

Intellectual Property

2010-2011 WINTER BULLETIN

The Supreme Court Heeds Calls to Consider Lowering the Standard of Proof for Patent Validity Challenges

BY ILANA S. RUBEL

On November 29, 2010, the Supreme Court granted *certiorari* in *Microsoft Corporation v. i4i Limited Partnership*, 598 F.3d 831 (Fed. Cir. 2010), *cert. granted*, 79 U.S.L.W. 3326 (U.S. Nov. 29, 2010) (No. 10-290), a case that could prove to be a patent litigation game-changer. The Court was asked by Microsoft (and a small army of *amici*) to strike the Federal Circuit's long-held rule that all patent invalidity defenses, even those based on prior art never considered by the USPTO, must be proven by clear and convincing evidence. The granting of *certiorari* suggests that the Supreme Court is seriously considering reducing the standard of proof for invalidity defenses to a lower "preponderance of the evidence" standard in at least some circumstances; the likely repercussions of the ultimate ruling have broader implications.

It is possible that the Court will simply endorse the Federal Circuit's current standard, if that were the plan it is not clear why the Supreme Court would have bothered to take the case at all. Assuming some change in the standard is likely, the Court could strictly limit any change in the standard of proof required to show invalidity, or it could take a more sweeping approach, lowering the standard from "clear and convincing evidence" to a "preponderance of the evidence" standard for all invalidity challenges, even as to prior art considered by the USPTO (as some *amici* propose). Many herald a loosening of the invalidity standard of proof that could stem the tide of questionable patent suits. At the same time, others predict dire unintended consequences of such a change, claiming the USPTO would face a debilitating deluge of irrelevant prior art, the validity of all patents suddenly would become uncertain, and incentives to invent would evaporate.

The Patent Act's Presumption of Validity and the Federal Circuit's Standard of Proof

Section 282 of the Patent Act, 35 U.S.C. § 282, states, in relevant part:

A patent shall be presumed valid. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

While the statute itself specifies no particular standard of proof for the establishment of invalidity, for more than 25 years, the Federal Circuit has interpreted the presumption of validity codified in the provision to require that invalidity of a patent must be proven by clear and convincing evidence rather than by a preponderance of the evidence.

The Federal Circuit instituted this rule in order to accord deference to the work done by the USPTO patent examiner, who holds expertise in the area of the claimed invention, has examined pertinent prior art, and has found the patent at issue to be valid. However, the Federal Circuit has applied the heightened "clear and convincing evidence" standard to all invalidity defenses, regardless of whether the prior art evidence at issue was ever presented to or considered by the patent examiner during prosecution of the patent being asserted.

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Dicta in the Supreme Court's decision in *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007), raised doubts about whether such uniform application of the clear and convincing standard is appropriate. The Court noted therein that "the rationale underlying the presumption—that the USPTO, in its expertise, has approved the claim—seems much diminished" when the prior art underlying the invalidity defense was never presented to the USPTO. Moreover, prior to the creation of the Federal Circuit in 1982, all regional circuit courts had challenged or rejected the application of a clear and convincing evidence standard to invalidity defenses where the prior art in question had not been considered by the USPTO. However, notwithstanding *KSR International* and the historical treatment of the issue by circuit courts, the Federal Circuit has adhered to its application of the heightened evidentiary standard to all invalidity defenses.

The *Microsoft v. i4i* Case

The underlying rationale for the current heightened invalidity standard is coming under fire in *Microsoft v. i4i*, a case that reflects the largest patent infringement verdict ever to be affirmed on appeal. *i4i* brought suit against Microsoft alleging that the latter's WordPerfect software infringed *i4i*'s patent related to customizing extensible markup language, or XML. Microsoft contended at trial that the disclosed invention had been embodied in an earlier version of *i4i*'s software that had been sold years before the patent application was filed. If true, this would render the purported invention unpatentable under the "on-sale bar" of 35 U.S.C. § 102(b).

There was no dispute that this earlier, potentially invalidating version of *i4i*'s software was not provided to the patent examiner during the patent's prosecution (although *i4i* did dispute that the earlier software practiced the invention). However, because the source code for the earlier product had been destroyed prior to the filing of the lawsuit, the U.S. District Court for the Eastern District of Texas jury concluded that Microsoft could not show invalidity by clear and convincing evidence. Microsoft was ordered to pay \$290 million for its alleged infringement, an award that was upheld by the Federal Circuit on appeal.

