



IDEAS ON INTELLECTUAL PROPERTY LAW



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FOR U.S. UTILITY PATENTS*

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*ANT-LIKE PERSISTENCE

Is limited online access to copyrighted work a “public display”?

If no one sees an unauthorized online copy of a photo, has it truly been “publicly displayed” as required for a copyright infringement lawsuit? The U.S. Court of Appeals for the Ninth Circuit recently answered that question in the affirmative in *Bell v. Wilmott Storage Svcs., LLC*, a case brought by a plaintiff who one judge characterized as a “copyright troll.”

FRAMING THE CASE

The plaintiff took a photograph of the Indianapolis skyline in 2000. At the time, he was an attorney, and his firm posted the photo on its website at some point. He also published it on Webshots.com in 2000. But he didn’t register the photo with the Copyright Office until August 2011.

In 2018, the plaintiff ran a reverse image search for the photo on Google to identify potential infringers; he has since filed more than 100 infringement lawsuits involving the photo. He found the photo on a server database for a website owned by Wilmott Storage Services.

According to the court, the average internet user couldn’t find the photo by going to the website and navigating it. The image was accessible only to users

who did a reverse image search or knew the precise URL of the database archiving the photo.

When the plaintiff notified Wilmott that it was displaying the photo without his permission, the company removed it from its original URL. Six months later, the photo was still displayed, but at a slightly different web address. The plaintiff asked that it be removed, and it was.

But despite the removal, the plaintiff had already filed a lawsuit. The trial court found no infringement because Wilmott’s use of the photo was so insubstantial as to be only a “de minimis” violation of the Copyright Act. Therefore, it wasn’t actionable. (See “De minimis defense doesn’t apply to ‘total’ copying” on page 3.)

The plaintiff appealed. He argued that Wilmott infringed his exclusive right to display the copyrighted photo publicly. He further argued that, once he established infringement of his public display right, the de minimis use defense was unavailable.

REVERSING THE TRIAL COURT

The Ninth Circuit noted that it hadn’t previously addressed whether a work is “publicly displayed” for



DE MINIMIS DEFENSE DOESN'T APPLY TO "TOTAL" COPYING

The court in *Bell* (see main article) reversed the trial court's ruling that a "de minimis" use defense applied. In doing so, the U.S. Court of Appeals for the Ninth Circuit clarified how most federal appellate courts view the de minimis use doctrine.

Copying is actionable only if it's substantial; if the degree of copying is de minimis, no legal consequences can follow. The court explained that it and most of the other appellate courts don't regard the de minimis doctrine as a defense to infringement, though. Rather, they view it as an answer to the question of whether the infringing work and the copyrighted work are substantially similar.

In other words, the de minimis concept doesn't consider how extensively the defendant uses the infringing work but rather the amount or substantiality of the copying. In this case, the copying was total — the infringing work was an identical copy of the copyrighted photo. That left no room for a de minimis argument, as substantial similarity clearly existed.

purposes of a Copyright Act violation if it's accessible only to members of the public who either possess the specific web address or perform a particular type of online search. The court has, however, considered the public display issue in the context of websites.

The Copyright Act doesn't require proof that the protected work was actually viewed by anyone.

In *Perfect 10, Inc. v. Amazon, Inc.*, the Ninth Circuit adopted the "server test" to determine whether public displays of protected works online constituted infringement. Under the test, a computer owner that stores an image as electronic information, and serves that information directly to the user's browser, displays the electronic information in violation of the copyright holder's exclusive display right.

Applying the test to the Indianapolis photo, the court found Wilmott's server was continuously transmitting the image to those who used the specific

web address or conducted reverse image searches using the same or a similar photo. If any user visited the address, the server would transmit the photo to the user, where the photo would fill the computer's screen with a copy of the photo fixed in the computer's memory.

Moreover, the fact that the plaintiff could locate his photo using a reverse image search meant that reverse image search companies had received Wilmott's public display before he discovered it. The photo, therefore, was already publicly displayed.

The court also pointed out that the plaintiff wasn't required to show some minimum number of users who had accessed the photo. The Copyright Act, it said, doesn't require proof that the protected work was actually viewed by anyone.

TAKE TWO

The Ninth Circuit ultimately sent the case back to the lower court. Interestingly, though the trial court had assumed the validity of the plaintiff's copyright, the copyright was called into question in other cases while the appeal was pending. The appellate court emphasized that the plaintiff must establish ownership on remand. ▣

Failure to mark reduces patentee's infringement recovery

You may think that your patent means you can recover reasonable royalty damages on all an infringer's sales of its infringing product. But this isn't necessarily the case. As shown in *Lubby Holdings LLC v. Chung*, if you haven't complied with the marking requirement of the federal Patent Act, your damages may be significantly limited — even if the defendant admits it was aware of your patent.

