Intellectual Property

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In This Bulletin

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Knockoffs: Nemesis of the Gaming World

BY JENNIFER LLOYD KELLY AND THEIS FINLEV

On March 22, Amazon launched the Appstore for Android, bringing video games to the fingertips of thousands of Android users who, like their iPhone and iPad-toting friends, can now purchase and play video games anywhere, anytime. Due to mobile device games' ease of access, highly addictive nature, and low price points, the market for such games has exploded in recent years. With many such games achieving almost cult-like status (think *Angry Birds,* which has achieved over 100 million downloads across all platforms), the emergence of knockoffs is practically inevitable.

In fact, we have already witnessed a number of copyright disputes between game developers and their alleged infringers, some of which have actually reached litigation. Most recently, on June 16, 2011, Zynga Inc., developer of several of the most popular Facebook games, sued Vostu Inc. in federal court, alleging that Vostu's games "duplicate and incorporate the unique expressions of Zynga's games." For its part, Vostu responded that its games are full of original content and have been independently created. For good measure, Vostu added that Zynga has itself been accused of copying so many games that it has lost the ability to recognize original games. This suit reflects game developers' increasing vigilance in protecting the copyrights in their games.

However, before attorneys rush to advise their mobile game developer clients to file suit, they should bear in mind the relatively limited copyright protection video games historically have received. While there is not yet a body of copyright law specific to mobile device games, the analytical framework established in video game cases dating back to the 1980s is certain to shape copyright claims involving mobile games.

Thirty years ago, at the dawn of video game litigation, a court found it necessary to explain that video games were "computers programmed to create on a television screen cartoons in which some of the action is controlled by the player." *Stern Electronics Inc. v. Kaufman*, 669 F.2d 852 (2d. Cir. 1982). Since then, while video games have become infinitely more complex, copyright infringement analysis as applied to them has remained rather simple – and the copyright protections afforded most games rather narrow.

Where a video game is based on a sport or other real-life activity, courts generally have been unwilling to find infringement unless the games are virtually identical. These holdings are rooted in the fundamental principle of copyright law that one can receive protection only for the expression of an idea, not the idea itself. Under this principle, certain elements of a work are free for the taking and, hence, cannot form the basis of an infringement claim. These elements include general plots, themes and genres; scènes à faire (common story elements); and purely functional aspects of

the work. In the context of sports or real-life-themed video games, courts have concluded that content such as scoring systems, stereotypical characters, or common sports moves fall within these unprotectable categories. Because those games often are comprised largely of such content, they historically have received little protection under the copyright laws. In *Incredible Technologies, Inc. v. Virtual Technologies, Inc.*, 400 F.3d 1007 (7th Cir. 2005), the U.S. Court of Appeals, Seventh Circuit denied plaintiff's motion for injunctive relief where similarities between *PGA Tour* and *Golden Tee* video games were based on similarities inherent to the game of golf. As the court explained, "golf is not a game subject to totally fanciful presentation," because all golf games feature certain elements, such as sand traps and water hazards. Likewise, in *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988), the court held that Epyx's *World Karate Championship* game did not infringe Data East's *Karate Champ* game because the identified similarities between the games were inherent to all karate video games.

In contrast, games that are more fanciful or imaginative generally have received greater protection against infringers. For example, in *Midway Mfg. Co. v. Bandai-America, Inc.*, 546 F. Supp. 125 (D.N.J. 1982), Midway sought a preliminary injunction to stop Bandai from distributing an alleged knockoff of Midway's *Galaxian*, an outer space game in which the player controls a rocket ship defending itself against a swarm of computer-controlled aliens who attempt to bomb and collide with the player's ship. The court granted the injunction, noting that it was not necessary for Bandai to copy Midway's particular expressions (such as the insectile shape of the aliens' heads) in developing Bandai's own version of an outer space game involving a ship attacked by aliens. But even then, the court was careful to note that Midway's copyright did not preclude the development of other outer space-themed video games based on the same, unprotected idea. Similarly, in *Atari, Inc. v. North American Philips Consumer Electronics Corp.,* 672 F.2d 607 (7th Cir. 1982), *superseded by statute on other grounds* by Fed. R. Civ. P. 52(a), as amended Dec. 1, 1995, the court granted a preliminary injunction against a knockoff of *Pac-Man*, based on similarities between the relative size and shape of the protagonist's bodies, their V-shaped mouths, and their distinctive gobbling action. Yet the court observed that even a fanciful game like *Pac-Man* cannot receive protection for its stock elements, such as its maze, scoring table, tunnel exits, or use of dots to gauge a player's performance.

