The 28th All Ohio Annual Institute On Intellectual Property

AOAIOIP

Cleveland:
Thursday, September 27, 2018
Marriott Downtown at Key Center
127 Public Square
Cleveland, OH 44114

Cincinnati:
Friday, September 28, 2018
Northern Kentucky Convention Center
1 West RiverCenter Blvd.
Covington, KY 41011

Sponsored by:
Cincinnati Bar Association
Cleveland Intellectual Property Law Association

Cooperating Organizations:
Cincinnati Intellectual Property Law Association
Dayton Intellectual Property Law Association

Cincinnati Bar Association

The 28th AOAIOIP
Thursday, September 27, 2018
Cleveland Program Schedule

General Session I, 8:30 a.m. to 12:30 p.m.

8:30 a.m. **Greetings & Opening Remarks**

Lori Krafte, Esq., *Program Chair*
Tara A. Kastelic, Esq., *Program Co-Chair*
Una L. Lauricia, Esq., *President, CIPLA*

RECENT DEVELOPMENTS

Moderated by: Una L. Lauricia, Esq., *Pearne & Gordon*

8:45 a.m. **U.S. Patent Law Developments** **TAB A**
Tom Irving, Esq. and Paul W. Browning, Ph.D.,
Finnegan, Henderson, Farabow, Garrett & Dunner, Washington, D.C.

9:40 a.m. **Copyright Current Developments** **TAB B**

Katherine C. Spelman, Esq., *Microsoft, Seattle, WA*

10:30 a.m. **BREAK**

Moderated by: Jason A. Worgull, Esq., *Wegman Hessler & Vanderburg*

10:45 a.m. **Trademark Law Developments** **TAB C**

Kenneth B. Germain, Esq., *Wood Herron & Evans, Cincinnati, OH*

11:35 a.m. **Advertising, Privacy, Fintech: Three FTC Developments to Watch** **TAB D**

Lesley Fair, Esq., *Federal Trade Commission, Washington, D.C.*

12:30 p.m. **Group Luncheon** (included in program registration fee)

CONCURRENT BREAKOUT SESSIONS, 1:30-3:45 p.m.

Patent Breakouts

Moderated by: Michael W. Garvey, Esq., *Pearne & Gordon*

1:30 p.m.	**PTAB Litigation Update** Michael L. Kiklis, Esq. *Bass Berry & Sims, Washington, D.C.*	**TAB E**
2:15 p.m.	**Patent Subject Matter Eligibility Post *Alice vs. CLS Bank*** Stephen Kunin, Esq. *Maier & Maier, Alexandria, VA*	**TAB F**
3 p.m.	**China Patent Prosecution & Litigation Updates** Nongfan Zhu, *King & Wood Mallesons, Beijing, China*	**TAB G**

Trademarks, Copyright & Advertising Breakouts

Moderated by: James A. Dimitrijevs, Esq., *Dinsmore & Shohl*

1:30 p.m.	**My Fair Lady: What *Rupal's Drag Race* Can Teach Us About Fair Use** Brian G. Murphy, Esq., *Frankfurt Kurnit Klein & Selz, New York, NY*	**TAB H**
2:15 p.m.	**The World of Color Trademarks: Lessons from Deere v. FIMCO** Simon J. Frankel, Esq., *Covington & Burling, San Francisco, CA*	**TAB I**
3 p.m.	**Trademark Case Law Update** W. LaNelle Owens, Esq., *Wal-Mart Stores, Inc., Bentonville, AR*	**TAB J**
3:45 p.m.	**Break**	

General Session II, PROFESSIONAL CONDUCT, 4 to 5:15 p.m.

Moderated by:	Robert J. Clark, Esq., *Parker-Hannifin Corp.*	
4 p.m.	**Why Good People Do Bad Things**	**TAB K**
	Paul Fiorelli, J.D., M.B.A, Director, *Cintas Institute for Business Ethics, Xavier University, Cincinnati, OH*	
4:30 p.m.	**Ethics in 2018: Understanding the Behavior as Well as the Rules**	**TAB L**
	Bernard K. Knight, Esq., *BK Consulting, Washington, D.C.*	
5:15 p.m.	**Adjourn**	

TAB
A

Cincinnati Bar
ASSOCIATION

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Tom Irving has more than 40 years of experience in the field of intellectual property law. His practice includes America Invents Act (AIA) post-grant proceedings, due diligence, counseling, patent prosecution, and reissue and reexamination. He counsels clients on a wide range of mainly pharmaceutical matters, including pre-litigation, Orange Book listings of patents covering FDA-approved drugs, infringement issues, enforceability and validity analysis.

A significant portion of Tom's current practice is focused on AIA post-grant proceedings, including how to enhance the strength of patents in the pharmaceutical space to protect against post-grant challenges. He has served as lead counsel in numerous patent interferences, reissues, and reexaminations; as counsel in numerous AIA post-grant proceedings; and as an expert witness in patent litigation. Tom directed the preparation of two highly complex IPRs for possible use in settling litigation.

Tom has been extensively involved in counseling, due diligence, prosecution and prelitigation for matters involving major drugs such as Kalydeco®, Orkambi®, Aloxi®, Tecfidera®, Lorcaserin®, Pulmicort® Respules®, Taxotere®, Eloxatin®, Lantus®, Crestor®, Targretin®, Brilinta®, Halaven®, Allegra®, Apidra®, Epiduo Gel®, Rilutek®, Ramipril®, Jakafi®, Duexis®, Viracept®, and other drugs such as Rimonabant®, VX-661, and HMPL 0004®, in clinical trials prior to FDA approval. He successfully reissued the patent for the low molecular weight heparin drug, Lovenox®, a blockbuster product.

For more than 25 years, Tom has served as principal teacher of the Patent Resources Group (PRG) Chemical Patent Practice course, a comprehensive course on U.S. chemical patent law taught twice a year; he coauthors the multi-volume treatise used in the course. He originated PRG's Orange Book and Due Diligence courses, which help prepare patent owners, through effective application drafting and prosecution, to withstand the rigors of AIA's inter partes review (IPR) and post-grant review (PGR). He presents analyses of U.S. Court of Appeals for the Federal Circuit patent decisions for many state bar association groups and has spoken at numerous national trade and bar association meetings such as the Intellectual Property Owners Association, American Intellectual Property Law Association (AIPLA), and American Bar Association. Tom has lectured at many law schools in both the United States and China, and at the Patent Office of the State Intellectual Property Office (SIPO) of the People's Republic of China. He has participated in multiple Strafford Webinars on patent law topics, including several that deal with AIA post-grant proceedings.

Over the years, Tom has been recognized by *Intellectual Asset Management* as a leading patent prosecutor in the D.C. area, and nationally for post-grant procedures. *The Legal 500 U.S.* recognized him for patent portfolio management and licensing. Tom was inducted into the *LMG Life Sciences* Hall of Fame and

Tom opened the firm's first European office in Brussels in 1993. He holds Judicial®, AV-Preeminent®, and AV® ratings by Martindale-Hubbell.

Experience

Incyte Corp. v. Concert Pharmaceuticals, Inc.

Representing Incyte Corp. as petitioner in an IPR relating to deuterated versions of the active ingredient in Incyte's FDA approved Jakafi® product (ruxolitinib). Filed a rehearing request after the PTAB originally denied institution of the IPR (petition not drafted by Finnegan); PTAB agreed with the rehearing request arguing the original decision applied the wrong legal standard and subsequently granted institution.

IPR2017-01256, PTAB, Judges Fitzpatrick, Hulse, Yang

Concert Pharmaceuticals, Inc. v. Incyte Corp.

Successfully defended Incyte Corp. against a PGR petition related to deuterated versions of the active ingredient in Incyte's FDA approved Jakafi® product (ruxolitinib), achieving a non-institution decision from the PTAB.

PGR2017-00034, PTAB, Judges Paulraj, Sawert, Snedden

Accord Healthcare, Inc. v. Helsinn Healthcare, S.A.

Represented Helsinn in first-ever PGR dealing with pharmaceuticals, which settled prior to institution determination. Represented Helsinn as the patent owner in two PGRs denied by PTAB, and in several IPRs that all settled prior to a determination of institution.

PGR2014-00010, PTAB, Judges Green, Snedden, Tornquist

Chen v. Bouchard

Interference and appellate counsel for Chen (Aventis) in an interference proceeding; Successfully prosecuted the anti-cancer taxane small molecule interference Chen v. Bouchard, prevailing both at the USPTO and the Federal Circuit.

03-1037, Fed. Cir., Judges Lourie, Newman, Schall
Interference No. 103,675, Board of Patent Appeals and Interferences

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Paul Browning, Ph.D., focuses on patent litigation and appeals, primarily in the chemical and pharmaceutical areas, including Hatch-Waxman litigation. He has tried cases before judges in various U.S. district courts, and has also handled arbitrations and mediations. Paul has led teams as first chair at trial, at *Markman* proceedings, and on appeal.

Paul's broad litigation experience includes taking and cross examining witnesses at trial, briefing and arguing dispositive motions, drafting appellate briefs, and arguing cases on appeal. Paul has also managed day-to-day litigation activities in actions involving multiple parties. In addition to his litigation practice, he advises clients on a variety of patent matters, including coordination of prosecution and U.S. and foreign litigation strategy and related proceedings before the PTAB.

Paul serves as an instructor for the Patent Resources Group chemical patent practice course. He designed laser systems and conducted spectroscopy of small molecules while earning Masters and Ph.D. degrees at the University of Chicago.

Paul devotes a portion of his practice to pro bono matters and currently leads the firm's Pro Bono Committee. He represents military personnel seeking enhanced compensation for injuries received while serving in the military, including injuries received in combat. He also represents veterans in cases before the U.S. Court of Appeals for Veterans Claims and the U.S. Court of Appeals for the Federal Circuit.

Et Cetera

- Capital Pro Bono High Honor Roll, 2017.
- Law clerk to the Honorable Glenn L. Archer, Jr., of the U.S. Court of Appeals for the Federal Circuit, 2000-2001.

For

28th
All Ohio Annual Institute On Intellectual Property
AOAIOIP

Patent Law Developments

by

Tom Irving and Paul Browning, Ph.D.

Sept. 27-28, 2018

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Disclaimer

These materials have been prepared solely for educational and entertainment purposes to contribute to the understanding of U.S. intellectual property law. These materials reflect only the personal views of the authors and are not individualized legal advice. It is understood that each case is fact specific, and that the appropriate solution in any case will vary. Therefore, these materials may or may not be relevant to any particular situation. Thus, the authors, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP (including Finnegan Europe LLP, and Fei Han Foreign Legal Affairs Law Firm) cannot be bound either philosophically or as representatives of their various present and future clients to the comments expressed in these materials. The presentation of these materials does not establish any form of attorney-client relationship with the author. While every attempt was made to ensure that these materials are accurate, errors or omissions may be contained therein, for which any liability is disclaimed.

FINNEGAN 2

Outline

- Supreme Court
- *Berkheimer*, *Vanda*, and memos
- Obviousness-type Double Patenting
- Gilead/Merck unclean hands
- Doctrine of equivalents

FINNEGAN 3

Oil States v. Greene's Energy

Question presented: Whether inter partes review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates Article III or the Seventh Amendment.

FINNEGAN 4

Supreme Court Holding

Inter partes review does not violate Article III or the Seventh Amendment.

- 7-2 Decision (Thomas)
- Breyer concurred
  - Adds a single paragraph; Ginsburg and Sotomayor joined
- Gorsuch dissented
  - Roberts joined

FINNEGAN 5

Granting Patents – A Function of Executive or Legislature

- The decision to grant a patent is a matter involving public rights (a "public franchise").
  - *United States v. Duell*, 172 U.S. 576, 582-583 (1899) (the grant of a patent is a matter between "the public, who are the grantors, and . . . the patentee.").
  - The patent right did not exist at common law but is a "creature of statute law."
  - Granting patents is one of the constitutional functions that can be carried out by the executive or legislative departments
- IPR is "simply a reconsideration of that [patent] grant."
  - Involves the same basic matters as the grant of a patent, applying the same statutory requirements

FINNEGAN 6

IPR Does Not Violate the Seventh Amendment

- Because there is no Article III violation, then likewise, there is no Seventh Amendment violation.
  - "[W]hen Congress properly assigns a matter to adjudication in a non-Article III tribunal, 'the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.'" (quoting *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53-54 (1989)).

Slip op. at 17.

FINNEGAN 7

Dissent – Patents Are Personal Rights

- Patents are personal rights
  - "Today, the government invites us to retreat from the promise of judicial independence. Until recently, most everyone considered an issued **patent a personal right**. . . ."
  - Personal patent rights demand Article III adjudication according to the Constitution, historical traditions, and Supreme Court precedent.
- Majority erodes constitutional protections
  - "Dispensing with constitutionally prescribed procedures is often expedient."
  - "No doubt this efficient [IPR] scheme is well intended. But can there be any doubt that it represents a retreat from the promise of judicial independence?"
- Majority incorrectly focuses on granting patents
  - Majority focuses on the authority to grant patents and incorrectly says the power to revoke should be in the same hands
    - "Just because you give a gift doesn't mean you forever enjoy the right to reclaim it."

FINNEGAN 8

Open Questions and Practical Effects

- Facial or as-applied constitutional challenges likely (due process, takings, etc.)
- Retroactivity questions – where to draw the line?
  - AIA existed as of issue date?
  - AIA existed as of filing date, perhaps after significant investment under pre-AIA law?
  - After AIA enacted but before its effective date?

FINNEGAN 9

SAS Institute v. Iancu

Question presented: Does 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an *inter part*es review "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," require that Board to issue a final written decision as to every claim challenged by the petitioner, or does it allow that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit held?

FINNEGAN 10

Supreme Court Holding

- 5-4 decision: "When the USPTO institutes an inter partes review, it must decide the patentability of **all** of the claims the petitioner challenged **[in the petition]**" based on the plain text of § 318(a).
  - Gorsuch for the majority (joined by Roberts, Kennedy, Thomas, Alito)
  - Breyer dissenting (joined by Ginsburg, Sotomayor; Kagan joined all but one paragraph about *Chevron*)
  - Ginsburg dissenting (joined by Breyer, Sotomayor, Kagan)

Majority Opinion

- The plain text of the statute "supplies a ready answer."
- § 318(a): "If . . . review is instituted and not dismissed," at the end of the litigation the PTAB "**shall** issue a final written decision with respect to the patentability of **any** patent claim **challenged by the petitioner**."
  - "any" = "every"
  - "shall" = a nondiscretionary duty
  - "challenged by the petitioner" = all claims in the petition

Majority Opinion

Statutory Provision	Majority Explanation How Other Sections Evidence Congressional Intent That Petitioner Controls
§311(a): a party may seek *inter partes* review by filing "a petition to institute an *inter partes* review"	This means that the **petitioner** controls the contours of the proceeding, not the Director.
§314(b): the Director must decide "**whether** to institute an *inter partes* review . . . pursuant to a petition"	The Director is given only the **choice** of "**whether** to institute an [IPR]"—it's either yes or no.
314(a): provides that the Director may not authorize an *inter partes* review unless he determines "there is a reasonable likelihood"	This provision does not require the Director to evaluate every claim individually but, instead, to simply decide whether petitioner is likely to succeed "on at least 1" claim.
§303(a): ***ex parte* reexamination** statute authorizes the Director to investigate patentability "[o]n his own initiative, and at any time."	This provision shows that Congress knew how to give more authority to the Director (who can order reexam on his own initiative) but did not.
§316(a)(8) tells the Director to adopt regulations allowing patent owner to file "**a response to the petition"** after an *inter partes* review has been instituted.	Congress could have authorized patent owner to file a response *to the claims on which the Director instituted review*—not the **petition**.

FINNEGAN 13

What about *Chevron*?

- USPTO argued that the statute is ambiguous so its regulation deserves *Chevron* deference
- Majority disagreed: Plain language of statute is clear
  - "[W]hether *Chevron* should remain is a question we may leave for another day."
- Dissents: The statute leaves a gap, so the question is whether the USPTO filled it in a reasonable way, following *Chevron*
  - Justice Kagan did not join the paragraph about *Chevron* "rule of thumb"

FINNEGAN 14

What about *Cuozzo*?

- § 314(d): The "determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable."
  - *Cuozzo*: § 314(d) precludes judicial review only of the Director's "initial determination" under § 314(a) that "there is a 'reasonable likelihood' that the claims are unpatentable on the grounds asserted"
  - *Cuozzo* left open review of "shenanigans"
  - Here, SAS argues the Director exceeded statutory authority → reviewable.

FINNEGAN 15

What is Discretionary at Institution?

- Majority acknowledges that § 314 **does not require institution**, even if "reasonable likelihood" threshold is met (slip op. at 8)
- § 325(d) allows discretion to "reject the petition *or request*" because "the **same or substantially the same** … arguments were previously presented to the Office"

FINNEGAN 16

What *Must* be Instituted and Decided?

