

**RECENT DEVELOPMENTS IN
INFORMATION TECHNOLOGY LAW – Second Quarter 2014**

**BY:
DAVID R. SYROWIK**



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U.S. SUPREME COURT

Patents

As reported at U.S., No. 13-298, on June 19, 2014, a unanimous Supreme Court ruled that the method, system and readable media claims of a patent were drawn to patent ineligible subject matter under 35 U.S.C. § 101. The patent is directed to a computerized trading platform for exchanging obligations where “settlement risk” is eliminated by using a trusted third party to settle the obligations between the first and second parties. Justice Thomas followed the analysis set out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, asking: (1) whether the claims at issue are directed to a patent-ineligible concept; and (2) whether the claims’ elements, considered both individually and as an ordered combination, transform the nature of the claim into a patent-eligible application. On the first question, the Court concluded that the claims in this case for a method of mitigating settlement risk with an intermediary is just as ineligible as the method claims to the abstract idea of hedging risks struck down in *Bilski v. Kappos*. On the second question, the Court found that the abstract idea claim does not contain an inventive concept that transforms it into a patent eligible claim. The introduction of a computer into the claims does not alter the analysis, according to Justice Thomas, citing the Court’s decisions in *Gottschalk v. Benson*, *Parker v. Flook*, and *Diamond v. Diehr*. These cases show that mere recitation of a generic computer will not transform a patent ineligible abstract idea into a patent-eligible invention. Despite the claims recitation of “specific hardware,” that hardware consists of “purely functional and generic” components included in nearly every computer. Thus, none of the hardware recited “offers a meaningful limitation beyond generally linking ‘the use of the [method] to a particular technological environment,’ that is, implementation via computers.” Viewed as a whole, these method claims simply recite the concept of intermediated settlement as performed by a generic computer. They do not, for example, purport to improve the functioning of the computer itself or effect an improvement in any other technology or technical field. An instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is not “enough” to transform the abstract idea into a patent-eligible invention. *Alice Corporation Pty. Ltd. v. CLS Bank International*.

As reported at 88 BNA’s PTCJ371, on June 2, 2014, the Supreme Court ruled that there can be no liability for induced patent infringement when there is no underlying direct infringement. The high court says that allowing liability for induced infringement when there has been no underlying direct infringement “would deprive 35 U.S.C. § 271(b) of ascertainable standards” and “require the courts to develop two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement.” *Limelight Networks, Inc. v. Akamai Technologies, Inc.*

As reported at 88 BNA’s PTCJ 373, on June 2, 2014, the Supreme Court ruled that the phrases “amenable to construction” and “insolubly ambiguous” for purposes of

identifying an indefinite patent claim “lack the precision” demanded by 35 U.S.C. § 112. The decision eliminates the standard used by the Federal Circuit and vacates a ruling that had been in favor of patentee Biosig. *Nautilus, Inc. v. Biosig Instruments, Inc.*

As reported at 88 BNA’s PTCJ 28, on April 29, 2014, the Supreme Court ruled that the current standard for finding an “exceptional” patent case, for purposes of awarding attorneys’ fees to the winner, “is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.” The court overturns the Federal Circuit’s two-pronged test that required a showing of both objective baselessness and subjective bad faith. *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*

As reported at 110 USPQ2d 1343, on April 29, 2014, the Supreme Court ruled that determination of whether a case is “exceptional,” one warranting award of attorneys’ fees under 35 U.S.C. § 285, is reviewed for abuse of discretion on appeal, and is not subject to de novo review, since 35 U.S.C. § 285 commits determination of whether case is “exceptional” to discretion of district court; all aspects of district court’s “exceptional case” determination are subject to abuse-of-discretion standard. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*