Indeed, regardless of a game's ilk (sports and real-life versus fanciful), courts generally have conducted their infringement analysis by disregarding, or "filtering out," all unprotectable elements of the games and then comparing any similarities that remain. For instance, in *Capcom U.S.A., Inc. v. Data East Corp.,* 1994 WL 1751482 (N.D. Cal. March 16, 1994), Capcom alleged infringement of its one-on-one street fighting game, *Street Fighter II*, by Data East's *Fighter's History*, claiming that seven of its characters and twenty-seven of the characters' special moves were improperly copied. The court first determined that four of the seven characters were stereotypical characters and 22 of the special moves were based on basic martial arts disciplines and, as such, were unprotectable. After comparing just the remaining three characters and five special moves, the court found that there was no substantial similarity between the games. More recently, in *Capcom Co. v. MKR Group, Inc.,* 2008 WL 4661479 (N.D. Cal. Oct. 20, 2008) (albeit a movie/game comparison), the owner of the rights to the 1979 horror movie *Dawn of the Dead* alleged that Capcom's *Dead Rising* video game violated its copyrights because, among other things, both works involved humans battling zombies in a shopping mall during a massive zombie outbreak. Before comparing the works, the court first filtered out all unprotectable elements, and then concluded that the remaining claimed similarities necessarily flowed from the "unprotectable idea of zombies in a mall" and thus, could not support a finding of infringement.

What these cases suggest is that, in any dispute involving the alleged copying of a mobile device game, the first and most important part of the analysis will be developing a good understanding of the game's particular genre and the elements of the game that are driven by that genre. Unless it can be shown that what has been copied goes beyond these stock elements and into the realm of the author's unique expression, it is likely to be game over for any such claim.

Reigning in the Inequitable Conduct Defense: Federal Circuit's *Therasense* Decision Tightens Standards for Establishing Materiality and Intent

BY DARREN E. DONNELLY AND BETSY WHITE

Responding to views from the United States Patent and Trademark Office (PTO) and elsewhere about the unintended consequences of the current inequitable conduct doctrine, a divided *en banc* U.S. Court of Appeals for the Federal Circuit decision issued on May 25, 2011, which adjusted the materiality standard, making this defense harder to establish. Writing for the majority in *Therasense, Inc. v. Becton, Dickinson & Co.*, 2011 U.S. App. LEXIS 10590 (Fed. Cir. May 25, 2011), Chief Judge Rader laments that the inequitable conduct doctrine had been overused to the detriment of the courts and "the entire patent system," and that the harsh consequences of a finding of inequitable conduct—unenforceability of the entire patent or patent family—warrant a more sparing application of the doctrine. The *Therasense* court then holds: (1) "as a general matter, the materiality required to establish inequitable conduct is but-for materiality" where "prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art," (2) an exception exists "in cases of affirmative egregious misconduct," such as filing an unmistakably false affidavit, (3) "the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO," that is, "prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it," and (4) a "district court should not use a 'sliding scale,' where a weak showing of intent may be found sufficient based on a strong showing of materiality, and vice versa."