- Does the PTAB institute all **claims** or all **grounds** in petition?
  - § 318 says Final Written Decision on "any patent *claim* challenged by the Petitioner"
  - Majority opinion mainly discusses "claims," not grounds
    - But, Majority calls institution a "binary choice—either institute review or don't"
    - But, Majority also rejects USPTO argument that the "statute allows the Director to institute proceedings on a claim-by-claim and ground-by-ground basis"
- Estoppel considerations
  - Estoppel attaches to all grounds if single petition, multiple grounds instituted.
  - Estoppel may not attach if there are two petitions, one of which is denied institution.

FINNEGAN 17

PTAB's Post-*SAS* Guidance

- PTAB issued formal guidance on April 26, 2018
  - https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial
- PTAB will comply with Supreme Court interpretation of §318(a) by issuing Final Written Decisions that address the patentability of *every claim* and *every ground* set forth in the petition.
- While the PTAB noted that institution is still discretionary, if it decides to institute, from now on it will institute on all challenged claims and all grounds (all-or-nothing approach).

FINNEGAN 18

Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.

Certiorari granted: Whether, under the Leahy-Smith America Invents Act, an inventor's sale of an invention to a third party that is obligated to keep the invention confidential qualifies as prior art for purposes of determining the patentability of the invention?

FINNEGAN 19

Subject Matter Eligibility

- *Berkheimer v. HP*, 881 F.3d 1360 (Fed. Cir. 2018), *reh'g denied*, May 31, 2018
  - *Alice* test
    1. Is the claim to a process, machine, manufacture, or composition of matter?
    2. Are claims drawn to one of judicially created exceptions (a law of nature, a natural phenomenon, or an abstract idea)?
       - If so, does the claim recite additional elements sufficient to transform the subject matter into a patent eligible invention?
         » Do additional elements transform the nature of the claim to something more than "well-understood, routine, and conventional" to a POSITA at the time of the patent?
           » *Berkheimer*: May be a factual question.
           » Should mean fewer motions to dismiss granted.

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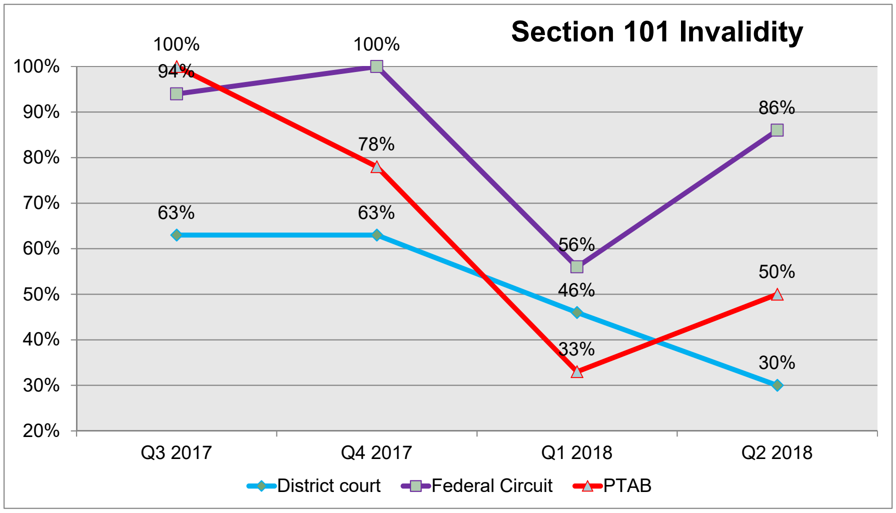
Subject Matter Eligibility



FINNEGAN *Source*: Fenwick & West as published in Managing IP July 18, 2018

USPTO Memo – April 19, 2018

"This memorandum addresses the limited question of whether an additional element (or combination of additional elements) represents well-understood, routine, conventional activity."

A citation to an express statement in the specification or a statement made during prosecution about the element(s) in question.

A citation to a court decision in MPEP § 2106.05(d)(II) which notes the well-understood, routine, or conventional nature of the element(s) in question.

An element is well-understood, routine, or conventional if "widely prevalent" or "in common use"; must be express finding supported by evidence

A citation to a publication that demonstrates the well-understood, routine, or conventional nature of the element(s). … [;] that the additional elements are **widely prevalent or in common use in the relevant field**."

A statement that the Examiner is taking Official Notice, which can be challenged under § 2144.04.

FINNEGAN See MPEP § 2106.05(d)(I). *Note: push back on rejections under § 101 that do not cite sufficient evidence.*

Subject Matter Eligibility

- *Vanda Pharms. Inc. v. West-Ward Pharms., Int'l, Ltd.*, 887 F.3d 1117 (Fed. Cir. 2018), reh'g denied
  - Claim 1 summarized: A method for treating a patient with iloperidone comprising:
    - (1) determining the patient's genotype by
      - (a) obtaining a biological sample and
      - (b) performing a genotyping assay
    - (2) administering specific dose ranges
  - *Alice* two-step framework applied:
    - Step one: the claims are not directed to a law of nature
    - Step two: not necessary
  - Distinguished from *Mayo*
    - "[T]he claims here are directed to a specific method of treatment for specific patients using a specific compound at specific doses to achieve a specific outcome."

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USPTO Memo – June 7, 2018

- The claim does not recite a natural relationship, but rather an application of that relationship.
- Evaluate the claim as a whole.
- Did not consider whether the treatment steps were routine or conventional because no need to conduct second part of *Alice* test.
  - "it is not necessary for 'method of treatment' claims that practically apply natural relationships to include nonroutine or unconventional steps to be considered patent eligible under 35 U.S.C. § 101."
  - *See, e.g.*, claims 5 and 6 of USPTO Example 29 in training materials.

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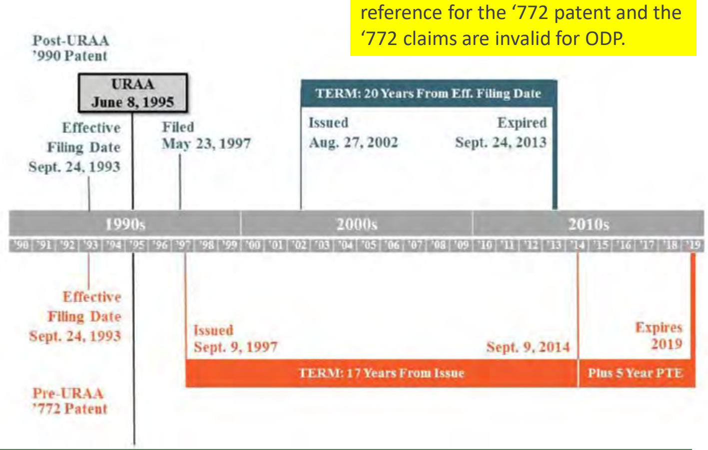
ODP AND URAA

- *Novartis Pharms. Corp. v. Breckenridge Pharmaceutical Inc.*, 248 F.Supp.3d 578 (D. Del. April 3, 2017)

DC: '990 is a proper double-patenting reference for the '772 patent and the '772 claims are invalid for ODP.

U.S. Pat. 6,440,990 (divisional of '772)
Claims directed to derivative of rapamycin, everolimus, and include all limitations of various claims of the '772 patent.

U.S. Pat. 5,665,772
Claims directed to rapamycin.



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GILEAD AND *ABBVIE* APPLY

- DC: "According to the Federal Circuit, what matters in a double patenting analysis, at least for post-URAA patents, is the expiration dates of the patents. *Id.* at 1215. The Federal Circuit has since revisited this question and made explicit that 'the doctrine of obviousness-type double patenting continues to apply where two patents that claim the same invention have different expiration dates.' *AbbVie, Inc. v. Mathilda & Terence Kennedy Inst. of Rheumatology Trust*, 764 F.3d 1366, 1374 (Fed. Cir. 2014)."

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QUOTABLE QUOTES

- DC:
  - "I see no reason why such a patent term extension would protect a patent from a double patenting challenge."
  - "Neither Gilead nor AbbVie held that gamesmanship is required. A patentee can obtain an unjustified extension of patent rights without engaging in gamesmanship simply by seeking two patents on the same invention, as the patentee did here. The only relevant issue is the earlier expiration date of the '990 patent, as it is the extension of the period of exclusivity by virtue of the '772 patent's later expiration date that violates the principles underlying the double patenting prohibition. The patentee's motives are not relevant."

Oral argument held June 4, 2018

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APPELLATE BRIEFS

- **Novartis**
  - *Note re PTE: "Appellees did not argue to the District Court that the § 156 extension gives rise to double patenting, and the District Court did not rely on the § 156 extension to hold the '772 Patent invalid. See Appx15. Thus, the § 156 extension is irrelevant to the arguments herein, but explains why Novartis's rights under the '772 Patent have not expired."*
  - DC erred in finding that the '990 Patent could serve as an ODP reference against the '772 Patent, and then that the '772 Patent Asserted Claims were invalid for ODP.

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APPELLATE BRIEFS

- **Novartis (con't)**
  - The URAA patent should not retroactively shorten the pre-URAA patent term.
  - "the term of the first-filed and first-issued '772 Patent was not extended by the second-filed and second-issued '990 Patent…. the earlier expiration date of the later-filed and later-issued Post-URAA '990 Patent is due solely to the change in law—not because of any untoward act by Novartis."
  - Gilead and AbbVie very different facts and should not apply.
  - Should have followed Delaware district court precedent of Brigham and Abbott and Merck.
  - District court decision inconsistent with policy and inequitable.

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APPELLATE BRIEFS

- **Novartis Reply Brief (con't)**
  - Novartis could not have known *Gilead* would change law. When Novartis filed its divisional, "district courts had held that a later-filed earlier-expiring post-URAA patent could not serve as a reference patent against an earlier-filed later-expiring pre-URAA patent." "By the time Gilead was released in 2014, neither Novartis nor any other similarly-situated patentee could turn back the clock and abandon the divisional (or continuation) application that could be used as a reference patent. …Nor could Novartis revisit its patent term extension decision and choose to seek patent term extension on the '990 patent, rather than the '772 patent. …Novartis in 2014 could not have filed a terminal disclaimer for the '772 patent to shield that patent against an expansion of Gilead, because the later-filed '990 patent expired in 2013."

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APPELLATE BRIEFS

- **Breckenridge Answering Brief**
  - Public has right to use a patented invention when the first patent expires; "the expiration date is the time when the public acquires the right to practice the invention and its obvious variations."
  - Gilead applies. Patentee's motives are irrelevant because inquiry is objective.
  - Gilead Federal Circuit majority reversed a district court decision relaying heavily on Brigham and Abbott.
  - Claims are not patentably distinct.
  - "There is no equitable exception to the prohibition, and if there were, Novartis would not qualify for it."

FINNEGAN 31

What Is "Unclean Hands"?

A doctrine that provides equitable relief to accused infringers in the form of dismissal of the case.

> *Keystone Driller Co. v. General Excavator Co., 290 U.S. 240 (1933)*

The unclean hands doctrine may not be the same thing as inequitable conduct. Compare *Gilead* with *Therasense*.

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Doctrine of Unclean Hands = Inequitable Conduct?

Therasense Majority: NO

Inequitable conduct has . . .

- “a broader scope of misconduct”
- “a different and more potent remedy”

Inequitable conduct requires . . .

- “the specific intent to deceive the PTO”
- “but-for materiality”
  - an exception for “affirmative egregious misconduct”

Therasense Dissent (O’Malley): YES

“[T]he asserted dichotomy is a false one.”

- ‘[I]nequitable conduct is no more than the unclean hands doctrine applied to particular conduct before the PTO.’
  - *Consol. Aluminum Corp. v. Foseco Int’l Ltd.*, 910 F.2d 804 (Fed. Cir. 1990).

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Gilead At A Glance

- NDA in place that prohibited Merck personnel from using Gilead info for Merck prosecution.
- Prosecuting lawyer for Merck is on phone call when Gilead discloses it uses Compound A.
- That lawyer has app pending for Merck that supports broad genus, encompassing Compound A, but Merck had not recognized the significance of Compound A.
- Lawyer amends Merck’s claims in first patent to focus on Compound A. A different lawyer amends claims in second patent.
- Merck sues Gilead, wins $200m judgment.
- Jury finds no derivation.
- Judge finds unclean hands – both patents can’t be enforced against Gilead.
- CAFC Affirms.

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Unclean Hands

- Durette's original disclosure in the application leading to the'499 patent contained written description support for (1) the narrowed subgenus claims, claims 1 and 2 of the '499 patent surrounding PSI-6130, as well for (2) the subgenus claims in the '712 patent presented by Mr. Bergman and found to be infringed.
- What Durette originally disclosed generically encompassed PSI-6130, but he used his improperly gained knowledge of the structure of PSI-6130 to draw subgeneric claims, claims 1 and 2, during the prosecution of the '499 patent that were even closer to the structure of PSI-6130 than Durette's original disclosure.
- The written decisions do not suggest that the prosecuting attorney, Bergman, in the '712 patent prosecution engaged in any kind of misconduct. Perhaps fruit of the poisonous tree?

FINNEGAN 35

Unclean Hands

- DC: Both patents unenforceable (2016 WL 3143943 (N.D. Cal. June 6, 2016)
  - The "record, …reflects a pervasive pattern of misconduct by Merck and its agents constituting unclean hands, which renders Merck's '499 and '712 Patents unenforceable against Gilead." Note that the court must have felt that Durette's improper actions in the '499 inescapably tainted the prosecution of the '712 by Mr. Bergman.
  - "Dr. Durette's changing and evasive explanations for why he narrowed the claims undermine his testimony. The Court finds his testimony to be not credible." Not directly related, of course, to the '712 patent.
  - "Dr. Durette's claim that he amended the … claims to focus on 'get[ting] allowance on the subject matter that was most important to the [Merck-Isis] collaboration' is contrary to the evidence and is not credible because Merck never tested any of the claimed compounds."
  - "The Court finds Dr. Durette's testimony that the two new, narrower claims he wrote …were to protect Merck's "most important work" is not credible and is false."

FINNEGAN 36

Unclean Hands

- DC: Patents unenforceable <u>against Gilead</u>.
  - "Candor and honesty define the contours of the legal system. When a company allows and supports its own attorney to violate these principles, it shares the consequences of those actions. Here, Merck's patent attorney, responsible for prosecuting the patents-in-suit, was dishonest and duplicitous in his actions with Pharmasset, with Gilead and with this Court, thus crossing the line to egregious misconduct. Merck is guilty of unclean hands and forfeits its right to prosecute this action against Gilead." (The egregious misconduct was also linked to the '712 patent).

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Federal Circuit Affirms

- *Gilead Sciences, Inc. v. Merck & Co., Inc.*, 888 F.3d 1231 (Fed. Cir. 2018)(TARANTO, Clevenger, and Chen)
  - Affirmed.
    - "[T]he connection of Pharmasset's work on PSI-6130 with Dr. Durette, Merck, and Merck's 2005 claim amendments for what became the '499 patent…, together with Dr. Durette's eventual testimony about those connections, came to be the basis of the district court's ultimate determination that Merck had unclean hands, precluding patent enforcement against Gilead."
    - Federal Circuit also affirmed unclean hands on the '712 patent.

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Federal Circuit Affirms

- Supreme Court governing legal standard:
  - Keystone Driller Co. v. General Excavation Co., 290 U.S. 240, 245 (1933) and Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U.S. 806, 814-15 (1945).
  - "immediate and necessary relation" standard "must be met if the conduct normally would enhance the claimant's position regarding legal rights that are important to the litigation if the impropriety is not discovered and corrected."
  - Why was impropriety attributed to the '712 patent? No evidence that Bergman committed any.

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Federal Circuit Affirms

- "Nor is this a case involving alleged deficiencies in communications with the PTO during patent prosecution, for which this court's inequitable-conduct decisions, e.g., Therasense …, set important limits on conclusions of unenforceability through that doctrine."
- Reviewing for abuse of discretion, "the district court made findings that have adequate support in the evidence and that, taken together, justify the equitable determination of unclean hands as a defense to enforcement in this case."

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Federal Circuit Affirms

- Immediately and necessarily related to the equity of giving Merck the relief of patent enforcement (nothing implicated Bergman):
  - Pre-litigation business misconduct
    - Dr. Durette violated firewall; and
    - Merck continued to use Dr. Durette in related patent prosecutions after the call.
  - Litigation misconduct
    - Dr. Durette gave intentionally false testimony about participation in phone call; and
    - Dr. Durette gave intentionally false testimony about origin of Merck's 2005 amendment.
  - Balancing of the equities
    - No abuse of discretion.
    - "The district court…had sufficient reason to find that both patents were tainted by the patentee's misconduct, especially the litigation misconduct."