Microsoft petitioned the Supreme Court for *certiorari*, arguing that the rationale for application of a "clear and convincing" standard is not present when the invalidity defense rests on prior art evidence that was not presented to or considered by the USPTO. That is,

why accord deference to the examiner's conclusion as to materials the examiner did not even consider?

Of perhaps greater note than Microsoft's petition, however, was the cavalry riding to Microsoft's defense. Eleven *amicus curiae* briefs were filed in support of Microsoft's position – the most such filings in support of a *certiorari* petition in eight years. The filers comprised a remarkable array of academic and industry players, including Google, Verizon, Dell, Hewlett-Packard, Walmart, Apple, Facebook, Yahoo!, Intel, Intuit, Netflix, Toyota, Cisco Systems, General Motors, the Electronic Frontier Foundation, the Securities Industry and Financial Markets Association, and a group of 36 law, business, and economics professors.

Some of these *amici* focused on the problems the current elevated standard creates for their particular industries, but all agreed that the current system wrongly stacks the deck in favor of patent holders to the detriment of the public interest. A few went further even than Microsoft; the professors, for example, argued that in light of the inadequate resources of the USPTO, validity should always be determined under a preponderance rather than a clear and convincing standard for all cases, not merely in those instances in which previously unconsidered art is at issue. They noted that on average, an examiner spends between 16 and 17 hours spread over a period of three to five years on any given patent application – a minimal time investment that should not entitle that examiner's conclusion to any special deference.

The brief signed by Google, Verizon, Dell, and other industry players made a similar recommendation, noting that neither the Patent Act nor public policy considerations require the validity standard ever to differ from the preponderance standard in effect for all other civil litigation. They cite *KSR* in arguing that invalid patents "stifle, rather than promote, the progress of useful arts."

Undaunted by the crowd in Microsoft's court, *i4i* argued forcefully against a judicial change to the current standard in its November 5, 2010 opposition to Microsoft's *certiorari* petition. Therein, *i4i* pressed the Supreme Court to exercise judicial restraint and refrain from making changes to the law that Congress has to date declined to undertake. *i4i* pointed out that Congress has been well aware of the Federal Circuit's heightened standard for invalidity challenges for decades. During that time, Congress has made other changes to the Patent Act while electing not to

alter this standard; thus it should be inferred that Congress intended to retain the current clear and convincing standard for all invalidity challenges. ¹⁴ further emphasized that Congress has made it easier to challenge patents through the reexamination process, evidencing a legislative intent that validity be challenged primarily through USPTO proceedings rather than through the courts.

Opening briefs to the Supreme Court are due January 20, 2011, and it is likely that many of the policy and legal arguments on both sides will parallel the points made in the briefs seeking or opposing a grant of *certiorari*. However, there remain many practical questions surrounding such a potentially seismic shift in the law. Will every current defendant asserting an invalidity defense seek to have proceedings stayed pending this ruling? If the Supreme Court eliminates the clear and convincing standard as to art not considered by the USPTO, will the USPTO become unmanageably clogged by vast and voluminous filings of every conceivable piece of prior art? Will there actually be an increase in litigation, as parties that would otherwise have entered into licenses with patent holders may be more inclined to challenge the validity of those patents in court? Will innovators rely more heavily on trade secret protections rather than disclose inventions in patent applications and risk the higher chance of an invalidity finding?

This case clearly has caught the attention of the technology world, which views the standard applied to validity challenges in patent suits to be enormously important and often outcome-determinative. In the absence of legislative action to meaningfully curb patent suits, a judicial change to this standard could be the fastest and most practicable means for defendants to obtain relief from proliferating patent suits. However, the ultimate result may not turn out to be what anybody sought or expected. One thing that is certain is that the case will be a primary center of attention in the patent litigation field for the foreseeable future.