Background of the Case

Inequitable conduct is an equitable defense to patent infringement that, if proved, bars patent enforcement. To prove inequitable conduct, the accused infringer must establish that: (1) the applicant misrepresented or omitted material information with the intent to deceive the PTO, and (2) weighing the equities, the applicant's conduct warrants a finding of unenforceability. At issue in *Therasense* were representations by the patentee to the PTO about the meaning of a statement in a prior art patent that appeared inconsistent with arguments about that statement made to the European Patent Office (EPO).

The patent-in-suit involves test strips with electrochemical sensors to measure a blood sample glucose level. It claims a test strip for testing whole blood without a membrane over an electrode on the strip. During prosecution, the PTO repeatedly rejected the claims for anticipation and obviousness based on a prior art patent (also owned by the patentee) which disclosed a similar test strip, but referred to the use of a protective membrane "optionally, but preferably when being used on live blood." Attempting to distinguish its invention, the patentee told the PTO, in both a declaration and amendment, that a person of ordinary skill in the art would understand the statement in the prior art as *requiring* a membrane for use with whole blood. Earlier, when prosecuting the European counterpart of the prior art patent, the patentee had argued that the same statement was "unequivocally clear" that the membrane is *optional*, and merely preferred, for live blood.

Following a bench trial, the district court held the patent unenforceable for inequitable conduct because the patentee did not disclose to the PTO the previous statements it had made to the EPO. A divided Federal Circuit panel affirmed the finding of unenforceability, which was then vacated for rehearing *en banc*.

Tightened Standard for Establishing Materiality and Intent

A six-judge majority of the *en banc* court adopted a "but-for" standard of materiality. Four judges dissented, and one judge concurred in the result but adopted a more flexible materiality standard.

Materiality

A significant aspect of the *Therasense* decision is the court's adoption of the heightened "but-for" standard for establishing materiality. Under this standard, prior art that an applicant fails to disclose to the PTO is only material if the PTO would not have allowed a claim had it been aware of that undisclosed prior art. Notably, the "but-for" standard is a higher bar for establishing materiality than the PTO's regulations in 37 C.F.R. § 1.56 (Rule 56). By not adopting the Rule 56 standard, the majority reasoned that, because Rule 56 sets a low bar for materiality, adopting it as the standard would result in patent prosecutors continuing to disclose

too much prior art of marginal relevance and patent litigators continuing to charge inequitable conduct in nearly every case. A district court applying the "but-for" standard must nonetheless evaluate patentability as the PTO would have: under a preponderance of the evidence standard, giving claim terms their broadest reasonable interpretation.

The court did provide an exception to this heightened "but-for" standard: "When the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material." Its rationale, in part, for accommodating this exception is that an applicant would not go to great lengths to deceive the PTO unless it believed this would affect issuance. Clarifying the exception, the opinion notes that neither "mere nondisclosure of prior art references to the PTO nor failure to mention prior art references in an affidavit" constitutes "affirmative egregious misconduct." Thus, such omissions will require proof of but-for materiality.

Intent

The *en banc* opinion tightened the standard for establishing intent to deceive, clarifying that cases involving nondisclosure of information require specific intent to deceive. "In other words . . . that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it" must be shown. And while acknowledging that it may be necessary to infer specific intent from indirect and circumstantial evidence, the Federal Circuit emphasized that an intent to deceive the PTO must be the *only* reasonable inference that can be drawn from the totality of available evidence. That is, if there are multiple reasonable inferences that may be drawn, only one of which constitutes a specific intent to deceive, this will not satisfy the intent requirement for inequitable conduct.

No Sliding Scale

The court rejected use of a sliding scale approach to materiality and intent requirements for establishing inequitable conduct. Formerly, establishing a strong showing of materiality might compensate for a weak showing of intent to deceive—and vice versa. Emphasizing that these are two separate and unrelated requirements, the Federal Circuit reiterated that no matter how strong the evidence of materiality may be, a district court may not infer intent solely from materiality.