Effect on Patent, Related Patents, and Related Causes of Action

- A finding of unclean hands does not render the patent unenforceable, but instead bars the patentee from enforcing the patent against the accused infringer who successfully showed unclean hands.
- Judges have discretion as to whether a finding of unclean hands warrants dismissal of related causes of action.
- Patentees may be barred from enforcing other patents if they are directly related to the inequitable conduct.

Conduct as Basis for Fee Award

- *Howmedica Osteonics Corp. v. Zimmer, Inc.*, 2018 WL 2378406 (D. NJ 2018)
  - District court granted partial summary judgment of no infringement, and appeal of inter partes reexam decision holding all claims invalid.
  - Zimmer moved for award of fees (≈$14M).
    - Case "exceptional" because of inequitable conduct before the PTO, but case may be "exceptional" even if inequitable conduct not proved.
    - Alleged inequitable conduct was withholding test data, publications by employee, and affiliation of employee with plaintiff at time of declaration.
  - DC: Found case exceptional based on totality of the circumstances.
    - "will use the inequitable conduct framework of materiality and intent as a guide in considering Plaintiff's conduct before the PTO"
    - "Even if this did not constitute inequitable conduct, the Court finds that the selective disclosure of data and evasive responses provided to the Examiner are evidence of bad faith leading to a finding that this is an exceptional case."
    - "Presenting the declaration from Wang which explicitly contradicted his publications, and the failure to present the Wang papers themselves, are evidence of subjective bad faith leading to the conclusion that this is an exceptional case."

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Litigation Misconduct

- *In re Rembrandt Tech. LP Patent Litigation*, --F.3d__ (Fed. Cir. July 27, 2018)
  - 2002: Paradyne decided not to pay maintenance fees and let patents lapse.
    - *Paradyne employees Bremer, Horstemeyer, and Murphy; later testified that believed could make belated payments to revive.*
  - Petitioned PTO to revive patents and represented that delay in maintenance fee payment was unintentional.
    - *Later testified that representation truthful at time because misunderstood conditions for revival.*
  - PTO granted revival petition.
  - 2004: Paradyne assigned patents to Rembrandt.
  - Sept 2005: Zhone bought Paradyne, started to destroy Paradyne documents, including those related to patents at issue.
    - No document retention request from Rembrandt until at least 2007.
    - Rembrandt "never searched the warehouse where it claimed Paradyne's boxes were stored, nor acknowledged any document destruction until after April 2008."
  - 2006: Rembrandt hires Bremer, Murphy, and Horstemeyer as consultants.
    - Flat fee + percentage of licensing or litigation royalties.

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Litigation Misconduct

- *Rembrandt* (con't)
  - DC: Judgment against patent owner Rembrandt on all claims; granted motion for attorney fees and declared case exceptional.
    - Awarded >$51M in fees.
      - "Rembrandt improperly compensated its fact witnesses"
      - "engaged in, or failed to prevent, widespread document spoliation by Zhone."
      - "Rembrandt should have known that the 'revived patents' were unenforceable."

Litigation Misconduct

- *Rembrandt* (con't)
  - FC: Affirmed exceptional case determination.
    - **"The District Court's Finding that the Witness Payments Were Improper Is Not Clearly Erroneous"**
      - "the district court never found that any witnesses gave false testimony. But the issue that the district court correctly identified was not that witnesses lied, but that the contingent fee arrangement gave them incentives to lie."
      - "It was reasonable for the district court to find 'that the fee structure for Rembrandt's fact witnesses was unreasonable and improperly linked to the outcome of the case, giving rise to a considerable risk of tainted testimony.'"
      - "longstanding ethical rule in Delaware and other jurisdictions that fact witnesses to a lawsuit should not be paid contingent on the outcome of the suit."

Litigation Misconduct

- *Rembrandt* (con't)
  - FC: Affirmed exceptional case determination (con't)
    - **"The District Court's Document Spoliation Finding Is Not Clearly Erroneous"**
      - "the district court reasonably could find "that Rembrandt did have control and did anticipate forthcoming litigation such that it had a duty to preserve or instruct others to retain certain documents." …Although some of Appellees' more conspiratorial allegations go too far, the district court had a reasonable basis to conclude that Rembrandt stood idly by while Zhone destroyed documents. And, some of those documents were not just relevant, but directly helpful to Appellees' invalidity defenses. The district court correctly noted, and Rembrandt does not dispute, that 'AOPs' inability to conduct full discovery of relevant documents was prejudicial.'"

Litigation Misconduct

- *Rembrandt* (con't)
  - FC: Affirmed exceptional case determination (con't)
    - **"The District Court's Inequitable Conduct Finding Is Not Erroneous"**
      - Was Paradyne's statement that maintenance fee payment delay was unintentional material to patentability?
        - Yes, "the PTO would not have revived the patents if it had known that Paradyne consciously allowed them to expire."
      - Intent to deceive single most reasonable inference?
        - Yes, "evidence that the claim of mistake was a post hoc rationalization.
        - A "pattern of misconduct", even if later in time, was appropriate to weigh "when assessing the key players' trustworthiness and the likelihood that they had deceptive intent."
      - "Rembrandt had sufficient knowledge to learn of the fraud." … The district court reasonably could have found that Rembrandt knew that the '858 patent had been abandoned and chose not to investigate how it had been revived."

Litigation Misconduct

- *Rembrandt* (con't)
  - Wrong to apply "should have known" standard?
  - FC: "Rembrandt conflates the inequitable conduct and exceptional case inquiries. The first question—the one governed by *Therasense*—is whether *Paradyne* committed inequitable conduct. The second question—to which *Therasense* does not apply—is whether Paradyne's conduct renders Rembrandt's case exceptional. Rembrandt's reliance on Therasense in the latter context is misplaced."
  - FC: Vacated and remanded fee award.
    - "Even if Rembrandt's misconduct, taken as a whole, rendered the case exceptional, the district court was required to establish at least some 'causal connection' between the misconduct and the fee award. Id. What the district court did here—award all fees with no explanation whatsoever of such a causal connection—was not enough."

Standards-Setting Organizations

- *Core Wireless Licensing S.A.R.L. v. Apple Inc.*, --F.3d__ (Fed. Cir. Aug. 16, 2018)
  - Patent owner participated in standards-setting organization (ETSI).
    - Submitted proposal to ETSI Nov. 10-14, 1997 (rejected in January 1998) .
    - Filed patent application Nov. 11, 1997.
    - Disclosed patent application July 2002.
  - ETSI policy in effect in 1997 that members "shall … timely inform ETSI of essential IPRs [intellectual property rights] it becomes aware of."
    - "In particular, a member submitting a technical proposal for a standard shall, on a bona fide basis, draw the attention of ETSI to any of that member's IPR which might be essential if that proposal is adopted."
  - Apple: failure to disclose patent application to ETSI with proposal resulted in waiver of right to enforce patent.
  - DC: Core's patents not unenforceable.
    - No duty to disclose the patent application because proposal was rejected and the claims were not finalized until 2002.
    - No evidence that ETSI members interpreted failure to disclose as relinquishment of patent rights.

Standards-Setting Organizations

- *Core Wireless* (con't)
  - FC: Vacated and remanded.
    - "an ETSI member's duty to disclose a patent application on particular technology attaches at the time of the proposal and is not contingent on ETSI ultimately deciding to include that technology in an ETSI standard."
    - ETSI policy included patent applications.
    - No "reliance" component required in implied waiver.
    - "ETSI policy was required to be made no later than the date the standard was adopted, which in this case was June 1998."

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Standards-Setting Organizations

- *Core Wireless* (con't)
  - FC: Vacated and remanded.
    - Remanded because "The district court did not make findings regarding whether Nokia or Core Wireless inequitably benefited from Nokia's failure to disclose, or whether Nokia's conduct was sufficiently egregious to justify finding implied waiver without regard to any benefit that Nokia or Core Wireless may have obtained as a result of that misconduct. Those issues must be addressed in the first instance by the district court on remand, as the task of applying an equitable defense is committed to the district court's discretion."
    - "[i]t is possible to interpret the district court's ruling as being based on the conclusion that, because Nokia's proposal was not adopted, no inequitable consequence flowed from Nokia's failure to disclose[.]"
    - "*Therasense* …recognized an exception to the materiality requirement for 'cases of affirmative egregious misconduct.' … In the analogous case of implied waiver, which like inequitable conduct involves the breach of a disclosure duty, the same equitable considerations require either a showing of prejudice or egregious misconduct sufficient to justify the sanction of unenforceability of the patent at issue."

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Standards-Setting Organizations

- *Momenta Pharms. v. Amphastar Pharms.*, 11-cv-11681 (D. Mass. Feb. 7, 2018)
  - Jury verdict in favor of defendants on waiver and estoppel.
  - DC: Allowed motion to adopt with respect to test that complied with standard; denied for other Amphastar tests (so Momenta could enforce its patent with respect to the latter).
  - Momenta's patent: directed at a set of manufacturing quality control processes that ensure that each batch of generic enoxaparin includes the individual sugar chains characteristic of Lovenox (1,6-anhydro rings).
  - Momenta participated in standards-setting organization to set method to test compounds with 1,6-anhydro rings for enoxaparin monograph, but did not disclose patent application. Standard set as USP<207>.
  - Amphastar: "Momenta had a duty to disclose that its '866 patent would cover USP<207> and, because it did not, the equitable defenses of waiver and estoppel apply."

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Standards-Setting Organizations

- *Momenta Pharms. v. Amphastar Pharms.* (con't)
  - DC: Momenta waived right to enforce its patent against Amphastar's 15-25% procedures.
    - "Momenta had a duty to disclose to the USP the '886 patent application."
      - "…testimony during the trial demonstrated that participants in the USP understood the policies as imposing a duty to disclose."
      - "there was a common understanding at the USP that there was a duty to disclose conflicts of interest, including patents, and 2) use of the method in the '886 patent reasonably might be necessary to comply with USP <207>, this Court finds that Dr. Shriver had a duty to disclose the pending '886 patent application."
    - "Because [Amphastar's test] does not comply with USP <207>, however, the scope of the waiver is limited to [Amphastar's] 15-25% procedure [that complies with USP <207>]."

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Standards-Setting Organizations

- *Momenta Pharms. v. Amphastar Pharms.* (con't)
  - DC: "Momenta is …equitably estopped from enforcing its patent against the 15-25% procedures."
    - "there was credible testimony supporting the inference that Amphastar relied on USP <207> for its continued use of the 15-25% procedures. Accordingly the reliance requirement for equitable estoppel is met.
    - Amphastar "substantially invested in developing its capacity to manufacture, produce and market enoxaparin. Therefore, it has shown that it would be economically prejudiced if Momenta were permitted to enforce the patent against it."

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How, If At All, Can Inequitable Conduct be Purged?

Historically, when inequitable conduct occurred during prosecution, it could not be purged or cured after the patent has issued—including during post-grant proceedings, such as reexamination and reissue.

In other words, the test could only be passed during prosecution.

This may no longer be true post-AIA reissue or supplemental examination. May not apply to pending *ex parte* prosecution.

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Curing An Intentional Misrepresentation or Falsity

Tell	Advise	Establish	Remember
First, tell the Examiner that a misrepresentation was made, and point out exactly where it is in the application.	Second, advise the Examiner of what the correct facts actually are- further examination may be required.	Third, establish—on the new, accurate record—that the claimed subject matter is patentable.	Remember, a complete cure must usually be demonstrated by clear, unequivocal, and convincing evidence, but how does that apply to an AIA Supplemental Examination?

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Curing An Omission

1

If the application is still pending, submit the missing references to the Examiner as soon as possible, and certainly at a meaningful time before issuance to try to short circuit the omission from becoming material.

2

If the patent has been granted, apply for a reissue examination under 35 U.S.C. § 251, but will that really be a cure?

3

Alternatively if reissue is not the best option, request AIA's supplemental examination under 35 U.S.C. § 257.

And just how viable is Supplemental Exam to cure?

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Curing An Error or Omission Through Supplemental Examination?

- 35 U.S.C. § 257(a): “A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be **relevant** to the patent[.]”
  - Does not use the word “material.”
  - Not restricted to patents and printed publications.

- 35 U.S.C. §257(c) EFFECT.—
  - (1) IN GENERAL.—IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.
  - *Is that enough to achieve cure of inequitable conduct?*

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Supplemental Examination

- Restrictions:
  - Not useful if allegations already raised in district court or ANDA notice para. IV before date of filing request (§257(c)(2)(A)), or
  - Shall not apply to any defenses raised in ITC litigation/district court litigation unless SE and any reexam ordered therefrom is finished before the date on which the action is brought. (§257(c)(2)(B))
    - *Patent owners: think very carefully about the timing of any effort at supplemental examination if there is a desire to enforce the patent in the foreseeable future. A reexamination may need to be appealed to get the patent out. Thus, absent careful planning, it may mean delaying any effort to enforce the patent for one or more years.*

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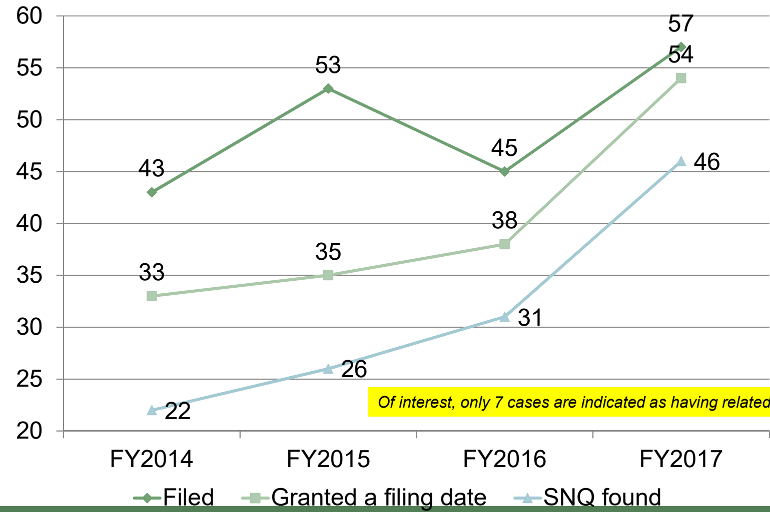
Supp Exam Stats From USPTO 2017 Annual Report Table 13B



Of interest, only 7 cases are indicated as having related litigation.

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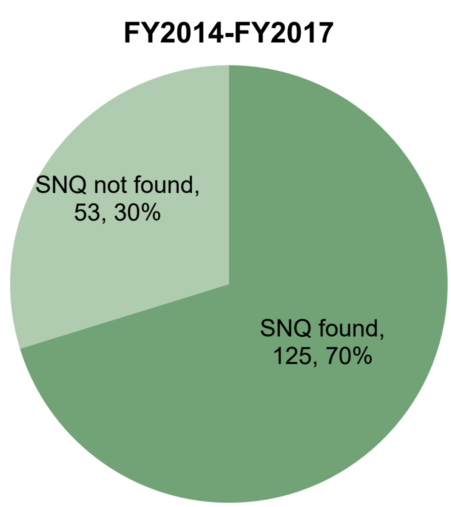
Source:
https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR_0.pdf

61

Supp Exam Stats From USPTO 2017 Annual Report Table 13B



Source: https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR_0.pdf

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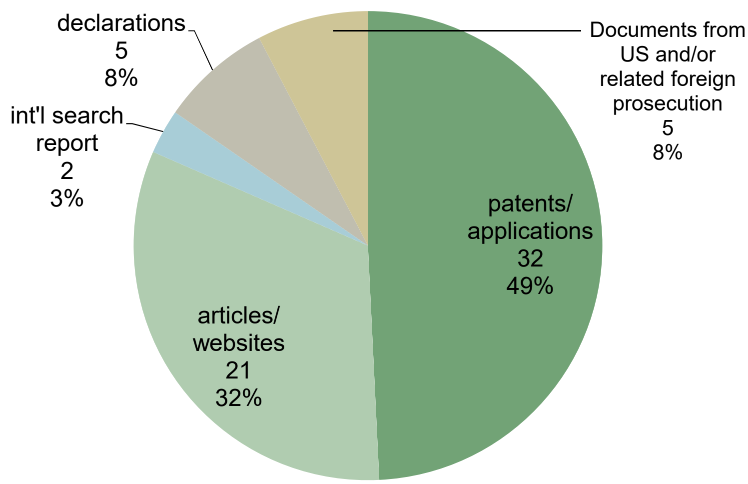
What Is Being Submitted?



Source: Sample of 45 SE's filed as of June 27, 2018; some requests include more than one type of material.