Copyrights

As reported at 88 BNA’s PTCJ233, on May 19, 2014, the Supreme Court ruled that the common law doctrine of laches cannot bar a copyright claim that was brought within the congressionally prescribed statute of limitations. The court reverses the Ninth Circuit’s dismissal of a copyright infringement claim brought by the daughter of the “Raging Bull” screenwriter. The high court finds “nothing untoward” about a plaintiff holding off on filing a claim until it sees that a defendant’s exploitation of a copyright has been profitable. *Petrella v. Metro-Goldwyn-Mayer, Inc.*

U.S. COURTS OF APPEAL

Patents

As reported at 87 BNA's PTCJ942, on February 24, 2014, the U.S. Court of Appeals for the Federal Circuit ruled that SAP failed to provide an expert witness to invalidate elcommerce.com's means-plus function patent claims. The court accuses the high tech firm of persuading the district court of a Federal Circuit standard that is incorrect. *Elcommerce.com, Inc. v. SAP AG*.

As reported at 87 BNA's PTCJ1001, on March 3, 2014, the U.S. Court of Appeals for the Federal Circuit reversed a claim construction judgment, rejecting Apple's argument that the patentee had overridden the plain meaning of computer-related terms. Term "program," in claims for method of verifying that software program on computer is licensed, is properly given its ordinary meaning as "set of instructions" for computer, and term thus encompasses both operating systems and applications that run on them, since "program," to computer programmer, means "set of instructions," since claim language points against narrow interpretation that would limit term to applications programs, and since nothing in specification or prosecution history clearly narrows term "program." *Ancora Techs., Inc. v. Apple, Inc.*

As reported at 87 BNA's PTCJ1149, on March 14, 2014, the U.S. Court of Appeals for the Federal Circuit overturned a district court's claim construction and gave broader scope that would cover the images presented to Street View users. Asserted claims directed to methods for creating synthesized images of geographic areas, which require images depicting views of objects in geographic area to be "substantially elevations" of objects, do not exclude curved or spherical images depicting views that are substantially front or side views of objects. *Vedderi, LLC v. Google, Inc.*

As reported at 88 BNA's PTCJ 12, on April 25, 2014, the U.S. Court of Appeals for the Federal Circuit overturned Judge Posner's dismissal of the mobile phone patent battle between Apple and Motorola, with the result largely in Apple's favor. A fractured decision criticizes the lower court's rulings on claim construction, damages evidence, handling of the reasonable royalty analysis, injunctions when a patent is on a component and injunctions when the patent infringed is standard-essential. *Apple Inc. v. Motorola, Inc.*

As reported at 88 BNA's PTCJ 308, on May 27, 2014, the U.S. Court of Appeals for the Federal Circuit ruled that Google wins an appeal challenging a patent for basic web page communication in an invalidity affirmance. The patent claims priority to the early days of the World Wide Web, but it is defeated by an even earlier posting on the "Usenet" bulletin board system that preceded the web and was used by programmers to discuss early web application development. *Suffolk Techs., LLC v. AOL Inc.*

As reported at 110 USPQ2d 1451, on April 7, 2014, the U.S. Court of Appeals for the Federal Circuit ruled that computer-based, means-plus-function claim, in declaratory defendant's patent directed to automated exchange for trading financial instruments, is not invalid for failing to disclose step-by-step algorithm for performing recited function of "matching" professional orders "on a pro rata basis"; person of ordinary skill in art would understand algorithmic structure for performing claimed function using size-based, pro rata matching. *Chi. Bd. Options Exchange, Inc. v. Int'l Sec. Exchange, LLC*.

Patents/Declaratory Judgment

As reported at 87 BNA's PTCJ 1358, on April 4, 2014, the U.S. Court of Appeals for the Federal Circuit ruled that Microsoft did not have standing to file a declaratory judgment action against patent assertion entity DataTern as to one patent, based on DataTern's characterization of how the customer was using Microsoft's allegedly infringing product. *Microsoft Corp. v. Datatern, Inc.*