Implications

The tightened standards raise questions about tactics and proof that parties should marshal when litigating inequitable conduct, and how district courts will apply *Therasense*. For patentees fending off inequitable conduct allegations, one issue to watch is how *Therasense* will be applied at the pleading stage. Pre-*Therasense*, the Federal Circuit weeded out inequitable conduct allegations with a rigorous pleading standard emphasizing the factual underpinnings of the elements of the defense. Under that pleading standard, what will district courts require to plead but-for materiality, and, in particular, will patentees be able to successfully challenge, at the pleading stage, a substantively questionable but-for materiality case? *Therasense* requires that "the court must determine whether the PTO would have allowed the claim if it had been aware of the undisclosed reference." A district court's analysis under this test often may require a substantive analysis of the patent-in-suit, its prosecution context, and an understanding of the teachings of the prior-art information at issue (as pled). Busy courts may not welcome the effort required to become confident that a materiality allegation is so lacking in possible merit as to warrant dismissing a claim of inequitable conduct at the pleading stage. At the merits stage, another issue to watch is the role expert opinions will play in determining what the PTO would have done with the undisclosed information.

Another issue is whether reexamination can provide helpful proof in establishing but-for materiality. A party asserting inequitable conduct in litigation could simultaneously seek reexamination based on the omitted information and, if a claim were rejected, argue that this should establish materiality for purposes of the litigation, even before the reexamination has concluded.

What conduct will qualify as "affirmative acts of egregious misconduct" under the but-for materiality requirement is another issue needing clarification. The majority gave one example of a qualifying act—filing of an unmistakably false affidavit—but provided no other guidance beyond incorporating elements of early Supreme Court "unclean hands" cases addressing

"deliberately planned and carefully executed scheme[s]" to defraud the PTO and the courts.

What impact will *Therasense* have on patent prosecution? One *Therasense*-court concern was reducing the prosecutor's incentive to "over disclose" information to the PTO, often without context or explication of relevance. Information routinely disclosed now may no longer qualify as material. Patent prosecutors and portfolio managers should review their disclosure guidelines and practices, including considering what role compliance with PTO Rule 56 and the PTO's "Aids to Compliance With Duty of Disclosure" in the Manual of Patent Examining Procedure will play for information that is not but-for material. Analyzing complex references under the but-for material standard may exceed the cost to disclose them, and some will likely continue to err on the safe side. Paradoxically, *Therasense* may not disincentivize applicants from disclosing "harmless" information, but it may allow greater latitude in making good faith determinations that the information most relevant to an examiner nonetheless need not be disclosed because it is not but-for material, leaving examiners to find the closest prior art. Prudent practitioners will continue to disclose information the examiner should consider; for those practitioners, *Therasense* reduces chances of unfounded allegations of inequitable conduct.

Another consideration for those revisiting prosecution guidelines is to review duty of disclosure compliance near the time of closing of prosecution. Examiners' and applicants' arguments on patentability evolve during prosecution, and information deemed not but-for material early on may be viewed differently later. Litigants will probably fight hard over which acts fall under this new standard, making it an important issue for prosecutors and the courts.

Is the Copyright-Troll Business Model Undone? Righthaven Suffers Three Strikes in a Week

BY MITCHELL ZIMMERMAN

As music rights holders have eased up on legal actions against online end users for copyright infringement, a new wave of suits has been brought by agencies that secure rights in works they deem to have been infringed on websites and blogs. And relying on the leverage provided by the Copyright Act's statutory damages provisions, such so-called copyright "trolls" have often succeeded in extracting nontrivial settlements from individuals and entities, even in situations in which limited or no damages could be established and colorable fair-use issues were present.

One such recent troll, however, has been battered by a week of adverse decisions, rejecting its claimed right to sue, holding that even the reproduction of a news article in its entirety represented fair-use, and threatening the firm with sanctions for "flagrant misrepresentations" to the court. *Righthaven LLC v. Democratic Underground, LLC*, 2011 WL 2378186 (D. Nev. June 14, 2011) (Roger L. Hunt, C.J.); *Righthaven LLC v. Hoehn,* 2011 WL 2441020 (D. Nev. June 20, 2011) (Philip M. Pro, J.); *Righthaven LLC v. DiBiase,* Case No. 2:10-cv-01343-RLH-PAL, Order (D. Nev. June 22, 2011) (Roger L. Hunt, C.J.).