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Ensnarement

- *Janssen Biotech Inc. v. Celltrion Healthcare Co. Ltd.*, --F.Supp.3d __ (D. Mass. July 30, 2018)
  - Janssen product Remicade (infliximab).
  - Celltrion biosimilar products Inflectra and Remsima.
  - Janssen sued for infringement under the doctrine of equivalents for the process of making the biosimilar products.
    - The accused media contain all 52 ingredients required by claim 1, but several are present in concentrations outside the claimed ranges.
  - Celltrion moved for summary judgment of noninfringement because Janssen's asserted scope of equivalents would ensnare the prior art.
  - DC: granted Celltrion's motion for summary judgment of noninfringement.
    - Janssen's proposed hypothetical claims would have been obvious ("ensnared by the prior art").

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Ensnarement

- "[T]here can be no infringement if the asserted scope of equivalency of what is literally claimed would encompass the prior art." Wilson Sporting Goods Co. v. David Geoffrey & Assocs., 904 F.2d 677, 683 (Fed. Cir. 1990).

- Burden is on patent owner to show that theory of infringement does not ensnare the prior art.
  - "prove that if … the expanded hypothetical claims [were submitted] to the PTO [when the issued claims were filed], the PTO would have found the claims … patentable[.]"

- **Framework for decision is hypothetical claim analysis:**
  1) "the patentee must 'construct a hypothetical claim that literally covers the accused device,' which involves expanding the claim limitations to encompass the features of the accused product"; and
  2) "prior art introduced by the accused infringer is assessed to determine whether the patentee has carried its burden of persuading the court that the hypothetical claim is patentable over the prior art."

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Ensnarement

- Janssen (con't)
  - The hypothetical claims included all ingredients listed in claim 1 with the claimed concentration ranges extended to match the concentrations used in the Celltrion media.

  - DC: "it is most appropriate to analyze the obviousness of the hypothetical media under the principles applicable to combinations of known elements[.]"
    - GSK reference "combined 50 of 52 ingredients required by the hypothetical claims, and for those 50 shared ingredients, the concentration ranges disclosed in GSK partially overlap with the concentration ranges in the hypothetical claims."
    - Life Techs reference "combined 47 of 52 ingredients required by the hypothetical claims, and for those 47 shared ingredients, 46 have partially overlapping concentration ranges."
    - "As the Supreme Court explained in KSR, '[t]he proper question' is not 'whether a [POSA] writing on a blank slate' would necessarily have chosen GSK and Life Techs over another medium for further development, but whether he or she 'would have seen a benefit' to modifying the teachings of GSK or Life Techs to achieve the claimed compositions."

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Ensnarement

- Janssen (con't)
  - "partially overlapping concentration ranges establish a p.f. case of obviousness."
  - "a POSA would have had a motivation, based on these problems known in the field and the teachings of other references, to produce variations of GSK and Life Techs that supplied the same active ingredients in different salt forms and concentrations."
  - "With respect to the ingredients required by the hypothetical claims that are not disclosed in the GSK and Life Techs media, it is undisputed that the GSK and Life Techs media contain alternative, previously-known ingredients that were known to provide the same active components as the claimed ingredients[.]"
  - Objective evidence of copying did not outweigh strong case of obviousness.

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Thank You!

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TAB
B

Cincinnati Bar
ASSOCIATION

Katherine C. Spelman
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Senior Copyright Counsel
Redmond, WA, USA

Kate Spelman has more than 30 years of experience providing strategic advice, design and implementation counsel for large, mid-sized and startup companies on copyright, trademark, trade secret and patent matters, both nationally and internationally, and has a special focus on media, licensing and mass digitization issues. Kate advises and counsels clients on the development, production, sale and defense of work related to emerging content distribution strategies and challenges, special issues in news reporting including repurposing content, and firewall and paywall configuration in light of changes in the fair use defense.

Kate is a frequent speaker on the progress of emerging copyright and digital publishing issues, and has advised authors, nonprofit and for-profit publishers, and internet service providers on the new language and provisions of the changed, global distribution environment. She has represented large digital publishing companies in international distribution agreements as well as represented developers and designers who are building and launching tools for online transmissions, storytelling, expression and art.

Additionally, Kate has experience assisting clients with Open Source licensing issues, including Open Source integrated licenses, audits, mergers and acquisitions due diligence, and compliance negotiations. Kate also helps clients design independent holding companies in the U.S. and in offshore intellectual property asset management. She has experience with intellectual property asset audits and has assisted companies in proactive and reactive Sarbanes-Oxley compliance reporting requirements.

Microsoft

AOAIOIP

1988 - 2018

U. S. Copyright Current Developments 2018

Kate Spelman

Copyrightability and Originality

Copyrightability – Originality

"Original, as the term is used in copyright, means only that the work was **independently created by the author** (as opposed to copied from other works), ***and*** that it possesses at least **some minimal degree of creativity**."

***Feist Publications, Inc. v. Rural Tel. Serv. Co.*,**
499 U.S. 340, 345 (1991)

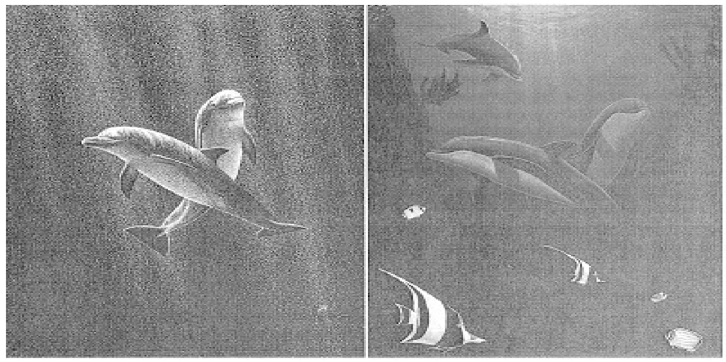
Experian Information Systems Inc. v. Nationwide Marketing Services, Inc. (9th Cir. June 27, 2018)

- Are lists of names with addresses copyrightable when "the product of sophisticated process to ensure accuracy and utility"? – Yes, but …
- Protection is very thin and requires nearly exact copying, in whole ("bodily appropriation principle")
- Match rate of less than 80% is not infringement, SJ affirmed
- Trade secret SJ reversed, state law trade secret claim may proceed

Folkens v. Wyland Worldwide
(9th Cir. Feb. 2, 2018)

Peter Folkens (dba A Higher Porpoise Design Group) created “Two Tursiops Truncatus” aka “**Two Dolphins**”

(ON LEFT; Wyland painting is on right)



Folkens v. Wyland Worldwide
(9th Cir. Feb. 2, 2018)

R. Wyland – “Life in the Living Sea”

Folkens v. Wyland Worldwide (9th Cir. Feb. 2, 2018)

- Peter Folkens (dba A Higher Porpoise Design Group) created “Two Tursiops Truncatus” aka “Two Dolphins” in 1979
  - Two dolphins, arranged as shown in prior slide
- In 2011, Robert Wyland created “Life in the Living Sea,” painting
  - Featured 3 dolphins and other aquatic life
  - $4,195,250 in print sales alleged

Folkens v. Wyland Worldwide (9th Cir. Feb. 2, 2018)

- District Court (ED Cal) granted SJ to Wyland, applying 9th Cir. test of substantial similarity
  - “The main similarity … is two dolphins swimming underwater, with one swimming upright and the other crossing horizontally”
  - Natural positioning and physiology are not protectable (*Satava v. Lowry,* 9th Cir. 2003); no elements of similarity are protectable elements
- 9th Cir. Affirmed - No copyright infringement when “only areas of commonality are elements first found in nature, expressing ideas that nature has already expressed for all”
  - Narrow copyright possible, but only in specific expression, not concepts

Fair Use Defense –17 USC § 107

“[T]he fair use of a copyrighted work, . . . for purposes such as criticism, comment, news reporting, teaching . . ., scholarship, or research, is not an infringement of copyright.”

Fair Use Defense –17 USC § 107

"In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include:

1. The **purpose and character of the use**, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2. The **nature of the copyrighted work**;
3. The **amount and substantiality of the portion used** in relation to the copyright work as a whole; and
4. The **effect of the use upon the potential market** for or value of the copyrighted work."

Fox News Network LLC v. TVEyes, Inc.

- 2015 SDNY Decision:

- TVEyes records and indexes TV news programming to create word searchable database
  - Transformative use
  - TVEyes copied all of the work but it was no more than necessary
  - No market harm re database
- Certain uses went beyond fair use and were enjoined
  - Download of clips
  - Searches by time or network (as distinct from keyword)

Fox News Network, LLC v. TVEyes, Inc., (2d. Cir. Feb. 27, 2018)

- Copying for search function (fair use finding by SDNY) not at issue in appeal.
- Second Circuit reversed district court on "Watch" functions - Not fair use
  - First Factor - Use only "somewhat transformative" because enhances efficiency
  - But commercial nature weighs against fair use where transformative character is modest
  - Watch function "republishes that content unaltered from its original form, with no new expression, meaning or message"
- Second Factor – News reports merit copyright protection

Fox News Network, LLC v. TVEyes, Inc., (2d. Cir. Feb. 27, 2018)

- Third factor favors Fox
  - 10-minute clips "likely provide TVEyes's users with all of the Fox programming that they seek and the entirety of the message conveyed by Fox to authorized viewers of the original."
- Fouth Factor Key:
  - TVEyes's business model demonstrates "plausibly exploitable market," and displaces potential Fox revenues
    - TVEyes's no volitional conduct defense rejected because it, not the subscriber, chooses which content to record

Copyrightability, then Fair Use

Oracle America v. Google (Fed. Cir. 2014) -

▪Addressed whether Java API packages are entitled to protection under Copyright Act

- Expressive? (Or have idea/expression merged?)
- Unprotected short phrases?
- Method of operation?
- Is interoperability a consideration i copyrightability?

Copyrightability

Oracle America v. Google -

▪Federal Circuit reversed district court, held:

- Code, structure, sequence, and organization (“SSO”) of Oracle’s Java packages entitled to copyright protection
  - Copyrightability versus interoperability
  - Abstraction, filtration, comparison
- Google infringed; so remanded for fair use determination

Oracle v. Google: Fed. Cir. Holding re Copyrightability

Components of the Work	District Court	Federal Circuit
Structure, sequence and organization (SSO) of 37 API packages	Jury: Infringed Court: Not copyrightable	**Copyrightable** •No functionality bar
Declaring code of 37 API packages	Jury: Infringed Court: Not copyrightable	**Copyrightable** •Merger doctrine inapplicable •*Scenes a faire* doctrine inapplicable •Short phrases doctrine inapplicable
Implementing code - RangeCheck function - Eight security files	Infringed but *de minimis*	**Infringed** •Not *de minimis*

Oracle v. Google – Getting back to Fed. Cir.

- June 29, 2015 - Supreme Court denied Google (Oct. 2014) cert. petition
- May 9, 2016 – New district court trial began on question of fair use
- **May 26, 2016 - Jury verdict finding of fair use (following detailed jury instructions)**
- June 8, 2016 - Verdict upheld after two Rule 50 Motions and a Rule 59 Motion
- March 27, 2018 - Federal Circuit overturned fair use verdict and remanded for trial on damages

Oracle v. Google – Fed. Cir. Fair Use Ruling

- Federal Circuit first held that it should determine the ultimate question of fair use *de novo*, deferring to the jury or district court only on specific findings of historical facts
  - **Essentially considered the fair use issues *de novo*, based on trial court record**
- First factor - Noted that Google's use of Oracle's APIs was "overwhelmingly commercial" even though Google made the Android platform available without charge
- Rejected Google's argument that it had transformed Oracle's code by taking it from desktop computers to smartphones and tablets
  - “merely copying the material and moving it from one platform to another without alteration is not transformative"

Oracle v. Google – Fed. Cir. Fair Use Ruling

- Gave 2nd (nature of work) and 3rd (amount used) fair use factors little weight
- 4th Factor (effect on market) determinative –
  - Google had argued that Oracle’s software was not present in the mobile computing in which Android operated, and therefore Google's new use of the software did not affect Oracle’s markets.
  - Federal Circuit rejected that argument definitively, pointing to evidence that Oracle's software "had been used for years in mobile devices, including early smartphones, prior to Android's release."
  - "With respect to tablets, the evidence showed that Oracle licensed Java SE for the Amazon Kindle”
  - "After Android's release, however, Amazon was faced with two competing options — Java SE and Android — and selected Android."

Oracle v. Google – Fed. Cir. Fair Use Ruling

- 4^{th} factor
  - should take account of potential markets:
  - "Android's release effectively replaced Java SE as the supplier of Oracle's copyrighted works and prevented Oracle from participating in developing markets."
  - "This superseding use is inherently unfair."

Public availability of public laws?

- ***Am. Soc'y for Testing and Materials, Inc. v. Public.Resource.Org, Inc.* (D.D.C. 2017)**
  - No fair use where nonprofit organization scanned and posted on the internet copies of educational and industry-related technical and safety standards, even if standards incorporated in local law
- ***Code Revision Comm'n v. Public.Resource.Org, Inc.* (N.D. Ga. 2017)**
  - No fair use for nonprofit that scanned and posted on internet copies of official Georgia annotated code
- Both decisions on appeal to respective circuits

Disney v. VidAngel (9th Cir. 2017)

- VidAngel streamed "filtered" content with objectionable material removed
  - Family Home Movie Act (FHMA) exempts creation and use of technology that makes limited portions of movies "imperceptible" during private home viewing to screen objectionable content
- Ninth Circuit affirmed rejection of Vidangel's arguments that its activities were within FHMA's protection and its fair use and space-shifting defenses
  - Rejected reproduction, space-shifting and transformative use arguments:
    - "[L]awful owners 'of a particular copy' . . . only entitled to 'sell or otherwise dispose of the possession of that copy'"—not to reproduce work
    - "Star Wars is still Star Wars, even without Princess Leia's bikini scene"

Copyright Infringement – Substantial Similarity

K&L GATES

Rentmeester v. Nike (9th Cir. 2018)

Was Nike Photo substantially similar to 1984 Jacobus Rentmeester photo?

Rentmeester's "Jordan Photo"

The "Nike Copy"

K&L GATES

Rentmeester v. Nike (9th Cir. 2018)

- Case filed after 2014 *Petrella* decision
- Was Nike Photo (below) substantially similar to Rentmeester photo (top)?
  - District court – no
  - **Ninth Circuit – no**
    - Dissent - yes

Was Nike Logo substantially similar to Rentmeester photo?

District court – no

Ninth Circuit – no

Dissent - no

DMCA Safe Harbor (and CMI)

DMCA Safe Harbor – 17 USC 512

- DMCA Safe Harbor allows online service providers (OSPs) to avoid monetary liability for copyright infringement if they respond “expeditiously” to an effective notice of infringement.
- Effective notices must “substantially comply” with statutory requirements.
- OSPs must satisfy certain prerequisites, such as identifying Copyright Agent to receive notices of infringement and terminating accounts of “repeat infringers”

DMCA Copyright Agent Registration – 17 USC § 512(c)

Dec. 1, 2016 – New rule requiring electronic system designation of copyright agents for DMCA safe harbor takes effect for all internet sites

- No new paper registrations accepted
- Previously designated agents via paper system must submit new electronic designation **by Dec. 31, 2017**

- **Failure to designate agent electronically will negate safe harbor**

BMG Rights Mgmt. v. Cox Comm. (4th Cir. Feb. 1, 2018)

- BMG sent 2.5 million notices to Cox regarding material its users were downloading
- Cox failed to forward or respond to these notices and eventually blocked the third-party from sending further notices
- BMG sued Cox for contributory liability for copyright infringement of BMG music copyrights by Cox internet service subscribers
- Cox sought to use DMCA safe harbor (§ 512(a)), which limits liability for service providers
- Court ruled Cox failed to reasonably implement policy to terminate accounts of repeat offenders, as required under § 512(i); therefore Cox not entitled to DMCA safe harbor

BMG Media v. Cox Communications

- Jury found Cox liable for contributory infringement liability and awarded BMG $25 million in damages
  - In February 2017, district court awarded BMG $8.38 million in attorney fees due in part to unreasonable Cox arguments during trial
- 4th Cir. affirmed safe harbor ruling but remanded for revised jury instructions re contributory infringement and vacated attorney fees award

BMG v. Cox - Key Lessons (with thanks to Law360):

- Just Having a “Repeat Infringer” Policy Isn’t Enough
  - [T]he Fourth Circuit’s message was clear: Cox created a “repeat infringer” policy, but simply having one isn’t enough.
  - “Cox failed to qualify for the DMCA safe harbor because it failed to implement its policy in any consistent or meaningful way — leaving it essentially with no policy,” the court wrote.