Patents/Licensing

As reported at 88 BNA's PTCJ 100, on May 5, 2014, the U.S. Court of Appeals for the Federal Circuit, in a battle over a prospective license for standard-essential patents owned by Motorola and used by Microsoft's Xbox gaming systems, finds that jurisdiction is properly before the Ninth Circuit instead, with the issue primarily being whether Motorola breached its agreement with the relevant standards bodies. *Microsoft Corp. v. Motorola, Inc.*

Copyrights

As reported at 88 BNA's PTCJ 159, on May 9, 2014, the U.S. Court of Appeals for the Federal Circuit reversed a district court's determinations in a software battle, concluding that Oracle is entitled to copyright protection on portions of Java-compatible computer programming used in all mobile phones based on Google's Android operating system. The opinion faults the lower court for importing issues related to infringement—the merger doctrine and fair use—into its analysis of copyrightability. *Oracle Am., Inc. v. Google Inc.*

As reported at 109 USPQ2d 1799, on February 26, 2014, the U.S. Court of Appeals for the Ninth Circuit ruled that plaintiff is likely to succeed on merits of her claim, and is entitled to preliminary injunction in infringement action based on defendant film producer's use of plaintiff's performance in anti-Islamic film, which was posted on Internet video site, and which defendant Internet video service refused to take down after numerous requests by plaintiff. *Garcia v. Google, Inc.*

As reported at 88 BNA's PTCJ 439, on June 10, 2014, the U.S. Court of Appeals for the Second Circuit ruled that the fair use doctrine permits the unauthorized digitization of copyrighted works in order to create a full-text searchable database. Affirming

summary judgment in favor of a consortium of university libraries, the court also rules that the fair use doctrine permits the unauthorized conversion of those works into accessible formats for use by persons with disabilities, such as the blind. *Authors Guild, Inc. v. HathiTrust*.

Copyrights/DMCA

As reported at 87 BNA's PTCJ 1277, on March 28, 2014, the U.S. Court of Appeals for the Sixth Circuit ruled that the jury had sufficient evidence from which to determine that a defendant "wilfully" violated the Digital Millennium Copyright Act (DMCA) when he installed a modification chip on a Nintendo Wii that allowed the console to play pirated games. Jury instructions on "deliberate ignorance," in criminal prosecution under DMCA, did not negate DMCA's "willfulness" requirement by permitting jury to convict based on finding that defendant knew he was trafficking in technology for circumventing access-control measures. *United States v. Reichert*.

Copyrights/Joinder

As reported at 110 USPQ2d 1838, on May 27, 2014, the U.S. Court of Appeals for the District of Columbia ruled that "John Doe" defendants in infringement action, who allegedly downloaded and shared copyrighted film using "BitTorrent" file-sharing service, are not subject to joinder under Fed. R. Civ. P. 20(a)(2), since plaintiff has offered no reason to believe that Doe defendants were ever participating in same file-sharing "swarm" at same time. *AF Holdings, LLC v. Does 1-1058*.

Trademarks

As reported at 87 BNA's PTCJ 1367, on April 4, 2014, the U.S. Court of Appeals for the Seventh Circuit ruled that a technology company that used the "Android Data" mark in the 1990's conclusively abandoned the mark when it ceased operating in 2002 and never successfully reclaimed the mark before Google launched its Android operating system in 2007. The appeals court accordingly affirms a grant of summary judgment in Google's favor on claims that its Android operating system for mobile phones infringed the Android Data mark. *Specht v. Google Inc.*

Trademarks/Jurisdiction

As reported at 88 BNA's PTCJ185, on May 9, 2014, the U.S. Court of Appeals for the Seventh Circuit ruled that the maintenance of an interactive website that is accessible in Indiana and the sale of a few products to Indiana residents do not create necessary minimum contacts that would subject the website's owner to personal jurisdiction in Indiana. The appeals court accordingly reverses a trademark infringement award that was

based on the defendant's alleged use of plaintiff's "PepperBall" trademarks. *Advanced Tactical Ordnance Sys., LLC v. Real Action Paintball, Inc.*