In the first case, Righthaven LLC alleged that it took an assignment of the copyrights in an article owned by Stephens Media (publisher of the *Las Vegas Review-Journal*); registered the copyrights; and then sued Democratic Underground for copyright infringement based on a posting by an end user of the Democratic Underground website that included a selection from the *Las Vegas Review-Journal* article. However, discovery revealed a Strategic Alliance Agreement (SAA) between Righthaven and Stephens Media which indicated that the supposed copyright assignment was not what it appeared. The SAA anticipated future copyright assignments to Righthaven, but provided that notwithstanding any such "assignment," Stephens Media would retain all exclusive rights and that Righthaven would hold no rights other than the right to sue and to receive half of the proceeds of suit.

"Pursuant to Section 501(b) of the 1976 Copyright Act," the district court held, "only the legal or beneficial owner of an exclusive right under copyright law is entitled. . . to sue for infringement. *Silvers v. Sony Pictures Entm't Inc.,* 402 F.3d 881, 884 (9th Cir. 2005) *(en banc)."*

Righthaven's arguments notwithstanding, the court held that the SAA was unambiguous and that it purported to give Righthaven nothing but a right to sue – plainly insufficient for standing under

§ 501(b) and *Silvers*. The court therefore dismissed Righthaven's claims. But the court allowed Democratic Underground's counterclaim for declaratory relief of non-infringement to proceed against Stephens Media.

The court also issued an order to show cause why Righthaven "should not be sanctioned for. . . flagrant misrepresentation to the Court." Chief Judge Hunt noted that "Righthaven [had] made multiple inaccurate and likely dishonest statements to the Court," focusing on "the most factually brazen: Righthaven's failure to disclose Stephens Media as an interested party in Righthaven's Certificate of Interested Parties," apparently in any of the more than 200 cases Righthaven had filed in the Nevada district court, when the SAA gave Stephens a 50 percent interest in the proceeds of the litigation. That order is pending as of this writing.

In the second case, *Righthaven v. Hoehn,* the defendant had posted the entirety of a *Las Vegas Review-Journal* article on an unrelated website. Another judge of the Nevada District Court dismissed the suit on the same ground as in *Democratic Underground,* and, in the alternative, also granted summary judgment on the ground that Hoehn's posting constituted fair use.

"Of the four [statutory fair use] factors [under 17 U.S.C. § 107], only the fact that Hoehn replicated the entire Work weighs against a finding of fair use. Hoehn used the Work for a noncommercial and nonprofit use that was different from the original use. [*i.e.*, to spark discussion on an online forum.] The copyrighted Work was an informational work with only some creative aspects, and the Work was used for an informational purpose. Righthaven did not present any evidence that the market for the Work was harmed by Hoehn's noncommercial use for the 40 days it appeared on the Website. Accordingly, there is no genuine issue of material fact that Hoehn's use of the Work was fair and summary judgment is appropriate."

In the final case, *Righthaven v. DiBiase,* the court relied on the holding and analysis of *Democratic Underground* to dismiss for lack of subject matter jurisdiction.

In a press release, co-counsel for *Democratic Underground* and *DiBiase,* Electronic Frontier Foundation, commented that these outcomes show that "Righthaven's copyright litigation business model is fatally flawed." Whether all copyright-troll litigation shares the flaw uncovered in the *Righthaven* cases is not entirely clear. However, insofar as publishers likely prefer to retain ownership of their copyrights in order (for example) to be able to exploit databases of all of their publications, it would appear that providing authentic assignments to litigation agents would be inconsistent with that goal.

Note: Fenwick & West LLP was pro bono counsel to Democratic Underground, along with Electronic Frontier Foundation and Las Vegas attorney Chad Bowers.