Federal Circuit Rejects Attempt to Narrow Standing Requirements for False Patent Marking Claims

BY GUINEVERE JOBSON

On August 31, 2010, the Federal Circuit rejected a procedural attempt to stem the recent flood of “false patent marking” lawsuits and provided guidance

on the standing requirements for pursuing false marking claims under 35 U.S.C. § 292. In *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321 (Fed. Cir. 2010), the Federal Circuit held that the statutory assignment of the United States’s rights in § 292(b) operates to confer standing on an individual as long as the individual alleges that the United States suffered an injury in fact that is causally connected to the defendant’s conduct and is likely to be redressed by the court. Additionally, though the court did not rule on the issue, *amicus* Ciba Vision presented an interesting attack on the constitutionality of § 292, which may prove to be a useful defense in future false marking actions. The court of appeals expressly instructed the district court to consider on remand Brooks Brothers’ motion to dismiss “on the grounds that the complaint fails to state a plausible claim for relief because it fails to allege an ‘intent to deceive’ the public—a critical element of a section 292 claim—with sufficient specificity to meet the heightened pleading requirements for claims of fraud imposed by Rule 9(b).” (citation omitted).

The *Stauffer* decision is part of the recent surge of false marking suits filed since the Federal Circuit ruled late last December that penalties in false marking actions should be imposed on a per article basis, as opposed to a single \$500 penalty for all falsely marked product. See *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009). The *Forest Group* ruling clarified that the penalty provision of the false marking statute “clearly requires that each article that is falsely marked with intent to deceive constitutes an offense under 35 U.S.C. § 292.” This ruling has caused concern for manufacturers who are now potentially exposed to large fines for inaccurately marked goods produced in large volumes. Section 292 prohibits affixing the word “patent” to an unpatented article with the purpose of deceiving the public and specifically allows individual plaintiffs to pursue claims in the government’s stead: “Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.”

The *Stauffer* case dealt with plaintiff Stauffer’s allegations that a mechanism used in Brooks Brothers’ bow ties was falsely marked with patent numbers that had expired in the 1950s. Brooks Brothers moved to dismiss based on lack of standing. The United States District Court for the Southern District of New York held that Stauffer had not sufficiently alleged that the United States had suffered an injury from the alleged

false marking because his allegations that Brooks Brothers had wrongfully quelled competition were too hypothetical or conjectural, and thus, the claims were dismissed for lack of standing. On appeal, Stauffer argued that his assertions that the act of false marking had occurred were sufficient to meet the injury-in-fact requirement under *Clontech Laboratories Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005), which held that the public “is clearly injured by false marking because the act of false marking misleads the public into believing that a patentee controls the article in question (as well as like articles).” Thus he argued, as a partial assignee of the United States’ damages claims resulting from the alleged false marking, he had sufficiently alleged standing – no more was needed.

In response, Brooks Brothers argued that the false marking statute’s *qui tam* provision does not enable a plaintiff to circumvent Article III’s standing requirements. Instead, as in *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), a plaintiff must demonstrate: (1) that it has suffered an injury in fact that is concrete and particularized, actual or imminent, and not conjectural or hypothetical; (2) that the injury is causally connected to the challenged action of the defendant and not the result of independent action of some third party not before the court; and (3) that the injury is likely to be redressed by the court. Specifically, Brooks Brothers posited that merely reciting what the statute prohibits and connecting that to a defendant on an “information and belief” or “knew or should have known” basis do not suffice for the purposes of Article III standing. Further, Brooks Brothers argued that Stauffer had not sufficiently pled any injury in fact to any competitor, the market for the products, or the United States economy.

The Federal Circuit agreed with *Stauffer*, and clarified that § 292’s *qui tam* provision operates to confer standing on an individual based on the United States’s partial assignment of its damages claim to “any person.” As such, “Stauffer’s standing arises from his status as ‘any person,’ and he need not allege more for jurisdictional purposes.” Therefore, an individual need only allege that the United States suffered an injury in fact casually connected to the defendant’s conduct that is likely to be redressed by the court. The individual plaintiff is not required to allege injuries to himself, to the public, or to a competitor in order to satisfy standing requirements.

The Federal Circuit also addressed the question of what constitutes sufficient injury in fact to the United States under Article III. The court rejected Brooks Brothers’ argument that abstract harm, such as injury to the interest in seeing that the law is obeyed, is not sufficiently concrete to meet standing. The court also declined to address whether Stauffer’s alleged injuries to himself or alleged injuries to competition were alone sufficient to give him standing.

Additionally, although the court did not rule on the issue, *amicus* Ciba Vision argued that § 292 is unconstitutional on the basis that the government cannot assign a claim to an individual without retaining control over that individual’s actions because such an assignment would constitute a violation of the Take Care Clause of Article II, § 3 of the Constitution. While the Federal Circuit declined to address the question of the constitutionality of § 292, as the issue was not on appeal, the argument that the delegation of the enforcement of patent laws was an impermissible encroachment on the executive branch by Congress may prove to be a viable defense for a business facing a challenge to its marking practices in the future.

