the trial court's judgment as a matter of law. It argued that it had presented sufficient evidence of willfulness at trial to send the question to the jury.

WILLFUL INFRINGEMENT

As the U.S. Court of Appeals for the Federal Circuit explained, a patentee that wishes to establish willful infringement must show that the defendant had a specific intent to infringe at the time of the conduct in question. The U.S. Supreme Court has, in different cases, described the type of conduct that warrants enhanced damages as willful, wanton, malicious,

bad faith, deliberate, consciously wrong, flagrant or "characteristic of a pirate."

Bayer's evidence included testimony from employees of Baxalta about their awareness of the patent application that led to Bayer's patent. It also contended that the jury heard evidence showing that Baxalta:

- Knew from prior dealings that earlier processes for prolonging the half-life had failed,
- Learned about Bayer's process, and
- Consciously redirected its own research accordingly.



The Federal Circuit, however, was unconvinced. It found that Bayer's evidence merely demonstrated Baxalta's knowledge of Bayer's patent and its direct infringement of the patent. That wasn't enough to get it across the finish line for willful infringement.

A BITTER PILL

Knowledge of the patent and evidence of infringement are, the court said, necessary but insufficient for a finding of willfulness. Deliberate or intentional infringement — which the plaintiff didn't establish — is also required. □



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