Quick Updates

Supreme Court Clarifies Patent Infringement Inducement Standards

The Supreme Court recently clarified the state of mind that an accused infringer must possess to be liable for inducing patent infringement. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). A patent holder can sue one person (the accused) for inducing another person (the actor) to infringe a patent. To be liable under inducement, the accused must have intended that the infringement occurred. The exact state of mind the accused must possess has been a source of debate.

Before 2006, two lines of cases offered two different standards. The first line of cases held that the accused need only intend the underlying acts occur. The second line of cases held that the accused must also intend that the actor would infringe the patent by performing those acts. For example, imagine a patent that claims steps A, B, and C. Under the first line of cases, the accused only had to intend that the actor performed steps A, B, and C. Under the second line of cases, the accused must also know that doing so would infringe the patent. In 2006, the Federal Circuit clarified the law, choosing the second line of cases to set the standard. To be held liable, the accused must (1) know about the patent and (2) intend that the actor infringe the patent. *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (*en banc*).

Subsequent cases, however, weakened this requirement by holding that actual knowledge of the patent was not required. Instead, some cases held that an accused could be liable if he was deliberately indifferent to the existence of the patent. In *SEB S.A. v. Montgomery Ward & Co., Inc.,* 594 F.3d 1360, 1373–79 (Fed. Cir. 2010), *aff'd sub nom. Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), despite a lack of evidence that the accused had actual knowledge of the patent, the jury decided that the accused "knew or should have known" about the patent. On appeal, the Federal Circuit stated that the accused was deliberately indifferent to the existence of a patent, holding that deliberate indifference was the same as actual knowledge.

On appeal in *Global-Tech*, the Supreme Court abolished the deliberate indifference standard, holding that willful blindness was sufficient to hold an accused liable for inducement. While the accused had hired an attorney to perform a patent search, he had not informed the attorney that he had copied the patentee's design for a deep fat fryer. While the Federal Circuit rejected the trial court's reasoning, the court affirmed the inducement decision, holding that the accused's actions met the newly established test for willful blindness: (1) The accused subjectively believed that there was a high probability that the patent existed; and (2) He took deliberate actions to avoid learning whether such a patent, in fact, actually existed. *Global-Tech,* 131 S. Ct. at 2063.

Under *Global-Tech*, patent holders will have a harder time holding accused parties liable for inducement. Accused parties rarely provide direct evidence of subjective intent that a patent exists, and any related documents are often shielded from discovery by attorney-client privilege. Proving intent using only circumstantial evidence will likely be more difficult under the new standard.

District Court Holds Online Publication Means Publication of a U.S. Work

A federal district court in Florida has held that publication of a work on the Internet constitutes simultaneous publication everywhere in the world, including the United States, requiring that the work be deemed a "United States work" and triggering a Copyright Act requirement that a plaintiff must register the work before filing suit for infringement. *Kernel Records Oy v. Mosley*, 2011 U.S. Dist. LEXIS 60666 (S.D. Fla. June 7, 2011).

Kernel Records Oy, a Finnish record label, alleged that Timothy Mosley, professionally known as "Timbaland," produced a song recording for singer Nelly Furtado that illegally sampled a sound recording owned by Kernel. In June 2011, the U.S. District Court, Southern District of Florida granted Mosley's motion for summary judgment on Kernel's claims of copyright infringement. Under § 411(a) of the Copyright Act, a work must be registered with the U.S. Copyright Office prior to becoming the subject of a copyright infringement suit in the U.S., although foreign works are exempt from the registration requirement under the Berne Convention.

Kernel's song was composed in Norway, recorded in Finland, and (the court held) initially published in an Australian online magazine. Judge Torres concluded that because the song was first published on the Internet, this "constituted simultaneous publication in the [U.S.] and other nations around the world having Internet service," thus satisfying the definition of a "[U.S.] work" under the Copyright Act. The court therefore granted summary judgment on the ground that Kernel "had not satisfied a statutory condition precedent to initiating this infringement lawsuit" – registration of the work with the U.S. Copyright Office.