BMG v. Cox - Key Lessons

- "Repeat Infringer" Doesn't Mean "Adjudicated Infringer"
  - Cox argued that the only “repeat infringers” the DMCA requires ISPs to terminate are those who have been repeatedly “adjudicated” to have infringed, not merely those who have been repeatedly accused by a rights holder.
  - 4th Cir. rejected that argument

BMG v. Cox - Key Lessons

- But Remanded
- Even Without Safe Harbor, Contributory Liability Takes More Than Negligence
  - “We are persuaded that the Global-Tech rule developed in the patent law context, which held that contributory liability can be based on willful blindness **but not on recklessness or negligence**, is a sensible one in the copyright context”
  - “It appropriately targets culpable conduct without unduly burdening technological development.”

Mavrix v. LiveJournal (9th Cir. 2017)

Mavrix sued LiveJournal for posting 20 copyrighted celebrity photos on LiveJournal's Oh No They Didn't! (ONTD) site

- ONTD users submit proposed posts to volunteer moderators, who review them for compliance before posting
  - Moderators managed by LiveJournal employee
- District court held 512(c) safe harbor shielded LiveJournal
  - Rejected argument that moderators were agents of LiveJournal

Mavrix v. LiveJournal (9th Cir. 2017)

- 9th Cir. reversed and remanded
- Moderators "integral part" of operations and may be agents of LiveJournal
  - Common law of agency not displaced by DMCA
- Proper focus under 512(c) is actions on website—not submission to website
  - Question of fact on remand whether moderators were agents of LiveJournal
- Opinion amended to remove text suggesting automatic processes to screen for infringement might qualify as "right and ability to control"

Stevens v. CoreLogic, Inc. (9th Cir. June 20, 2018)

- Photographers alleged CoreLogic's MLS software removed copyright management information metadata from their photographs in violation of 17 USC 1202
- § 1202(b) requires showing that defendant knew prohibited act would "induce, enable, facilitate, or conceal" infringement
- Photographers failed to satisfy this mental state requirement because they did not provide evidence from which one could infer that future infringement was likely, albeit not certain, to occur as a result of the removal or alteration of copyright management information.

Public Display Right and the Server Test

Goldman v. Breitbart (S.D.N.Y. Feb. 15, 2018)

- Photo first appeared on Plaintiff's Snapchat Story
  - Went "viral" and ended up on Twitter
  - Online news outlets and blogs (including Breitbart, Time, and The Boston Globe) *prominently featured the photos* by embedding the Tweet into articles

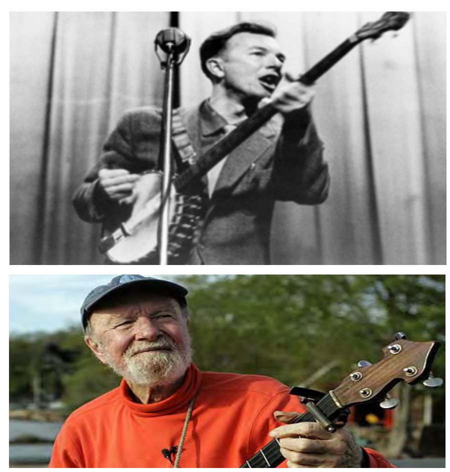
Goldman v. Breitbart

- Granted partial summary judgment to plaintiff
- Display right includes "each and every method" by which images are displayed
- Distinguished Ninth Circuit's Server Test
  - Not "adequately grounded" in text of Copyright Act because processing a copy is not prerequisite to displaying it
  - Intermediary search engine distinguishable from embedded images in articles
- *To be continued…On March 19th Judge Katherine Forrest certified case for interlocutory appeal to Second Circuit*

(Into the) Public Domain

"We Shall Overcome" Class Action: *We Shall Overcome Foundation v. TRO-Ludlow Music*

- April 2016 – Class action complaint filed alleging "We Shall Overcome" should be put in public domain
- Ludlow Music and The Richmond Organization claim to have copyrighted "We Shall Overcome" in 1960
- Lead plaintiff is documentary filmmaker making movie about the song; could not obtain license from TRO-Ludlow



Pete Seeger (1919-2013)

"We Shall Overcome" Class Action

- Considerable evidence that song dates from 19th century; printed in 1909 *United Mine Workers Journal* and 1948 Seeger songbook
  - Minor variations (e.g. "We will overcome" to "We shall overcome")
- In June 2017, SDNY granted partial SJ to plaintiffs
- In Jan. 2018, parties settled and agreed that "We Shall Overcome" was in public domain
  - Plaintiffs' attorney's fees request pending decision

Visual Artists Rights Act (VARA)

Cohen v. G&M Realty – 5Pointz Graffiti Case

BACKGROUND

- Wolkoff family owned 5Pointz site for more than 40 years
  - In 1993, Wolkoffs began inviting graffiti artists (“Artists”) to use the property as a canvas, resulting in contributions by over 1500 artists
- All parties aware that arrangement was temporary
- In May 2013, City Council granted approval to raze 5Pointz and replace it with condos
  - Federal court denied injunction request and upheld Wolkoff’s right to build at 5Pointz

BACKGROUND

- In November 2013, Wolkoff whitewashed building after plaintiffs' preliminary injunction motion was denied
- In August 2014, building demolished
- Artists filed suit
  - Violation of VARA rights
  - Artists not given advance notice of the whitewashing and were unable to remove or document their work.

VISUAL ARTISTS RIGHTS ACT

- Section 106A - VARA -- protects art of "recognized stature" from intentional destruction, mutilation, or other modification
  - VARA does not distinguish between temporary and permanent art
- Under Section 113(d)(2), owner of a building who wishes to remove visual art *without destroying it* may do so if:
  - The owner made a good faith effort to notify artist
  - The artist failed to remove the art after receiving written notice from the owner

Practice Pointers in light of 5POINTZ

- Artists:
  - get permission from owners
  - Have right to sue if removal cannot happen without damage
  - promote work to give it status under VARA

Cohen v. G&M Realty – Key Issues

- What is art of “recognized stature”?
  - Recognized by art experts, members of the artistic community, or by some cross-section of society
    - Expert testimony is not essential to make determination
- Was graffiti at 5Pointz art of recognized stature under VARA?

TRIAL AND DECISION

- Case went to trial in 2017
- Jury found for plaintiffs in November 2017
- Judge awarded plaintiffs $6.75 million in damages
  - Wolkoff acted willfully to destroy work of “recognized stature”
  - “If not for Wolkoff’s insolence, these damages would not have been assessed. If he did not destroy 5Pointz until he received his permits and demolished it 10 months later, the Court would not have found that he had acted willfully.”

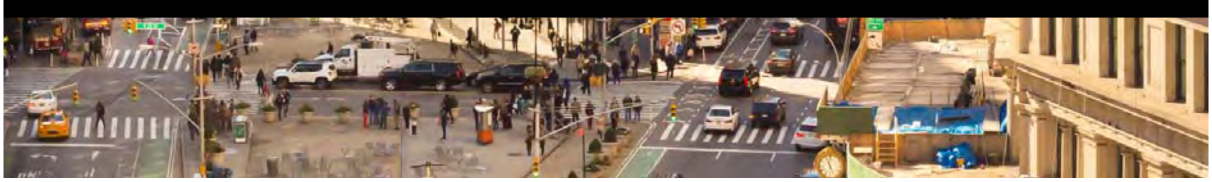
Practice Pointers in light of 5POINTZ

- Property owners:
  - verify status of work
  - provide notice prior to removal
  - removal must be careful
  - establish protections around property
  - denial of injunction is not permission to remove

Using the composite work as compared to using the data points

“The most profound technologies are those that disappear. They weave themselves into the fabric of everyday life until they are indistinguishable from it.”

Mark Weiser



The world is a computer

"The most profound technologies are those that disappear. They weave themselves into the fabric of everyday life until they are indistinguishable from it."

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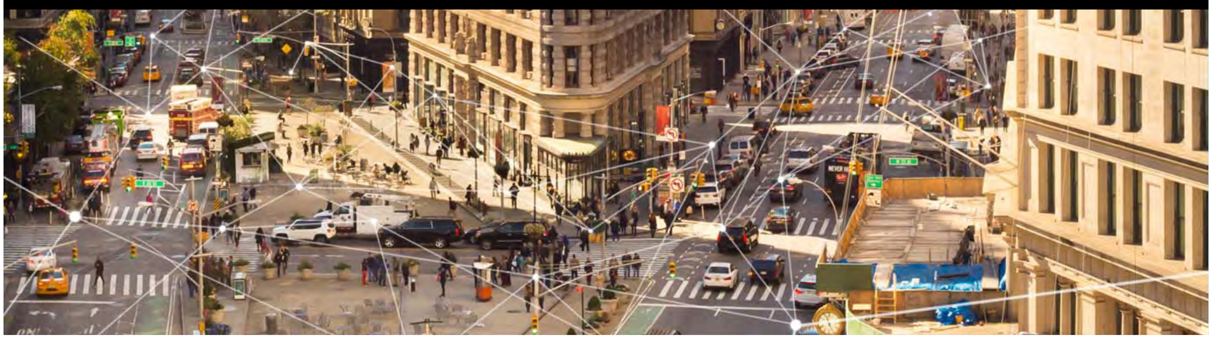
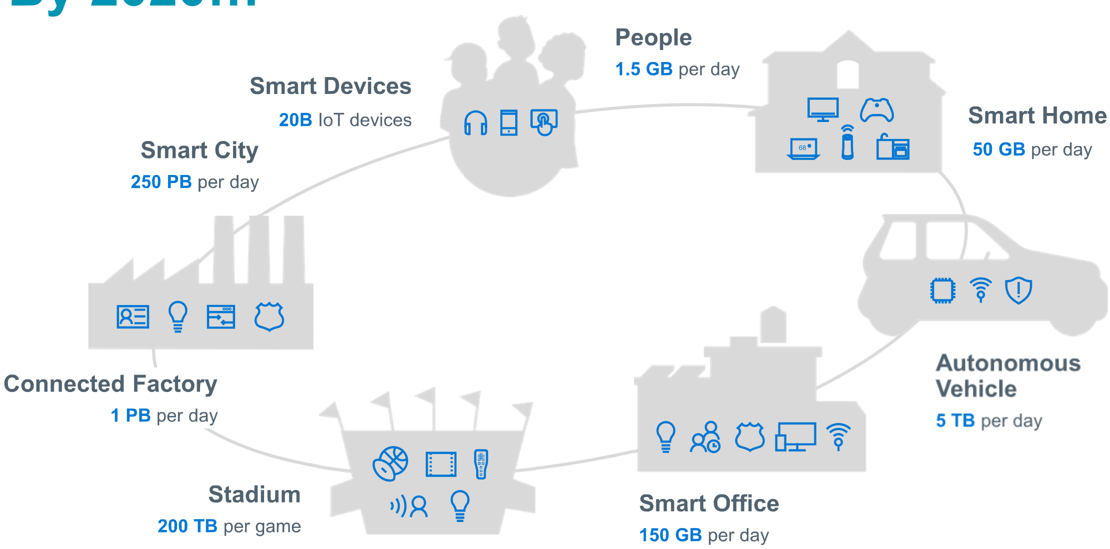
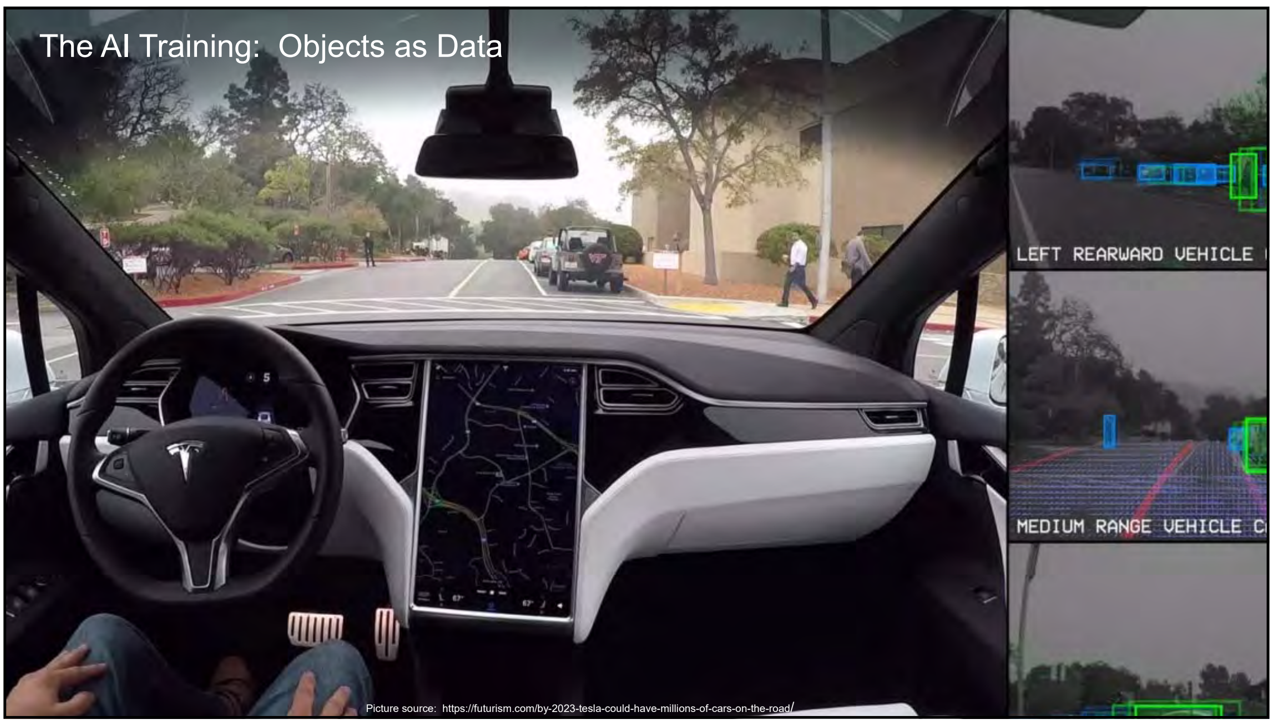


By 2020…



Using The Composite Work Versus The Data

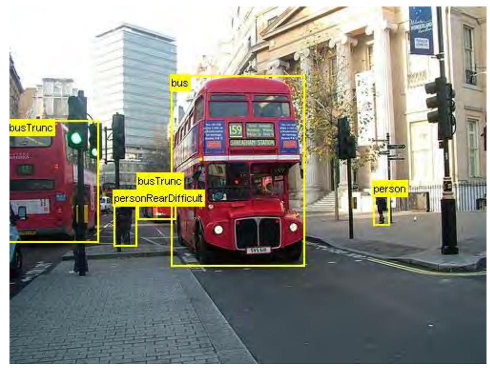
The AI Training: Objects as Data



Picture source: https://futurism.com/by-2023-tesla-could-have-millions-of-cars-on-the-road/

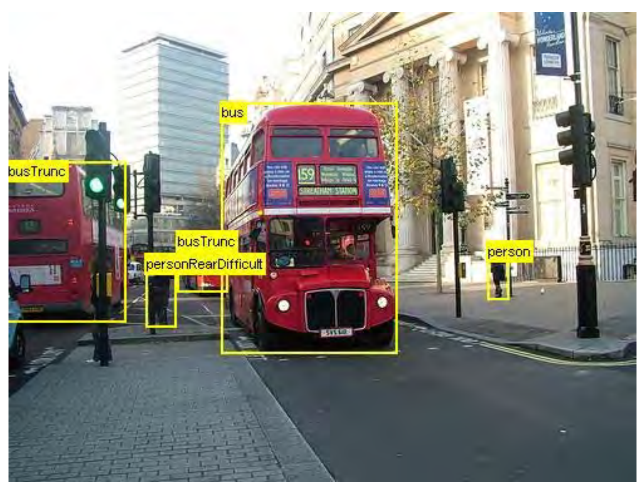
The Transformative Nature of Machine Learning

Use as a Work vers us **Use as Data**



Using Works of Authorship for Data to Train AI

- AI can unlock insights from works of authorship that does not implicate the underlying value of the expression
- Image recognition and language translation are early examples of breakthroughs
- But AI needs to be trained with those works of authorship, and that training requires copying
- Understanding and analyzing the data, facts and concepts within works of authorship is not infringing, even if copying is involved



IP & Data: United States Got It Right

United States Supreme Court

FEIST PUBLICATIONS, INC. v. RURAL TEL. SERVICE CO., (1991)

No. 89-1909

Argued: January 9, 1991 Decided: March 27, 1991

Respondent Rural Telephone Service Company is a certified public utility providing telephone service to several communities in Kansas. Pursuant to state regulation, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. It obtains data for the directory from subscribers, who must provide their names and addresses to obtain telephone service. Petitioner Feist Publications, Inc., is a publishing company that specializes in area-wide telephone directories covering a much larger geographic

After 10 Years, Google Books Is Legal

Thanks to a landmark ruling, information just got a little more free.