The Federal Circuit remanded for consideration the issue of the sufficiency of Stauffer’s intent to deceive allegations. Subsequent decisions citing *Stauffer* suggest that manufacturers may be able to rely on the heightened pleading standards required for claims of fraud to defend against false patent marking claims. *See, e.g., Hollander v. Ortho-McNeil-Janssen Pharms., Inc.*, No. 2:10-cv-00836, 2010 WL 4159265 (E.D. Pa. Oct. 21, 2010) (noting that the Federal Circuit “has yet to address whether § 292’s required showing of deceptive intent invokes the heightened pleading requirements of Federal Rule of Civil Procedure 9(b)” but still finding that plaintiff’s allegations were insufficient to support its fraud-based claims).

In sum, *Stauffer* clarified that an alleged violation of 35 U.S.C. § 292 is sufficient Article III injury to the United States to confer standing on the United States, and that § 292’s assignment of the ability to sue to “any person” is sufficient to confer standing on an individual. There is no need to separately allege injury to the individual or to the public. However, as the Federal Circuit refused to address the constitutionality of § 292 as a violation of the Take Care Clause, this defense potentially remains available to future patent marking defendants. Additionally, courts will continue

to consider the sufficiency of intent to deceive allegations with respect to heightened pleading requirements for claims of fraud.

In addition to *Stauffer*, since the *Forest Group* decision issued, a single plaintiff and his attorneys have filed 40 false patent marking suits in the Northern District of Illinois alone against various defendants for placing false markings on a variety of goods, ranging from Advil to archery equipment. Many of these and other similar suits were stayed pending the Federal Circuit's ruling in *Stauffer* and will now proceed.

Quick Updates

Even When Trade Secret Misappropriation Leads to Financial Loss, a Reasonable Royalty May Apply

The California Court of Appeal for the Sixth District recently provided guidance on whether a defendant should have to pay reasonable royalties for trade secret misappropriation even if the defendant did not profit from the trade secrets. The dispute in *Ajaxo, Inc. v. E*Trade Financial Corporation*, 187 Cal. App. 4th 1295 (2010) began when Ajaxo and E*Trade entered into a confidentiality agreement to protect Ajaxo's trade secrets while E*Trade evaluated Ajaxo's wireless stock trading software. E*Trade ultimately selected Everypath, Inc. as its wireless vendor, but Ajaxo allegedly later discovered that E*Trade and Everypath had used Ajaxo's trade secrets in the software developed by Everypath. Ajaxo sued E*Trade for trade secret misappropriation under the California Uniform Trade Secrets Act, Cal. Civ. Code §§ 3426, et seq. (CUTSA).

At the trial court level, E*Trade was found liable for willful and malicious misappropriation of Ajaxo's trade secrets. Ajaxo elected to pursue damages only based on E*Trade's unjust enrichment from the misappropriation, but the jury found no unjust enrichment had occurred since E*Trade showed it had actually lost over \$2 million on the Everypath collaboration. Ajaxo then requested reasonable royalties from the court, since § 3426 of CUTSA allows this remedy when both (1) the plaintiff's actual losses and (2) the defendant's unjust enrichment are not "provable." The court rejected Ajaxo's request, finding that unjust enrichment was "provable" under CUTSA, but was simply not proven by Ajaxo as a matter of fact. Ajaxo appealed this decision.

The California appeals court explored the CUTSA term "provable" in deciding whether the trial court erred in refusing to award reasonable royalties to Ajaxo. Ajaxo argued that unjust enrichment was not "provable" because the jury ultimately decided that E*Trade was not enriched by the misappropriation. E*Trade argued that Ajaxo presented evidence that could have been sufficient to prove enrichment, but the jury had refused to believe Ajaxo's evidence, so unjust enrichment was "provable" in theory but not proven in practice by Ajaxo.

The appellate court agreed with Ajaxo. Looking to CUTSA's legislative history, the court determined that CUTSA was intended to track the common law practice of permitting reasonable royalties when the plaintiff could not prove actual loss and the defendant made no actual profits. The court further found that, from a public policy standpoint, trade secrets law is intended to maintain commercial ethics standards, which would be better maintained under Ajaxo's interpretation of "provable."