The decision is notable for its sweeping conclusion as to what constitutes a U.S. work under § 411. For the purposes of § 411, the Copyright Act defines a work as a United States work if, in the case of a published work, the work is published first in the U.S., simultaneously in the United States and another foreign nation, or first in a foreign nation where the authors are nationals, domiciliaries or habitual residents of the United States. In *Kernel*, the court determined that any work, foreign or domestic, becomes a U.S. work for purposes of § 411 at the time the work is published online anywhere in the world.

The issue has only once before been the subject of a suit in district court. Reaching the opposite conclusion, the court in *Moberg v. 33T LLC,* 666 F. Supp. 2d 415 (D. Del. 2009) reasoned that "as a

matter of U.S. statutory law," photographs posted on a website in Germany "were not published simultaneously in the United States." Further, the U.S. Copyright Office has declined to provide additional guidance regarding what constitutes publication for purposes of § 411.

Once the court determined the Kernel work had been published, the court looked to the issue of simultaneous global publication. The court reasoned that "there can be little dispute that posting material on the Internet makes it available at the same time — simultaneously — to anyone with access to the Internet. There is nothing in the text of the statute to suggest that . . . certain works should be excluded from the definition of 'United States work' based solely on the manner in which they are published." In substance, the court concluded that theoretical availability of any internet-published work represents publication in the United States.

Given the ramifications of the ruling in *Kernel,* the case may well go up on appeal in the U.S. Court of Appeals, Eleventh Circuit. However, it also serves as a warning to potential plaintiffs to register any works published online before bringing an infringement suit. Whatever the ultimate outcome of a possible appeal, obtaining registration will virtually always be less expensive than litigating the issue.

A Combination of Components Can Be Designated a Trade Secret

Two well-publicized trade secret decisions in recent months underscore the well-established principle that a combination of components or elements can constitute a trade secret, even if each of the individual components is already known to the public, so long as the combination is itself unique.

In *De-Ox Systems, Inc. v. Mountain States/Rosen, L.L.C.*, 637 F.3d 604 (5th Cir. 2011), the U.S. Court of Appeals, Fifth Circuit reversed a district court's grant of summary judgment to the defendant upon finding that there was a genuine issue of material fact as to whether the plaintiff's trade secrets had been destroyed by publication in a publicly available patent application. The plaintiff had designed a "zero oxygen" method for packing fresh meat for shipment and display in retail stores. Defendant, MSTR, contacted plaintiff, Tewari, to see if its method could help MSTR increase the shelf life of its case-ready cuts of lamb. After entering into a non-disclosure agreement, the plaintiff gave a demonstration to MSTR, during which the plaintiff allegedly revealed trade secrets relating to its meat-packing method. The plaintiff later sued, alleging that MSTR had misappropriated the trade secrets by using them in the development of a competing product. The district court granted summary judgment to MSTR, finding that the plaintiff's alleged trade secrets had been disclosed a year earlier in a 2004 patent application. On appeal, the Fifth Circuit recognized that publication of a patent application *can* destroy trade secrets, as with any other public disclosure, and acknowledged that each of the individual elements of the plaintiff's meat-packing method (namely scavengers and gas mixtures) had been disclosed in public patent applications. However, because there was a genuine issue of fact as to whether the *combination* of these disclosed technologies was a protectable trade secret, the fact that each of these individual components could be found in earlier published patent applications was not decisive.