Trade Secrets

As reported at 109 USPQ2d 2110, on March 11, 2014, the U.S. Court of Appeals for the Tenth Circuit affirmed jury's award of reasonable royalty damages to plaintiff software company for misappropriation of trade secrets, even though defendant did not put trade secrets to his own commercial use, since state law permits royalty award for disclosure of trade secret, and defendant shared misappropriated source code with rival company. *StorageCraft Tech. Corp. v. Kirby.*

U.S. DISTRICT COURTS

Copyrights

As reported at 88 BNA's PTCJ161, on May 9, 2014, the U.S. District Court for the Southern District of New York held that a bank that lost its license to use a software application when it sold its subsidiary in 2007 must stop using the copyrighted software within a year. *Complex Sys., Inc. v. ABN AMRO Bank N.V.*

As reported at 109 USPQ2d 1783, on February 4, 2014, the U.S. District Court for the Eastern District of New York granted infringement plaintiff summary judgment on affirmative defense asserting that copyrighted website framework at issue is work made for hire owned by defendants, even though original agreement between parties includes express, written language required for creation of work for hire, since under express terms of agreement, it would not be valid unless defendants executed it within 30 days after it was signed by plaintiff, and defendants did not meet that deadline. *Zenova Corp. v. Mobile Methodology, LLC.*

As reported at 109 USPQ2d 2099, on February 19, 2014, the U.S. District Court for the District of Utah ruled that defendant Internet-based, broadcast, television-streaming service that, without license, streams infringement plaintiffs' broadcast television content captured by miniature antennas to subscribers' computers and mobile devices, "publicly performs" that content as defined by Copyright Act, and plaintiffs have therefore demonstrated likelihood of success on merits of their claims, and are granted preliminary injunction. *Cnty. Television of Utah, LLC v. Aereo, Inc.*

As reported at 110 USPQ2d 1518, on April 22, 2014, the U.S. District Court for the Central District of California ruled that plaintiff film writer and director's claim for contributory copyright infringement against online media outlet is dismissed, since plaintiff avers that defendant facilitated and encouraged public's violation of plaintiff's copyright in screenplay, which was purportedly leaked to public without plaintiff's authorization, by providing hyperlinks to copies of screenplay on third-party websites, but plaintiff does not allege single act of direct infringement committed by any member of general public. *Tarantino v. Gawker Media, LLC.*

Copyrights/Licensing

As reported at 87 BNA's PTCJ 867, on February 13, 2014, the U.S. District Court for the District of Nevada ruled that some Oracle software licenses do not allow copying by third-party servicer. Provision in licensing agreement between plaintiff enterprise software developer and city licensee, authorizing city to make reasonable number of copies of licensed software for use in accordance with terms of license, for archive or emergency back-up purposes, and/or disaster recovery testing purposes, does not authorize defendant third-party software services provider to make copies of licensed software in order to provide software support services to city. *Oracle USA, Inc. v. Rimini St., Inc.*

As reported at 110 USPQ2d 1218, on March 24, 2014, the U.S. District Court for the District of Massachusetts ruled that defendant website operator's motion to dismiss copyright claims is denied in action in which plaintiffs contend that they hold copyrights to allegedly defamatory "reports" about attorney posted on defendant's gripe site, and defendant asserts that it acquired exclusive license to use reports when they were posted pursuant to defendant's "Terms & Conditions." *Small Justice LLC v. Xcentric Ventures LLC*.

Copyrights/DMCA

As reported at 87 BNA's PTCJ 869, on January 29, 2014, the U.S. District Court for the Central District of California ruled that DMCA safe harbor does not mandate that all repeat infringer content be deleted. *Perfect 10, Inc. v. Giganews, Inc.*

Copyrights/False Advertising

As reported at 87 BNA's PTCJ 870, on February 11, 2014, the U.S. District Court for the Northern District of California ruled that plaintiff's definition of "authentication" fails with regard to digital evidence software. Defendant is granted summary judgment that its advertising, claiming that its Authenticated Digital Asset Management System (ADAMS) software "authenticates" digital images, is not literally false, since defendant's ADAMS software can verify that image has not been altered between time image is placed in software system until it is retrieved, and since record shows that in this industry, both manufacturers and purchasers of software use term "authentication" to refer to process of ensuring that image is unaltered from time it is entered into system. *Kwan Software Eng'g, Inc. v. Foray Techs., LLC*.