ROBINSON MEYER OCT 20, 2015 TECHNOLOGY

The Atlantic

105TH CONGRESS 2D SESSION **S. 2291**

To amend title 17, United States Code, to prevent the misappropriation of collections of information.

IN THE SENATE OF THE UNITED STATES

JULY 10, 1998

Mr. GRAMS introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To amend title 17, United States Code, to prevent the misappropriation of collections of information.

IP & Data: Is Europe Getting It Wrong?

EUROPEAN COMMISSION

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on copyright in the Digital Single Market

- *"Runs counter to the goals of copyright and the functions of economic rights", "data mining should be permitted for non-commercial research purposes, for research conducted in a commercial context, for purposes of journalism and for any other purpose"* –European Copyright Society
- *"[The restriction] lacks a substantive justification", "would lead to a fragmentary and incoherent legal development in the longer run"* –Max Planck Institute for Innovation and Competition

COPY buzz

HOME EDITORIAL INTERVIEWS ANALYSIS FACTS & FIGURES

WHY THE COPYRIGHT DIRECTIVE LACKS (ARTIFICIAL) INTELLIGENCE

COMMISSION OF THE EUROPEAN COMMUNITIES

DG INTERNAL MARKET AND SERVICES WORKING PAPER

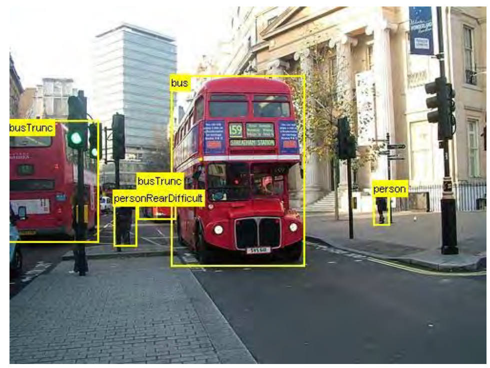
First evaluation of Directive 96/9/EC on the legal protection of databases

5. ANALYSIS

From the outset, there have been problems associated with the "sui generis" right: the scope of the right is unclear; granting protection to "non-original" databases is perceived as locking up information, especially data and information that are in the public domain; and its failure to produce any measurable impact on European database production.

The Transformative Nature of Machine Learning

Use as a Work | **vers us** | **Use as Data**



COPYRIGHT LAW UPDATE
2017-2018

August 2018

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OUTLINE OF CONTENTS

A. STANDING AND PROCEDURE

***Edgar Babayan v. Allen Yeganian, et al.*, No. 18-cv-00446-PSG-MRW (C.D. Cal. Jun. 4, 2018)**

Edgar Babayan took before-and-after photographs of women's faces to advertise the effects of his face cream. One of Babayan's competitors, Honest Creams, copied Babayan's photographs and placed them on its own website to promote Honest Creams products. Babayan filed suite against Honest Creams and its owner Allen Yeganian for copyright infringement. Yeganian and Honest Creams failed to participate in the litigation. Accordingly, in January 2018, the district court entered default judgement against Yeganian and Honest Creams.

The district court held that default judgement was proper under the factors set out in *Eitel v. McCool*, 782 F.2d 1470 (9th Cir. 1987): (1) Babayan would suffer prejudice if default judgment were not granted; (2) Babayan sufficiently alleged a copyright infringement claim; (3) the amount at stake was directly tailored to Yeganian and Honest Creams's misconduct; (4) there was no dispute regarding material facts; (5) Babayan effected proper service; and (6) default judgment was warranted despite public policy favoring decisions on the merit. For factor two, Babayan sufficient alleged a copyright infringement claim against Yeganian and Honest Creams because he "demonstrated copyright ownership in the [p]hotos and that Defendants cut [sic] and pasted the [p]hotos to use on the competing infringing site."

The court awarded $1,910,963 to Babayan. This award was derived from the amount Honest Creams earned from sales generated through their infringing site. The court also granted a permanent injunction against Yeganian and Honest Creams from using Babayan's photos to promote and sell Honest Creams products.

***John Wiley & Sons, Inc. v. DRK Photo*, 882 F.3d 394 (2d Cir. 2018)**

Book publisher John Wiley & Sons Inc. filed an action for declaratory relief against DRK Photo, a stock photo company that licenses photographers' images to third parties for a fee. Wiley filed the action in response to DRK threatening to sue Wiley for copyright infringement for exceeding its licensed use of photographs licensed to it by DRK.

DRK typically entered into two agreements with the photographers whose photos it licensed: a representation agreement that gave DRK permission to non-exclusively represent the photographers in licensing their photos, and an assignment agreement that transferred the rights and title in the photos to DRK so that the company could register the photos with the Copyright Office. DRK then typically would subsequently reassign the copyrights back to the photographers while retaining the right to bring claims for infringement of the photographs, splitting any recovery obtained from the suits with the photographer associated with the photo in question. The district court held that DRK did not have standing to sue Wiley for copyright infringement, finding that DRK's agreements with the photographers merely assigned the bare right to sue for infringement of the photos but did not grant DRK the required ownership of or an exclusive license to the copyrights.

The Second Circuit specifically focused on section 501(b) of the Copyright Act, which expressly states that the legal and beneficial owner of one of the exclusive rights under a copyright may bring an action for infringement. The Second Circuit found that by expressly granting this right to the legal and beneficial owner of the copyright, Congress did not intend for assignees of a bare right to sue to have the ability to bring claims for copyright infringement.

DRK argued that this interpretation of the Copyright Act failed to recognize common law supporting the assignability of federal claims, particularly a previous ruling by the Supreme Court in *Sprint Communications Co., L.P. v. APCC Servs., Inc., 554 U.S. 269, 128 S. Ct. 2531, 171 L. Ed. 2d 424 (2008)* that suggested that the Supreme Court approved of the trend towards the assignability of federal causes of action for money owed. The Second Circuit rejected this argument, reasoning that it was not applicable to copyright law and that the right to sue for copyright infringement is a privilege of copyright ownership that is not meant to be independently transferable.

DRK also argued that it had the right to bring claims against Wiley for copyright infringement as a legal or beneficial owner of the photos' copyrights under its agreements with the photographers. The Second Circuit rejected this argument, finding that the representation agreement only qualified DRK as a nonexclusive agent of the photographers and did not grant DRK the legal ownership of any exclusive rights under copyright law. Further, the assignment agreement only conveyed an interest in the photos to DRK for the purpose of registering them and granting the bare right to sue, and because neither of these rights were an exclusive right under section 106 of the Copyright Act, DRK was not a legal owner. The court also held that DRK was not a beneficial owner despite its significant role in garnering protection for the photos and an interest in their use. The Second Circuit reasoned that beneficial owners generally transfer their exclusive rights in consideration for royalties or other compensation and DRK was a nonexclusive agent who performed a service in consideration for potential compensation if the photos were licensed, and was not a beneficial owner of any exclusive right.

***Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 856 F.3d 1338 (11th Cir)*, cert. granted* (2017)**

In this case, the U.S. Supreme Court will address a circuit split on the question of whether a copyright registration need only be filed with the U.S. Copyright Office, or instead must be issued, in order to commence a copyright infringement action. Section 17 U.S.C. § 411(a), provides in relevant part that "no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title." The U.S. Copyright Office typically take at least several months and often more than a year to issue registrations, which are effective as of the filing date, although expedited registration is available for a fee of $800 per work registered, which generally issue within a few weeks. (The standard registration fee is either $35 or $55 per work registered.)

Fourth Estate Public Benefit Corporation (FEBC), an online news organization, licensed articles to Wall-Street.com. FEBC filed applications to register the articles with the Register of Copyrights. However, before the Register of Copyrights reviewed the applications, Wall-Street.com cancelled its account with FEBC. Contrary to its licensing agreement with FEBC, Wall-Street.com did not remove FEBC's articles from its site after cancelling its account. FEBC filed a complaint for copyright infringement. Because the Register of Copyrights had not yet approved FEBC's application, the district court dismissed the complaint without prejudice. On appeal, the Eleventh Circuit affirmed that decision. This decision aligned the Eleventh Circuit with the Tenth Circuit in holding that copyright registration occurs after the Register of Copyrights approves the application, not when the applicant submits the application. This contrasts with the Ninth and Fifth Circuits which have held that mere application for registration is enough for a party to bring suit for copyright infringement, as has the Eighth Circuit in dicta, and the issue is unresolved with district courts reaching varying conclusions in the First and Second Circuits.

The parties filed their briefs with the Supreme Court in December 2017, and in January 2018, the Court requested the views of the U.S. Solicitor General.

***Ashton v. United States Copyright Offic*e, No. 16-CV-02305 (APM), 2018 WL 1245733, at *1 (D.D.C. Mar. 8, 2018)**

Wesley Scott Ashton created coffee mugs showing a "pictogram" of an extended middle finger along with the phrase "People Pleaser in Recovery". Ashton sought to copyright this middle finger image combined with the phrase, alleging it was a creative literary work. The U.S. Copyright Office disagreed, determining that the combination of the phrases "People Pleaser in Recovery" and "Refill" with the image were insufficient to form a copyrightable literary work. Specifically, the text on Ashton's mugs did not possess the minimum amount of text required for protection and did not contain any authorship that would support a copyright registration. However, after a plea by Ashton for reconsideration of his application, the Copyright Office did determine that the drawing of the extended middle finger constituted a copyrightable 2D artwork and invited Ashton to register the image. This was not a satisfactory decision for Ashton. Ashton filed a suit challenging the Copyright Office's rejection of his copyright application, arguing that the Copyright Office failed to consider all the evidence presented in his application and its decision that his work was not protectable under copyright law was incorrect as a matter of law. Both Ashton and the Copyright Office sought summary judgment on the matter.

In regards to Ashton's assertion that the Copyright Office failed to consider all evidence presented with his application and provide reasons for its decision, the court ruled in favor of the Copyright Office. The court found that in its final decision the Copyright Office expressly stated that the textual elements of Ashton's work were not sufficiently creative to garner copyright protection and even if the phrases and pictogram together formed a literary work, they failed to meet the creativity standard set in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). Relying on case law, the court further stated that administrative agencies such as the Copyright Office are required to consider the most important issues presented and explain their decision in a way that correlates with the evidence presented. The court held that this does not require agencies to weigh in on every aspect of the issue that is presented and that the Copyright Office sufficiently rendered a decision despite not addressing every point highlighted by Ashton. None of the items he claimed the Copyright Office failed to address were material to the decision.

In addition to his procedural claims, Ashton also alleged that the Copyright Office decision was incorrect as a matter of law because: (1) it applied an inappropriate standard for assessing originality; (2) it did not consider the image of the extended middle finger a literary element; (3) it wrongfully determined that the middle finger image's creativity was de minimis, and (4) it inappropriately ignored the arrangement of the phrases in Ashton's work. The court rejected all of these arguments.

The court stated that only works that are original receive copyright protection, based on the standards for originality as set forth in *Feist* requiring the work to be independently created by the author and possess "a minimal degree of creativity." Despite Ashton's contention that *Feist* was inapplicable because it pertained to a compilation of data and his work was a poem, the court rejected this argument as courts have historically applied *Feist* to a variety of works.

The court also rejected Ashton's argument that the Copyright Office erroneously failed to treat his drawing of the extended middle finger as a literary work. The court did not consider this argument as the argument misconstrued the Copyright Office's decision. The Copyright Office's decision actually assumed the drawing was a literary work, but found that combined with the work's text, it was still insufficiently creative enough to receive copyright protection.

The court also disagreed with Ashton's argument that the Copyright Office misapplied the law when it found that the three elements of his work lacked sufficient creativity due to its length. The court reasoned that it must give deferential review to the Copyright Office and that the decision at-issue was in-line with a number of previous decisions by the Copyright Office determining that some works were too short to receive protection.

Finally, the court agreed with the Copyright Office's decision to not give weight to the arrangement of the elements of Ashton's work. In making its decision regarding Ashton's application, the Copyright Office assessed whether the arrangement of the text and drawing on the mug was creative enough to constitute the whole work as original. Ultimately, the Copyright Office determined that there was no originality in its arrangement, or in the act of placing text and symbols on a mug. The court found this assessment and the resulting decision by the Copyright Office to be proper.

Accordingly, the court granted the Copyright Office summary judgment.

B. COPYRIGHTABILITY/ORIGINALITY/USEFUL ARTICLE/FUNCTIONALITY

***Denise Daniels and The Moodsters Company v. Walt Disney Company, et al.*, 17-cv-04527-PSG-SK (C.D. Cal. May 9, 2018)**

Denise Daniels is a nationally recognized child development expert. To help children understand and regulate their emotions, she created *The Moodsters*, a cast of color-coded anthropomorphic characters that each represents a different emotion. These characters appeared in a book as well as the pilot of an animated TV show. Daniels claimed that she pitched *The Moodsters* to Disney several times without success, including to film director Pete Docter. Docter later directed *Inside Out*, a popular animated film about anthropomorphized emotions that live inside the head of a young girl.

At a high level, there were similarities between the colors and associated emotions of *The Moodsters* and the characters from *Inside Out*. *The Moodsters* featured five emotions: happiness (yellow), sadness (blue), anger (red), fear (green), and love (pink). *Inside Out* also featured five emotions: joy (yellow), sadness (blue), anger (red), fear (purple), and disgust (green).

In 2017, Daniels filed suit against Disney, alleging breach of implied-in-fact contract, copyright infringement of four individual *Moodsters* characters (happiness, sadness, anger, and fear), and copyright infringement of the ensemble of *Moodsters* characters. On January 31, 2018, the court granted Disney's motion to dismiss Daniels's first amended complaint with leave to amend the copyright claims. On May 9, 2018, the court granted Disney's motion to dismiss Daniels's second amended complaint without leave to amend.

The court dismissed Daniels's claims for copyright infringement of individual *Moodsters* characters because the characters are not protectable. In the Ninth Circuit, a character is protectable independent of the underlying work if the character: (1) has physical as well as conceptual qualities; (2) is sufficiently delineated to be recognized as the same character whenever it appears; and (3) is especially distinctive and contains some unique elements of expression. The court and the parties agreed that on prong one, *The Moodsters* had physical and conceptual qualities because they appeared graphically in both the book and pilot. The court found, however, that the individual *Moodsters* characters failed to meet prong two and three.

On prong two, the court found that that the individual characters of *The Moodsters* were not sufficiently delineated. In its January order, the court found that the individual *Moodsters* characters were not described with "specific traits on par with those of the iconic characters…such that they would be 'instantly recognizable wherever they appear.'" The fact that *The Moodsters* only appeared in two works (the book and pilot), the works were not widely distributed, and *The Moodsters* changed in name and appearance from the book to the pilot all contributed to the court's conclusion that *The Moodsters* were not widely identifiable. In her second amended complaint, Daniels argued that the second generation of *The Moodsters*, which appeared on merchandise sold at major retailers, showed that *The Moodsters* "have persisted over time.” In its May 2018 order, the court rejected this argument, noting that it is “unpersuaded that the second generation of Moodsters could be ‘widely’ and ‘instantly,’ recognized” especially given their “wholesale changes in appearance” from the first generation. In fact, “the inclusion in the amended complaint of the second generation characters undermine[d] Plaintiff’s argument; it demonstrate[d] that the majority of the characters’ traits…are fluid.”

On prong three, the court held that the individual *Moodsters* characters were not especially distinctive. In its January order, the court found the characteristics of *The Moodsters* failed to do “more than fit general, stereotypical categories such that they are especially distinctive vis-à-vis other characters[] outside of the work in which they appear.” In her amended complaint, Daniels argued that her use of experts, focus groups, and significant monetary investment to create *The Moodsters* show that they are especially distinctive. In its May order, the court held that “[n]one of the new contentions bear on the finished product” and *The Moodsters* still lacked the requite distinctiveness to obtain copyright protection.

Lastly, the court dismissed Daniels’s claim for copyright infringement of *The Moodsters* ensemble. In its January 2018 order, the court held that Daniels failed to advance an argument to support protection of the ensemble of “lightly sketched” characters. In her second amended complaint, Daniels argued that *The Moodsters* ensemble is copyrightable under either the three-part test discussed above, or the “story being told” standard. In its May order, the court held that it has “already addressed the three-part test” and found that “the characters are neither delineated nor distinctive to a degree sufficient to afford copyright protection to a character taken alone, and thus as an ensemble...” Daniels also argued that *The Moodsters* are protectable under the “story being told” standard, which affords copyright protection to characters central to a story. The court rejected this argument because the standard is no longer applicable after *DC Comics v. Towle*, 802 F.3d 1012 (9th Cir. 2015). After *Towle*, copyright in graphically depicted characters is only available if the characters meet the Ninth Circuit three-part test.

On May 16, 2018, Daniels filed a notice of appeal with the Ninth Circuit.

***Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002, 197 L. Ed. 2d 354 (2017)**

In 2010, Varsity Brands, the leading maker of cheerleading uniforms in the United States, sued Star Athletica, a competitor, for copying its uniform designs. Following a determination by the district court that Varsity did not have a valid copyright because the graphic elements of their designs are not separable from the utilitarian function of a cheerleading uniform, Varsity appealed.

The Sixth Circuit held that the district court erred by failing to give greater deference than it did to the Copyright Office’s determination that Varsity has a valid copyright in the designs.

The Sixth Circuit concluded that (1) Varsity's designs were graphic works, and the graphic features of the uniforms can be identified separately from the utilitarian aspects of the uniform Finally, the graphic features can also exist independently of the utilitarian aspects, because the same designs could be placed on any garment. Therefore, the designs were copyrightable.

The Supreme Court granted *certiorari* and heard oral argument on October 31, 2016. In March 2018, it affirmed the Sixth Circuit's decision, holding that "a feature incorporated into the design of a useful article is eligible for copyright protection only if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable … work … if it were imagined separately from the useful article into which it is incorporated." Applied to the cheerleading uniform decorations, the Court found that the decorations could be perceived as works having pictorial or graphic, or qualities and that the decorations could be removed from the useful article (the cheerleading uniform) and applied in another medium as a separate work of art (e.g., one could frame only the decorations as a work of art or put the decorations on a pair of jeans without replicating the cheerleading uniform).

The 7-2 majority opinion by Justice Clarence Thomas (with Justice Ginsburg concurring separately), focused largely on the text of Section 101 of the Copyright Act, which states that features are separable when they "can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article." Justice Thomas rejected the idea of crafting this separability test on the basis of anything other than the literal language of the statute. In response to concerns that a ruling in favor of Varsity would expand copyright protection to areas it was not intended to cover, The majority opinion sought to limit the ways in which this ruling could apply to garments in general by explicitly stating that Varsity was eligible only for a copyright on the two-dimensional work of art and could not expand its rights to prohibit the manufacturing of a cheerleading uniform of identical shape, cut, and dimensions.

The concurrence by Justice Ginsburg focused on Varsity's registration of standalone, two-dimensional pictorial and graphic designs that were reproduced on the uniforms, and concluded that there was no reason to take up or interpret the separability test found in Section 101.

In the dissenting opinion, Justice Stephen Breyer, joined by Justice Anthony Kennedy, stated that the majority's decision was overreaching by essentially granting copyright protection to the design of a garment, which specifically was protection that Congress had refused to provide. Breyer further opined that garment design was better suited for protection under patent law and providing it under copyright law could lead to economic disruption in the clothing industry.

In August 2017, the case concluded with a settlement between Varsity and Star Athletica's insurance company. Star Athletica stated that it was not a part of the negotiations regarding the settlement and wanted to continue litigating its counterclaims against Varsity. However, the District Court rejected Star Athletica's attempt to continue litigating. The court ordered the case dismissed with prejudice as required by the terms of the settlement agreement between Varsity and Star Athletica's insurer.

C. OWNERSHIP

1. Work Made For Hire.

17 U.S.C. § 101 provides: A "Work Made For Hire” is -

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

***Ennio Morricone Music Inc. v. Bixio Music Group*, No. 1:16-CV-08475-KBF (S.D.N.Y. Oct. 6, 2017)**

Ennio Morricone composed scores for numerous films in the 1970s and 1980s under agreements with Bixio, in which Morricone assigned to Bixio all rights in the works in exchange for initial payments and the right to a portion of the licensing proceeds from the scores.

In 2012, Morricone sent termination notices for six film scores as provided in the 1976 Copyright Act, and in November 2016, filed a lawsuit seeking a declaration confirming the terminations.

However, "works made for hire" may not terminated. Both Morricone and Bixio agreed that the film scores were commissioned works, but disagreed as to whether they were works made for hire. In this case, Italian law governed the question and was the subject of expert testimony in the court proceeding.

Bixio's expert (Rescigno) testified that a score is a work made for hire if the publisher is conferred exclusive ownership via contract, and if the agreement sets forth instructions and requirements as to the delivery of the work. Use of a pre-existing work wouldn't qualify.

Morricone’s expert (Ricolfi) testified that ownership vests with the original creator and that rights could be transferred, but that the creators always retain their authorship rights, therefore a composer's work could never be a work for hire.

Judge Forrest's opinion reached the following conclusions in rejecting Morricone's termination efforts:

> The Court finds Rescigno's explanation of Italian law more persuasive than Ricolfi's. Ricolfi argues that Italian law 'rules out in principle that the work of a Composer may be considered a work for hire in the meaning adopted by the U.S. legal system.' However, while the Italian copyright laws referred to by Ricolfi do typically grant the original copyright to a work to its creator, Rescigno explains that this does not prevent the assignment of those rights — an assignment which took place under each agreement between Morricone and Bixio. Ricolfi does not substantiate his opinion that a score cannot be a 'work for hire'...
>
> M]oral rights are irrelevant …Economic exploitation rights — the only rights at issue in this case — are separate from moral rights relating to an artistic composition. There is no contention here that Morricone has lost his moral rights. And Rescgino points out that Italian law must recognize a 'work for hire' doctrine, as 'articles 12 bis, 12 ter., 38, 45, 88 and 89 of the [Italian] Copyright Law' demonstrate that copyrights can vest with persons other than the original creator.
>
> Ultimately, Rescigno's well reasoned analysis, combined with the text of the example contracts submitted to the Court by plaintiff, indicates that the six scores created by Morricone were, in fact, works for hire as defined by Italian law. Defendant is thus the owner of the copyrights of the six scores. As such — and as the parties agree — 17 U.S.C. § 203 prevents plaintiff's termination of the assignment of those rights.

D. PUBLIC PERFORMANCE RIGHTS IN PRE-1972 SOUND RECORDINGS

The Music Modernization Act

On April 25, 2018, the House of Representatives unanimously passed the Music Modernization Act. On June 28, 2018, the Senate Judiciary Committee also unanimously approved the bill. As of August 9, 2018, the Music Modernization Act awaits a vote of the full Senate. The Music Modernization Act consists of three distinct parts: Title I—Blanket License for Digital Uses and Mechanical Licensing Collective; Title II—Compensating Legacy Artists for Their Songs, Services, and Important Contributions to Society (CLASSICS); and Title III—Allocation for Music Producers (AMP).

Title I amends Section 115, the portion of the Copyright Act governing how digital music services pay royalties to songwriters and publishers for use of nondramatic musical works. Previously, digital music services obtained an automatic license to reproduce compositions by filing a notice with the Copyright Office and paying a set rate for the work. However, because it was often challenging to find the right author for every song, digital music services found the process burdensome and copyright owners were not adequately paid.

Proposed Section 115 establishes a blanket licensing scheme, with a Mechanical Licensing Collective authorized to "offer and administer blanket licenses" and "collect and distribute royalties from digital music providers for covered activities." The Mechanical Licensing Collective would maintain a database of eligible musical works. Digital music services would pay for a blanket license that covers use of every song in the database. The Mechanical Licensing Collective would then distribute payments to copyright owners.

Title I provides compliant digital music services with protection against copyright infringement. A "digital music provider that obtains and complies with the terms of a valid blanket license…shall not be subject to action for infringement of [right of reproduction and distribution] arising from use of a musical work…to engage in covered activities authorized by such license…" Further, Title I significantly limits the remedy available against a compliant digital service providers for previous infringement arising from unlicensed use. For suits commenced on or after January 1, 2018, the copyright owner may only recover the royalties owed under the new bill, not damages for infringement.

A final significant change under Title I is the calculation of rates for mechanical licenses to make and distribute phonorecords of a nondramatic musical work, including by means of digital phonorecord delivery. The Copyright Royalty Board currently sets rates based on certain public-interest directives. Under the Music Modernization Act, CRB would set rates that reflect marketplace value.

Title II, titled the CLASSICS Act, establishes a public performance right for sound recordings made from 1923 to 1972. Owners of pre-1972 works (going back to 1923) would have public performance rights in their sound recordings until 2067 (1972 plus 95 years). Anyone who infringes this right would be "subject to [] remedies…to the same extent as an infringer of copyright." Title II, however, preempts copyright claims made before its enactment arising from digital audio transmission or reproduction of pre-1972 works if "the digital audio transmission would have satisfied the requirements for statutory licensing" or if "the transmitting entity…pays statutory royalties…for all digital audio transmissions and reproductions satisfying the requirements for statutory licensing…during the 3 year period prior to the date of enactment." Finally, after the enactment of Title II, "the licensee shall pay, to the collective designated to distribute receipts from the licensing of transmission…50 percent of the performance royalties for the transmissions due under the license, with such royalties fully credited as payments due under the license."

Lastly, Title III, titled the AMP Act, provides a procedure for producers, mixers, and sound engineers to collect royalties for sound recordings they helped to create. Title III authorizes SoundExchange to accept a letter of direction from a featured artist to distribute "to a producer, mixer, or sound engineer who was part of the creative process that created a sound recording, a portion of the payments to which the [featured artist] would otherwise be entitled from the licensing of transmissions of the sound recording." Upon direction by the featured artist, SoundExchange would provide direct payment of royalties owed to the producer, mixer, or sound engineer. For sound recordings fixed before 1995 (enactment of the Digital Performance Right in Sound Recordings Act), the producer, mixer, or sound engineer may seek permission from featured artists or their heirs to receive royalty payments. For pre-1995 recordings, in the absence of a letter of direction, the producer, mixer, or sound engineer can receive royalties by certifying to SoundExchange that he or she made reasonable efforts to obtain a letter of direction.

***Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 827 F. 3d 1016 (11th Cir. 2016); *certified question answered*, 229 So. 3d 305 (Fla. 2017); and**

***Flo & Eddie, Inc. v. Sirius XM Radio, Inc.*, 821 F.3d 265 (2d Cir.), *certified question answered*, 28 N.Y.3d 583, 70 N.E.3d 936 (2016); and**

***Flo & Eddie, Inc. v. Pandora Media, Inc.*, 851 F. 3d 950 (9th Cir. 2017)**

Flo & Eddie, a company with the sound recording rights to a number of recordings from the band "The Turtles," sued Sirius XM Radio Inc., which is a satellite radio and internet-radio broadcaster, for common-law copyright infringement under the laws New York, California and Florida, in the federal courts of those states. At issue in the case was Sirius' broadcast of sound recordings from the 1960s. Federal copyright law only protects sound recordings fixed on or after February 15, 1972, but Flo & Eddie contended New York common law gave holders of pre-1972 sound recordings exclusive public performance rights.

Sirius Radio moved for summary judgment, arguing New York had no such common law protections. The district court denied the motion but certified the summary judgment order for interlocutory appeal. On appeal in April 2016, the Second Circuit decided the question of whether New York had these common law protections was both unsettled and important, and certified the question for the New York Court of Appeals to answer. The New York Court of Appeals accepted the certification and ultimately concluded in December 2016 that New York common law did not offer protections for the public performance of songs recorded prior to 1972. The New York Court of Appeals found that the consequences of creating that right under New York common law "could be extensive and far-reaching" and that any decision in favor of making such a right should be made by the legislature. The Court of Appeals further stated that while changes to technology in the music industry have made profiting from the sale of recordings increasingly difficult for record companies, it was not enough to warrant the creation of new rights for owners of pre-1972 recordings.

In a separate case on the same issue in the state of Florida, the Florida Supreme Court held that Florida state law did not require radio stations and online streaming services to pay royalties for pre-1972 recordings. In its October 2017 ruling, the court found that Florida law had never required such payments to be made and that any change in the law could be potentially disruptive and would require a decision from the state legislature. The court also stated that a decision in favor of Flo & Eddie would result in a performance right that was "broader than any right ever previously recognized in any sound recording."

A separate case on the same issue is currently pending in the California Supreme Court, on a similar certification question from the U.S. Ninth Circuit Court of Appeals. In *Flo & Eddie, Inc. v. Sirius XM Radio, Inc*., No. 13-5693 PSG (RZX), 2015 WL 4776932, at *1 (C.D. Cal. May 27, 2015), Flo & Eddie brought a separate case against music service Pandora, asking the court to decide on whether California law has a public performance right for pre-1972 recordings. In February 2015, a California federal judge ruled in favor of Flo & Eddie, stating that California state law granted an exclusive right to public performance of pre-1972 recordings. Pandora appealed that ruling in the Ninth Circuit. Flo & Eddie maintained that the ruling should stand based on section 980(a)(2) of the California Civil Code, enacted in 1982 to grant “the author of an original work of authorship consisting of a sound recording” exclusive ownership rights. In March 2017, the Ninth Circuit certified two questions to the California Supreme Court: (1) whether under the California Civil Code, copyright owners of pre-1972 sound recordings sold to the public before 1982 possess an exclusive right to public performance, and if not (2) whether California common law grants these copyright owners an exclusive right of public performance. *Flo & Eddie, Inc. v. Pandora Media, Inc.*, 851 F. 3d 950 (9th Cir. 2017).

As of August 9, 2018, the California Supreme Court had not issued a decision in the case.

E. SUBSTANTIAL SIMILARITY

***Paul Batiste d/b/a Artang Publishing, LLC v. Ryan Lewis, et al.*, No. 17-4435 (E.D. La. May 17, 2018)**

Paul Batiste is a member of a New Orleans jazz band and the owner of Artang Publishing LLC. In May 2017, he brought a copyright infringement suit against the popular music duo Macklemore and Ryan Lewis, as well as song writers and publishing companies involved in the production of the allegedly infringing works. Batiste claimed that five Macklemore and Ryan Lewis songs—“Thrift Shop,” “Can’t Hold Us,” “Need to Know,” “Same Love,” and “Neon Cathedral”—copied elements from eleven of Batiste’s original songs. The songs are: “Hip Jazz,” “Kids,” “Starlite Pt. 1,” “World of Blues,” “Love Horizon,” “Tone Palette,” “My Bad,” “Salsa 4 Elise (Fur Elise),” “Drowning in My Blues,” “Sportsman’s Paradise,” and “Move That Body.” In May 2018, the court dismissed Macklemore and Ryan Lewis’s motion to dismiss.

The court first addressed whether it could consider evidence outside the pleadings at the motion to dismiss stage. Macklemore and Ryan Lewis submitted an expert report and an audio recording of the disputed songs. The court noted that although its consideration on a motion to dismiss is “typically confined to the pleadings,” a Fifth Circuit exception allows courts to consider “documents that are referred to in the plaintiff’s complaint and are central to the plaintiff’s claim.” Thus, because “both Batiste’s and Macklemore and Ryan Lewis’s songs comprise the sole issues in this case, and because they were referred to in the plaintiff’s several complaints, the court can consider their recordings.” The expert report, however, was not admissible because it was not referenced in the complaint.

On the merits of the case, the court denied the motion to dismiss because Batiste's complaint, taken as true, plausibly pled each element of a copyright infringement claim. Batiste sufficiently pled that he is the owner of valid copyrights in his eleven original songs by providing the copyright registration number for each song. Additionally, Batiste sufficiently pled substantial similarity by claiming Macklemore and Ryan Lewis copied large portions of his songs and citing "precisely which elements of his song were sampled, and where the sampled portions appear in the defendants' songs."

The court focused its discussion on the factual copying element, and ultimately found Batiste sufficiently pled this element as well. The court first held that Batiste failed to plead sufficient facts to show that Macklemore and Ryan Lewis had access to his songs. Although Batiste pled that his songs were publicly released and widely recognized, "the mere suspicion that the defendants could have found the music is insufficient." Rather, Batiste must "allege facts that the defendants had a 'reasonable opportunity' to view his work." The court held that Batiste failed to make this showing. Thus, Batiste must demonstrate factual copying by showing striking similarity between the allegedly copied works and his own. The court held that Batiste sufficiently pled facts to support this finding. In his complaint, Batiste specifically pointed to various elements of his own songs that also appear in Macklemore and Ryan Lewis's allegedly infringing songs. For instance, Batiste pled that "Thrift Shop" used the beat, drums, introduction, and bass line of "Hip Jazz" and the melody of "World of Blues." The court found that "if proven, Batiste would meet his burden to show striking similarity." Accordingly, Batiste sufficiently pled each element of a copyright infringement claim and his lawsuit could proceed.

Finally, Macklemore and Ryan Lewis asked the court to compare the musical elements of Batiste's songs to their own. The court declined to do so at the motion to dismiss stage. The court stated, "at the pleading stage, the court is limited to the facts alleged in the complaint; it is not acting as a factfinder. A decision on the merits based on the court's judgement of the similarity of the songs is inappropriate at this stage of the proceedings."