The appellate court also found that E*Trade was estopped from arguing that Ajaxo could have proven an actual loss because Ajaxo opted not to try to prove it. Under CUTSA, if either E*Trade's enrichment or Ajaxo's actual loss were "provable," then the reasonable royalties remedy would not apply. However, the court found that since E*Trade had already taken the position that Ajaxo had suffered no actual loss, E*Trade was now estopped from arguing Ajaxo should have proven an actual loss did occur.

Thus, the appellate court held that neither actual loss nor unjust enrichment was provable, and so remanded the matter to the trial court for determination of reasonable royalties. This decision clarifies that even if a defendant did not profit from its trade secret misappropriation, it may still have to pay reasonable royalties to the plaintiff.

Timely Action Required to Oust Cybersquatters

The New York Times recently lost a case filed with the National Arbitration Forum (NAF) under the Uniform Domain Name Dispute Resolution Policy (UDRP), in which The Times sought transfer of the DEALBOOK.COM domain from Name Administration Inc. See *The New York Times Company v. Name Administration Inc.* (BVI), (Nat. Arb. Forum Claim No. 1349045, decided Nov. 17, 2010).

The Times began using “DealBook” as the name for a business newsletter and blog in 2001. In 2004, NAI registered and began using the DEALBOOK.COM domain to advertise online gaming and travel booking. The Times filed U.S. trademark applications for DEALBOOK in 2006 but waited until 2010 to file a UDRP complaint against NAI. In order for The Times to succeed in the UDRP claim, it had to prove each of the following:

- (1) The domain name was identical or confusingly similar to a trademark owned by The Times;
- (2) NAI had no rights or legitimate interest in the DEALBOOK.COM domain name; and
- (3) The domain was registered and was being used in bad faith.

The Times lost because it was unsuccessful in proving the first prong. It argued that it had coined the term “dealbook” and alleged that it had established rights in the term through the DealBook blog and newsletters since 2001 and also through ownership of the trademark registrations filed in 2006. The Times submitted evidence that it provided the DealBook blog and newsletter prior to NAI’s 2004 registration of the DEALBOOK.COM domain, as well as information about a 2001-2002 advertising campaign that cost \$120,000. Most of The Times’s evidence pertained to the period *after* 2004. Although The Times’s DealBook blog currently has 160,000 daily users and won awards in 2007 and 2008, the NAF panel found that there was insufficient evidence that the general public, including NAI, “knew or should have known” of The Times’s alleged rights in DEALBOOK from 2001-2004.

UDRP decisions are not precedential, but they can influence other panels. Therefore, it is worth noting two aspects of this decision.

First, the NAF panel pointed out that since The Times “was computer savvy regarding internet usage and domain names as well as knowledgeable concerning trademark law, [The Times’s] failure to secure and register the disputed domain name or to seek governmental registration of its mark until 2006 supports a conclusion that [The Times] did not deem that it had any exclusive rights to enforce until that time.” This point illustrates that businesses should periodically review the names they use for products and services and file applications to register important trademarks.

Second, the NAF panel stated that it “believes that the doctrine of laches should be expressly recognized as a valid defense in any domain dispute where the facts so warrant.” Laches may be invoked as a defense in civil cases when the plaintiff has unreasonably delayed in filing its claim to the defendant’s detriment. However, laches is not expressly recognized as a valid defense under the UDRP. In this decision against The Times, the NAF panel states that laches should apply because The Times is a sophisticated owner of many trademarks on the Internet but failed to act for over six years while the domain owner developed the DEALBOOK.COM website for its own legitimate purposes. It is unclear whether laches will be an available defense in UDRP proceedings, but the opinion in this case might bring us closer to that possibility. Trademark owners should not delay in putting cybersquatters on notice and filing UDRP or civil actions when warranted.

Law Firm Sued for Sham Reexaminations

A recent trend in patent litigation has been the rising number of defendants requesting that the USPTO reexamine the validity of the patents asserted in the lawsuit. If performed early enough in the litigation, some courts are willing to place the case on hold pending the outcome of the reexamination. Both Congress and the USPTO have encouraged reexamination proceedings to be more widely utilized.

Generally, whether to employ a particular litigation-related tactic, such as requesting reexamination of the patent at issue in the litigation, is a cost-benefit decision. Bad behavior is deterred by the potential cost of the other party bringing additional claims. However, when it comes to reexaminations, the potential costs are few.