Copyrights/Right of Publicity

As reported at 87 BNA's PTCJ 1210, on March 24, 2014, the U.S. District Court for the Southern District of New York ruled that a defendant that operates a popular website featuring hip-hop mixtapes and music videos was liable for copyright infringement and violated rapper 50 Cent's right of publicity by using various images of the rapper in the website's masthead. *Jackson v. Odenat*.

Trademarks

As reported at 88 BNA's PTCJ188, on May 12, 2014, the U.S. District Court for the Southern District of California ruled that the company behind the "Hanginout" mobile app failed to show that Google's "Hangout" app would create a likelihood of confusion with its product. Denying Hanginout's motion for a preliminary injunction, the court also rejects Google's motion to dismiss Hanginout's trademark claims, after finding that it had sufficiently pleaded its claims against Google, even if there had not been sufficient evidence in the record for an injunction. *Hanginout, Inc. v. Google, Inc.*

As reported at 109 USPQ2d 1553, on December 19, 2013, the U.S. District Court for the Southern District of Ohio ruled that plaintiff private jet services company that uses “Intellijet” as name for software that it employs as necessary tool to provide high level of services to its customers has failed to show that it uses “Intellijet” in commerce as trademark, since plaintiff does not market software itself. *NetJets Inc. v. IntelliJetGrp., LLC*.

Trademarks/False Advertising

As reported at 109 USPQ2d 2073, on November 7, 2013, the U.S. District Court for the Western District of Virginia ruled that plaintiff software provider’s allegations that defendants posted messages on social media that misrepresented geographic origin of plaintiff’s goods, and impugned quality of plaintiff’s goods and services, are sufficient to state claims for false advertising under Lanham Act and Virginia law; social media posts constituted commercial speech, and were aimed at relevant purchasing public so as to constitute “advertising”. *AvePoint, Inc. v. Power Tools, Inc.*

Trade Secrets

As reported at 109 USPQ2d 2035, on September 4, 2013, the U.S. District Court for the Northern District of Georgia ruled that claim alleging misappropriation of trade secrets embodied in plaintiff’s security software for mobile devices will not be dismissed, since Georgia Trade Secrets Act states that “programs” may qualify for trade secret protection, and information regarding plaintiff’s software thus may be trade secret, even if appearance and functionality of software program is not, and since plaintiff alleges that users of its software were subject to end user license agreements containing confidentiality provisions. *AirWatch LLC v. Mobile Iron, Inc.*

U.S. PATENT AND TRADEMARK OFFICE

Patents

As reported at 87 BNA's PTCJ 1159, on March 13, 2014 the Patent Trial and Appeal Board cancelled claims of five patents asserted in an Ohio district court through the "covered business method" proceeding enabled in September 2012 by the America Invents Act. *Liberty Mutual Ins. Co. v. Progressive Cas. Ins. Co.*

As reported at 88 BNA's PTCJ 381, on June 2, 2014, the Patent Trial and Appeal Board in two decisions ruled that Apple succeeded in its challenge to Achates patents on encrypted app store distribution. *Apple Inc. v. Achates Reference Publ'g, Inc.*

Trademarks

As reported at 88 BNA's PTCJ 112, on May 2, 2014, the Trademark Trial and Appeal Board ruled that a company that offers attorney referrals for entertainment practitioners cannot register the "Hollywood Lawyers Online" mark because the public will associate the first word in the mark with a place, not the entertainment industry. The board affirms a refusal to register the mark on the grounds that it is primarily geographically descriptive, rejecting the applicant's argument that consumers would understand the term "Hollywood" to be a reference to the entertainment industry. *In re Hollywood Lawyers Online.*