In *Decision Insights v. Sentia Group, Inc.*, 2011 U.S. App. LEXIS 5151 (4th Cir. Mar. 15, 2011) (unpublished), the U.S. Court of Appeals, Fourth Circuit affirmed that source code may qualify as a protected trade secret, even if comprised of publicly disclosed components, so long as the method by which those components are compiled is not in the public domain. Plaintiff, Decision Insights, is a software company that developed and owns a software program used to prepare negotiating strategies using modeling techniques similar to game theory analysis. Decision Insights brought suit against competitor, Sentia Group, alleging that former employees had misappropriated its trade secrets and used them to create a competing software program for Sentia. The district court granted summary judgment for Sentia, determining that the plaintiff had failed to demonstrate that its software was not generally known or readily ascertainable. The Fourth Circuit vacated and remanded the decision, explaining that "a trade secret might consist of several discrete elements, any one of which could have been discovered by study

of material available to the public," so long as "the method by which that information is complied is not generally known." In reaching its decision, the Fourth Circuit relied heavily on the testimony of the plaintiff's founder and employee, both of whom asserted that the compilation of the software *as a whole* was not public knowledge.

ICANN Approves New sTLD .XXX

After several years of controversy, the Internet Corporation for Assigned Names and Numbers (ICANN) has approved the sTLD (sponsored top-level domain) ".XXX," specifically for use by members of the adult entertainment industry. Accordingly, trademark owners in fields other than this industry are advised to take early measures to block their trademarks from being registered and used in relation to adult content.

ICANN has chosen the ICM Registry (www.icmregistry.com) to administer and maintain the .XXX sTLDs. The ICM Registry recently announced the official launch process that will consist of the following periods: Sunrise (beginning September 7, 2011), Landrush (beginning October 24, 2011), and General Availability (beginning December 6, 2011).

Sunrise Period

The Sunrise Period is geared toward allowing verified members of the adult entertainment industry that own trademark registrations or other domain registrations, as well as other owners of trademark registrations issued prior to September 7, 2011, the opportunity to either register their "trademark.xxx" domain (in the case of members of the adult entertainment industry), or to block the corresponding "trademark.xxx" domain from being registered by third parties for use in relation to adult content (in the case of trademark owners not in the adult entertainment industry). The Sunrise Period will begin September 7, 2011 and will last 30 days.

There will be two types of Sunrise applications. "Sunrise A" applications will be available to verified members of the adult entertainment industry, who can prove ownership of either a national trademark registration or another top level domain, for registration of the .XXX domain identical to their respective registered trademark or prior domain. "Sunrise B" applications will be available to owners of trademark registrations who are not members of the adult entertainment industry and who wish to block from registration the .XXX domain identical to their respective trademark.

If a Sunrise B application is filed for a domain and no Sunrise A applications are filed for that same domain, the domain will be blocked and unavailable for registration. In the event that a Sunrise A and Sunrise B application are filed for the same domain, the Sunrise A applicant will be notified of the Sunrise B applicant's objection to its attempted registration and given an opportunity to withdraw its application. If it opts to complete its registration of the domain, it will do so with actual notice and will not be able to claim lack of notice in a subsequent dispute proceeding.

Upon close of the Sunrise Period, the registry will review all applications, validate trademark ownership, confirm status within the adult entertainment industry, and resolve all issues arising from competing applications, etc.

Landrush Period

The Landrush Period will begin on October 24, 2011 and will last for 10 days. During this period, members of the adult entertainment industry that did not qualify for the Sunrise Period (*i.e.*, members who do not own trademark registrations or qualifying domain registration), will have the opportunity to apply for any domains not already registered or blocked during the Sunrise Period.

General Availability

Beginning December 6, 2011, .XXX domains will become available to the general public. However, while anyone will be able to register a .XXX domain, only verified members of the adult entertainment industry will be allowed to use the domains.

Given the above, non-adult-industry trademark owners are advised to participate in the Sunrise Period and attempt to have their trademarks blocked from registration and subsequent use in relation to adult content.

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Fenwick & West's Intellectual Property Group offers comprehensive, integrated advice regarding all aspects of the protection and exploitation of intellectual property. From providing legal defense in precedent-setting user interface copyright lawsuits and prosecuting software patents to crafting user distribution arrangements on behalf of high-technology companies and implementing penetrating intellectual property audits, our attorneys' technical skills enable the Firm to render sophisticated legal advice.

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