The recent case *Lockwood v. Sheppard Mullin*, No. CV 09-5157 (C.D. Cal. filed Jul. 15, 2009), illuminates the potential costs of a defendant requesting an allegedly unwarranted reexamination. Mr. Lockwood was a patent owner that had sued a number of defendants for patent infringement. The law firm Sheppard Mullin, acting on behalf of one of the defendants, requested an *ex parte* reexamination. The USPTO granted the request. After Mr. Lockwood allegedly incurred substantial legal costs, the USPTO affirmed the validity of the patents.

Mr. Lockwood then sued Sheppard Mullin, alleging that the law firm fraudulently mischaracterized the prior art submitted to the USPTO as part of the request for reexamination.

The district court dismissed his suit on numerous grounds, but the most influential decision was that federal law preempts any state law cause of action related to fraud on the USPTO. The Federal Circuit affirmed without a written opinion. Mr. Lockwood was left with few options, as there are no federal laws that explicitly prohibit a party from filing allegedly unwarranted reexamination requests.

While the *Lockwood* case is not binding on other courts, it does raise a serious question for future litigations. If a patent holder has no ability to punish persons for unwarranted reexamination requests, what can stop an unscrupulous party from lying to the USPTO to initiate a reexamination? While the USPTO has the power to discipline an attorney who makes a request for a reexamination without a reasonable basis, such liability only affects the attorney, not the party requesting a reexam. Some commentators have asserted that the USPTO rarely enforces such ethical rules, though frequently this position is stated in a conclusory manner. Nonetheless, unless either the Federal Circuit or Congress acts, patent attorney disciplinary action by the USPTO remains the only barrier against unwarranted reexamination requests. Only time will tell whether patent practitioners will risk their USPTO registrations by filing baseless reexamination requests.

First Circuit to Address Limits on Copyright Damages

Joel Tenenbaum, an undergraduate student, was sued by five major record labels alleging copyright infringement for illegally downloading and distributing music owned by the labels, using a variety of music file sharing online services. The music labels sought statutory damages for the infringing acts instead of trying to prove actual damages. *Sony BMG Music Entertainment v. Tenenbaum*, 672 F. Supp. 2d 217 (D. Mass. 2009). Statutory damages do not depend on the actual harm to the copyright holder or the ill-gotten gains of the infringer, and awards can range between \$750 and \$30,000 for each infringed work. In the case of willful infringement, awards can go as high as \$150,000.

The fact that Tenenbaum actually had engaged in the infringing acts was not really at issue in the case – he admitted to downloading and distributing the 30 sound recordings addressed in the case. The issues for the jury were whether Tenenbaum’s infringing conduct was willful and how much the plaintiffs should be awarded in statutory damages. In July 2009, the jury awarded the plaintiffs \$675,000 in damages – \$22,500 per song.

Tenenbaum moved for new trial, or *remittitur*, raising both common law and constitutional grounds. The court reminded us that, “remittitur permits a court to review a jury’s award to determine if it is ‘grossly excessive, inordinate, shocking to the conscience of the court, or so high that it would be a denial of justice to permit it to stand.’” However, remittitur is only available if the plaintiffs are willing to accept a reduced damages award – and the plaintiffs in *Tenenbaum* made it clear they would not accept any reduction in the original award.

Judge Gertner of the U.S. District Court for the District of Massachusetts noted that while statutory damages are available for registered copyright works, and the court must “accord substantial deference to legislative judgments concerning appropriate sanctions for copyright infringement,” such deference “must not be slavish and unthinking.” She went on to state that “[t]his is especially so in this case since there is substantial evidence indicating that Congress did not contemplate that the Copyright Act’s broad statutory damages provision would be applied to college students like Tenenbaum who file-shared without any pecuniary gain.”

In the summer of 2010, Judge Gertner reduced the damages against Tenenbaum by 90 percent, to \$67,500, concluding that the jury’s award for the infringement of the 30 copyrighted works was “unconstitutionally excessive.” Judge Gertner held that the original \$675,000 award was “far greater than necessary to serve the government’s legitimate interests in compensating copyright owners and deterring infringement. In fact, it bears no meaningful relationship to these objectives.”

Both Tenenbaum and the plaintiffs have filed to appeal Judge Gertner’s ruling. The First Circuit Court of Appeal’s decision will be worth watching for, as the appellate court addresses the constitutional limits on statutory damages under the Copyright Act.



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