AN APPEAL IGNITED

Lubby Holdings owns a patent on a “personal vaporizer” that resists leaking, particularly when it's not in use. Vaporizers are handheld devices that vaporize substances.

Lubby hired a consultant to help manufacture the vaporizer. But after they parted ways, the consultant later testified, he was aware of the patent. When he began selling a competing product, Lubby sued him for infringement. A jury found him liable for direct infringement of the patent and awarded Lubby \$864,000 in reasonable royalty damages. The defendant appealed.

ARGUMENTS EXTINGUISHED

On appeal, the defendant contended that Lubby hadn't complied with the marking and notice requirements. A patentee who makes or sells a patented product must mark those products or notify infringers of the patent as a prerequisite to recover damages. If a patentee hasn't given notice of its patent rights by properly marking the product, it can't recover damages for the period before the actual notice.



At trial, the defendant pointed to a product on Lubby's website that didn't include a patent number. By doing so, the U.S. Court of Appeals for the Federal Circuit held that he cleared his “low bar” to put Lubby on notice that it sold specific unmarked products that he believed used the patented invention. The burden then shifted to Lubby to prove the identified products don't use the invention.

For purposes of the marking requirement, the defendant must have notice of the infringement, not just the patent's existence or ownership.

The court found that Lubby presented no evidence to that effect or that showed it had marked the products it sold — so it failed to establish that it had marked the products. The result? Lubby could recover damages only for the period *after* it provided actual notice to the consultant, which was the date the lawsuit was filed.

Lubby argued that the consultant had earlier actual notice, citing his admission that he was aware of

the patent. But, the court explained, for purposes of the marking requirement, the defendant must have notice of the infringement — not just the patent’s existence or ownership.

Alternatively, Lubby argued that, because the defendant knew of the patent and his own infringing activity before the lawsuit was filed, it was entitled to damages from earlier sales. The court, however, explained that the actual notice requirement is satisfied when the recipient is informed of the identity of the patent and the activity believed to be infringing, accompanied by a proposal to abate the

infringement (for example, a license). The correct approach when determining notice looks to the patentee’s action, rather than the infringer’s knowledge or understanding.

NO SMOKING GUN

Lubby neither marked its product nor affirmatively communicated to the consultant specific charges of infringement by a specific product. These failures led the Federal Circuit to order a new trial to determine the number of sales that occurred after the lawsuit was filed. □

Words matter

NDA language doesn’t protect trade secrets indefinitely

You’d think that the owner of a trade secret would want to keep it, well, secret. But the wording in a nondisclosure agreement (NDA) can inadvertently undermine that goal. That’s the hard — and potentially very costly — lesson a company recently learned from the U.S. Court of Appeals for the Ninth Circuit in *BladeRoom Group Ltd. v. Emerson Electric Co.*

FRIENDSHIP FAIL

BladeRoom Group Limited and Emerson Electric Company were competitors in the data center design and build industry. In August 2011, they began negotiating a sale of the former to the latter. At the beginning of the process, which ultimately fell through, they signed an NDA. The 12th paragraph of the NDA stated (emphasis added):

“The parties acknowledge and agree that their respective obligations under this agreement shall be continuing and, in particular, they shall survive the termination of any discussions or

negotiations between you and the Company regarding the Transaction, *provided that this agreement shall terminate on the date 2 years from the date hereof.*”

The following year, Facebook began plans to build a data center in northern Sweden, and BladeRoom and Emerson both pitched designs. After Facebook selected Emerson in November 2013 and the companies signed a contract in March 2014, BladeRoom learned about the design Emerson had proposed and sued both Emerson and Facebook. BladeRoom alleged that Emerson had breached the NDA and misappropriated its trade secrets.

BladeRoom and Facebook settled while the trial was in process, but the case continued against Emerson. During the trial, BladeRoom asked the court to block Emerson from arguing that the NDA’s 12th paragraph allowed Emerson to use BladeRoom’s confidential information two years after signing the NDA.



The trial court agreed that the confidentiality obligations didn't expire under that paragraph.

The jury found Emerson had breached the NDA and willfully and maliciously misappropriated BladeRoom's trade secrets. It awarded \$30 million in damages, and the district court added \$30 million in punitive damages.

LANGUAGE LIMITS

Emerson appealed, and the Ninth Circuit focused on the lower court's interpretation of paragraph 12 — particularly the “proviso” regarding termination. Both BladeRoom and the trial court reasoned that it limited only the “discussions or negotiations” clause in the paragraph.

Specifically, they asserted that information disclosed by BladeRoom during the two-year lifespan was confidential and subject to a continuing obligation against disclosure or use. It was only information BladeRoom disclosed after the two years that wasn't subject to the restriction.

Emerson countered that the proviso limited all of paragraph 12. In other words, the parties' obligations under the NDA continued through any negotiations but ended after two years.

The Ninth Circuit found that Emerson's interpretation best followed the plain text and the entire contract's natural meaning for several reasons. For example, the court said, the term “provided” naturally means “on the condition, supposition, or understanding (that).” Thus, the paragraph plainly mandated that the parties' obligations created by the agreement were continuing and didn't terminate just

because negotiations ended — with the condition that the agreement terminated in two years.

BladeRoom's textual analysis, the court found, “not only twisted the ordinary meaning of words, but it also spawned absurdity.” The plaintiff proposed that paragraph 12 mandated that only the actual “discussions or negotiations” terminated after two years, not the confidentiality obligations.

The trial court erred in prohibiting the defendant from arguing at trial that it could use confidential information after two years because the NDA had expired.

By that reading, the court said, if either party stopped negotiating within two years, it would have breached the NDA. Or, if negotiations continued after two years, both parties would have breached it.

The Ninth Circuit concluded that a reasonable person in the parties' situation would have understood that the confidentiality obligations in the NDA terminated after two years. That meant the trial court erred in prohibiting Emerson from arguing at trial that it could use confidential information after two years because the NDA had expired.

BACK TO THE BEGINNING

The appellate court found that the trial court's error prevented the jury from hearing Emerson's chief defense. As a result, it vacated the jury's findings related to breach of contract, misappropriation and damages and ordered a new trial on those issues. ■

TTAB still constitutional post-*Arthrex*

Last year, the U.S. Supreme Court found that the Patent Trial and Appeal Board's (PTAB's) administrative patent judges could constitutionally perform their duties only if they were appointed by the president and confirmed by the Senate. The U.S. Court of Appeals for the Federal Circuit has now weighed in on whether this reasoning applies to the Trademark Trial and Appeal Board's (TTAB's) administrative trademark judges (ATJs).

MARK STRIKES A CHORD

The issue came up in *Piano Factory Group, Inc. v. Schiedmayer Celesta GMBH*, a case involving a mark for keyboard musical instruments. Schiedmayer Celesta is the successor to a line of German companies that have sold such instruments under the Schiedmayer mark for almost 300 years.

Piano Factory Group sells pianos from retail outlets. Believing the Schiedmayer mark had been abandoned for pianos, Piano Factory acquired the domain name *schiedmayer.com* and obtained a trademark registration for the mark. It proceeded to fix the Schiedmayer label on pianos and sell them.

Schiedmayer filed a cancellation petition, seeking to cancel Piano Factory's registration for the mark. It alleged that the mark falsely suggested a connection to it, in violation of federal trademark law. The TTAB granted the petition.

THE FEDERAL CIRCUIT TUNES IN

On appeal, Piano Factory contended that the ATJs who ruled in its case were unconstitutionally appointed. It cited the Supreme Court's ruling in *U.S. v. Arthrex, Inc.*, which came out before the parties filed their appellate briefs.

The Federal Circuit, however, noted that one of the problems regarding the PTAB was that the Patent

and Trademark Office (PTO) director couldn't review its decisions. The Supreme Court's remedy was to allow the PTO director to review final PTAB decisions and, on review, issue decisions on the board's behalf.

Doing so aligned the PTAB with the other adjudicative body in the PTO — the TTAB. Thus, the Supreme Court effectively confirmed that the statutory scheme governing TTAB decision-making doesn't suffer from the PTAB's Appointment Clause problem.

The Trademark Modernization Act of 2020 (TMA) explicitly confirmed the PTO director's authority to review TTAB decisions. But, because that law was enacted after the TTAB's ruling in this case, Piano Factory argued that the pre-TMA ATJs were unconstitutionally appointed. The Federal Circuit rejected this notion. It pointed out that, even before the TMA, the trademark laws gave the PTO director supervisory control over ATJs.

A KEY DECISION

Things didn't go as Piano Factory Group hoped, as the Federal Circuit affirmed the TTAB's review structure. Any lingering uncertainty after *Arthrex* is moot. □





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