***Jennie Nicassio v. Viacom International, Inc. and Penguin Random House LLC*, No. 17-805, 2018 U.S. Dist. LEXIS 70730 (W.D. Pa. Apr. 27, 2018)**

Jennie Nicassio is the author of the children's book Rocky: The Rockefeller Christmas Tree. Rocky is the story of an imperfect Norway spruce who, despite the mockery of other forest creatures, becomes beautiful and is selected as the Rockefeller Christmas tree. Several years after the initial release of Rocky, Penguin published a children's book titled Albert: The Little Tree with Big Dreams. Albert is the story of an undersized Douglas fir who travels to the Empire City, experiencing several obstacles along the way. After the top of the Empire City Christmas Tree is accidentally chopped off, Albert is placed as the tree top. Viacom later turned Albert into an animated film. In June 2017, Nicassio sued Viacom and Penguin for copyright infringement of Rocky.

In April 2018, the district court granted Viacom and Penguin's 12(b)(6) motion, holding that the protectable elements of Rocky and Albert are not substantially similar. The court found that "the basic idea of a little tree aspiring to be the Rockefeller Christmas Tree in New York is…far too generic to be considered protectable under copyright law." The "themes of perseverance, adversity, or encouragement" are equally unprotectable. Additionally, the court found that the Rocky and Albert characters share "unremarkable similarities that one would expect in any children's story about an animated tree" but that the two "differ in type, size, and overall look." Finally, the court found that both works' use of the phrase "the most famous Christmas tree in the world" was insufficient to satisfy substantial similarity. The use of this phrase is expected in works about the Rockefeller Christmas tree, and does not add so much similarity to the two works that an ordinary lay observer would conclude Albert was copied from Rocky. All in all, "while there are indeed certain similarities between the works, they concern prototypical settings, plots, and characters too indistinct to merit copyright protection."

The court dismissed Nicassio's claim for unfair competition under the Lanham Act because "Dastar [539 U.S. 23 (2003)] rejected the notion that Section 43(a) of the Lanham Act creates a cause of action for, in effect, plagiarism." The court also dismissed Nicassio's state law claims for unfair competition, tortious interference with prospective advantage, and tortious destruction of intellectual property, finding each is preempted by the Copyright Act because they are "the equivalent of a claim for copyright infringement."

***Kelly Rucker v. Donna Fasano*, No. 17-3608, 2018 WL 2460159 (7th Cir. June 1, 2018) (nonprecedential disposition)**

Novelists Kelly Rucker and Donna Fasano each wrote a romantic novel where "a wealthy teenager [] falls in love with a boy of Native American heritage and becomes pregnant, before they are cruelly parted….[they] are reunited years later, and they rekindle their fiery romance while their child explores his indigenous heritage with his father's guidance." Rucker sued Fasano and her publishers for copyright infringement. The district court granted Fasano's motion for summary judgement, and the Seventh Circuit affirmed.

In 2010, Rucker submitted the first chapter and synopsis of her book, The Promise of a Virgin, to a contest sponsored by Harlequin Enterprising Limited. She was not selected as a finalist and the book was never published. Later, Rucker discovered Fasano's Reclaim My Heart, which was an Amazon e-book bestseller at the time. Rucker sued Fasano and her publishers, claiming Fasano copied The Promise of a Virgin. Rucker asserted that Harlequin must have shared the first chapter and synopsis of The Promise of a Virgin with Fasano. In response, Fasano not only denied this, but offered evidence that Reclaim of My Heart was based on "Hindsight," a previous manuscript that Fasano wrote before Rucker began writing The Promise of a Virgin. The district court found Fasano's evidence foreclosed the possibility of copying, and that although Rucker and Fasano's novels had some similarities, they were not strikingly similar. Thus, the district court granted Fasano's motion for summary judgment.

The Seventh Circuit affirmed. The court held that "a factfinder could not infer copying based on Fasano's access to Rucker's work: Rucker fails to provide any evidence disputing Fasano's assertion that she had completed the manuscript for ‘Hindsight’ before Rucker even began writing The Promise of a Virgin.” Accordingly, “without proof of copying, there can be no viable claim for copyright infringement.”

The Seventh Circuit also held it was not error for the district court to enter summary judgment without allowing Rucker to conduct additional discovery because Rucker did not seek this relief in district court.

***Rentmeester v. Nike, Inc.*, 883 F.3d 1111 (9th Cir. 2018)**

In 1984, Jacobus Rentmeester created an unusual and striking photograph of a leaping, outstretched Michael Jordan (essentially doing a grand-jeté pose while holding a basketball), taken from below (the Rentmeester Photo). Rentmeester agreed to grant a limited license to Nike, Inc., to use color transparencies of the Rentmeester Photo for limited purposes. Within seven months of receiving the transparencies, Nike created a similar photograph (the Nike Photo) and began to display it on billboards and posters. Rentmeester learned of the Nike Photo and contacted Nike to discuss the copying in breach of the terms of use. Nike and Rentmeester negotiated a limited temporary use of the Nike Photo for a period of two years. At expiration of the two year period, Nike continued to use the Nike Photo. In 1987, Nike began to use the Jumpman Logo, derived from the Nike Photo, on all Michael Jordan branded merchandise. Rentmeester’s claim represents the type of claim brought in the wake of the Supreme Court’s 2014 ruling in *Petrella v. Metro-Goldwyn-Mayer, Inc.,* 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014). Prior to that decision, following overturned Ninth Circuit precedent, the court would have dismissed the claim under the doctrine of laches as 28 years had elapsed since the claim arose. However, Nike continues to use the Jumpman Logo on Jordan Brand merchandise. Each use represents a successive violation that starts a new three-year limitations period with respect to that act of infringement. Therefore, Rentmeester’s claim could not be dismissed for timeliness.

Rentmeester claimed the Nike Photo and the Jumpman Logo both infringed on the copyrighted Rentmeester Photo. The court first determined that the Rentmeester Photo only merited thin protection. The court then filtered out the unprotected elements of the photo and found that either (1) the angle of the photograph was the only original element, or (2) the angle and the pose were the only original elements. Accepting either, and, in in June 2015, the court found the angle and the pose of the Nike Photo and the Jumpman Logo materially different from the Rentmeester Photo and granted Nike’s motion to dismiss, finding the copyrighted work and the alleged infringing works were not substantially similar. In September 2015, Rentmeester appealed the ruling to the Ninth Circuit.

In February 2018, a split Ninth Circuit panel upheld the dismissal of Rentmeester’s copyright infringement claims against Nike, with the 2-judge majority agreeing with the district court’s determination that the copyrighted work and the alleged infringing works were not substantially similar. The panel ruled that Nike did not copy enough of the Rentmeester Photo to constitute unlawful appropriation. Further, the majority held that although Nike’s photograph was clearly inspired by the Rentmeester Photo, key creative details such as the positioning of Jordan's limbs, the photo's background, and the lighting were not copied. The majority went even further as to state that Rentmeester could not copyright a pose or monopolize the right to the ideas or concepts expressed in the photo, and his creative options only entitled him to the "broadest protection a photograph can receive."

The dissent agreed with the majority opinion with respect to the Jumpman Logo, but concluded that the question of the substantial similarity of the Nike Photo to the Rentmeester Photo should have been determined by a jury as a factual matter and not by the court as a matter of law.

***Williams v. Gaye*, Nos. 15-56880, 16-55089 and 16-55626 (9th Cir. March 21, 2018)**

Robin Thicke, Pharrell Williams, and Clifford Harris, Jr. (better known as "T.I.") filed a declaratory action in August 2013 to adjudicate allegations by the successors-in-interest to Marvin Gaye that "Blurred Lines" (the world's best-selling single in 2013) copied Marvin Gaye's 1977 hit "Got to Give It Up." Gaye's children, the current copyright owners of his music, filed counterclaims against Williams, Thicke, Harris, and a variety of recording companies and publishers. A conflict of interest cross-suit by the Gaye children against EMI-Sony/ATVE, which owned rights to both "Blurred Lines" and "Got to Give It Up," was settled in January 2014. A jury then decided the case against the remaining defendants in March 2015.

Jury Instruction No. 43 informed the jury that the Gaye children must show "both substantial 'extrinsic similarity' and substantial 'intrinsic similarity.'" Extrinsic similarity considers "the elements of each of the works" and the jury decides if the songs are substantially similar. Alleged similarities included such matters as: the "'Signature Phrase,' hook, 'Theme X,' bass melodies, keyboard parts, word painting, lyrics, [and] rap v. parlando." Instruction No. 43 stated that "[i]ntrinsic similarity is shown if an ordinary, reasonable listener would conclude … total concept and feel of the [works] are substantially similar." A complete copy of Instruction No. 43 is provided below, at the end of this case summary, at *.

The jury cleared Harris of the infringement allegations against him but held Thicke and Williams liable. The jury held that the Gaye children suffered $4 million in actual damages and determined that Thicke and Williams realized profits attributed to their infringement in the respective amounts of $1,768,191 and $1,610,455. Statutory damages were additionally awarded for $9,375, making Thicke and Williams liable for roughly $7.4 million in damages.

In July 2015, the court granted the (alternative) motion of the Gaye children to receive 50% of future royalties paid to Thicke and Williams for ongoing use of the "Blurred Lines" composition, and reduced the jury damages award by approximately $2 million. The court subsequently denied the Gaye children's motion for attorney's fees.

Both parties appealed. The Ninth Circuit panel affirmed jury awards against Thicke and Williams, ruling that "Got To Give It Up" was entitled to broad copyright protection and that the jury's decision and related consideration of expert evidence was entitled to deference and was not unreasonable. The panel accepted, for purposes of its decision and without evaluating the merits, the district court's ruling that the scope of the defendants' copyright was limited, under the Copyright Act of 1909, to the sheet music deposited with the Copyright Office, and did not extend to sound recordings. The panel held that the district court properly instructed the jury that there is no knowledge or intentionality requirement for copyright infringement, and did not erroneously instruct the jury to consider unprotectable elements of "Got to Give It Up" or abuse its discretion in admitting expert testimony. The panel concluded that the verdict was not against the clear weight of the evidence because there was some evidence of extrinsic and intrinsic similarity between the two songs. The majority also held that panel could not review the district court's order denying summary judgment after a full trial on the merits. The panel upheld the district court's award of actual damages and infringers' profits and the running royalty. Finally, the panel held that the district court did not abuse its discretion in denying the defendants' motion for attorneys' fee.

In a detailed dissent, Judge Nguyen undertook a somewhat compelling musical analysis and comparison of the two works, and argued that "Blurred Lines" and "Got To Give It Up" were not objectively similar as a matter of law under the extrinsic test because the two works differed in melody, harmony, and rhythm, the majority erred in uncritically deferring to the views of the successful music experts, and the majority's refusal to compare the two works improperly essentially allowed the defendants to copyright a musical style. The dissent argued that the jury verdict could be overturned as a matter of law, but did not address the legal basis for that conclusion in any detail.

**Williams v. Bridgeport Music, Inc.* Jury Instruction No. 43:

> INSTRUCTION NO. 43
>
> In order for the Gaye Parties to meet their burden of proof to show by a preponderance of the evidence that there is substantial similarity between one of the Gaye Parties' works and one of the Thicke Parties' works, the Gaye Parties must show that there is both substantial "extrinsic similarity" and substantial "intrinsic similarity" as to that pair of works.
>
> Extrinsic similarity is shown when two works have a similarity of ideas and expression as measured by external, objective criteria. To make this determination, you must consider the elements of each of the works and decide if they are substantially similar. This is not the same as "identical." There has been testimony and evidence presented by both sides on this issue, including by expert witnesses, as to such matters as: (a) for "Got to Give It Up" and "Blurred Lines," the so-called "Signature Phrase," hook, "Theme X," bass melodies, keyboard parts, word painting, lyrics, rap v. parlando; and (b) for "After the Dance" and "Love After War," the chorus vocal melody and chords. The Gaye Parties do not have to show that each of these individual elements is substantially similar, but rather that there is enough similarity between a work of

the Gaye Parties and an allegedly infringing work of the Thicke Parties to comprise a substantial amount.

Intrinsic similarity is shown if an ordinary, reasonable listener would conclude that the total concept and feel of the Gaye Parties' work and the Thicke Parties' work are substantially similar.

In considering whether extrinsic or intrinsic similarities are substantial, you may consider whether portions allegedly copied are either qualitatively or quantitatively important to either of the Gaye Parties' works. A portion of a work is qualitatively important if, regardless of its size, it is shown to be very important to that work. The copying of a qualitatively important portion of a work may support a finding of substantial similarity even if that portion is very short. A portion of a work is quantitatively important if it comprises a significant portion of the work.

***Paramount Pictures Corp. v. Axanar Prods., Inc.,* No. 15-cv-09938 (C.D. Cal. Jan. 3, 2017)**

Paramount and CBS are the owners of Star Trek and its copyrights, which include hundreds of episodes of television, a dozen feature films, and novels and various merchandise. Axanar Productions released a short fan-film set in the Star Trek universe called *Prelude to Axanar*. Axanar is attempting, through crowd-funding platforms like Kickstarter, to produce a related feature film. Paramount Pictures sued to block production and release of the Axanar prequel. In January 2017, the District Court of the Central District of California denied both sides' cross-motions for summary judgment. The primary focus of the court was on substantial similarity and fair use.

Prior to addressing the summary judgment motions, the district court addressed an amicus brief in support of Axanar filed by an institute called the Language Creation Society, on the specific issue of the copyrightability of the Klingon language specifically, and fictional languages generally. The Society argued that as a living and evolving language Klingon is not protectable under copyright law. Because the Court did not reach the copyrightability of individual elements of the Star Trek universe, it declined to review the brief.

The district court concluded that Axanar was not entitled to summary judgment based on fair use. The court stated that the Axanar work was not transformative but rather supplementary to the existing Star Trek universe. The Axanar use was commercial even though the movie would be freely distributed, because its distribution would provide indirect benefits to its creator. The Axanar work did not parody the Star Trek works. Further, being true to the Star Trek universe and storyline in detail entailed using a substantial portion of Star Trek's copyrighted elements. Lastly, the court noted the prequel was the type of derivative that a copyright holder might create and therefore it hurt the copyrighted work's market. The court found all four factors weighed against fair use.

Applying the Ninth Circuit's two-part extrinsic and intrinsic substantial similarity tests, the court noted that there were objective similarities between the Star Trek films and the unauthorized screenplay of Axanar: the defendant centered its screenplay on the Star Trek character Garth, included Klingons and Vulcans throughout the story, set its story on Star Trek planets, referenced numerous overlapping plot points, and had a similar mood as a science-fiction military space drama. Given these objective similarities, a jury to should determine whether there were intrinsic similarities.

On January 20, 2017, the parties settled. The settlement allows Axanar to make no more than two additional films of a maximum of 15 minutes each that may be distributed without ads on YouTube.

F. SECONDARY LIABILITY

***Ticketmaster LLC v. Prestige Entertainment West, et al.*, No. 17-cv-07232-ODW-JC (C.D. Cal. May 29, 2018)**

Ticketmaster sued Prestige Entertainment West, Renaissance Ventures, and 10 Doe defendants. Ticketmaster alleged that Prestige and Renaissance used bots to purchase large quantities of tickets from Ticketmaster and resold the tickets at a profit. Despite Ticketmaster's security efforts, the bots acquired a significant share of tickets to popular events such as *Hamilton* and the Mayweather v. Pacquiao boxing match. In May 2018, the district court denied Prestige and Renaissance's motion to dismiss the Doe defendants pursuant to Rule 4(m) for failure to effect service, as well as Prestige and Renaissance's 12(b)(6) motion to dismiss Ticketmaster's claims for secondary copyright infringement, DMCA violation, and other non-copyright claims.

First, the court denied Prestige and Renaissance's motion to dismiss the 10 Doe defendants, including the bot developers. The court stated, "Doe pleading is [] particularly appropriate when, as here, the viability of a claim against a known party depends on the actions of the party whose identity is unknown at the time of the pleading."

Second, the court denied Prestige and Renaissance's motion to dismiss Ticketmaster's secondary infringement claim. Ticketmaster's theory of secondary infringement was based on the bot developers' direct infringement. Ticketmaster alleged that the bot developers, "in the course of developing the bots…downloaded, recorded, and stored on their computer systems for extended periods of time the pages and codes associated with Ticketmaster's website and mobile app." Such conduct constituted unauthorized reproduction of Ticketmasters's copyrights.

On the threshold issue of protectability, the court found that Ticketmaster has plausibly plead that its website merits protection in its literal elements (the "computer code for the website"), individual non-literal elements (such as "the website's logos, images, fonts"), and dynamic non-literal elements (the "experience of the website as presented to the individual user"). The court found that "the numerous proprietary functions and features that Ticketmaster has built into its website and mobile app allow the Court to plausibly infer that all three layers of Ticketmaster's website" are protectable.

The court also found that Ticketmaster sufficiently pled that the bot developers directly infringed Ticketmaster's copyrights in the website and mobile app. Ticketmaster alleged that the complexity of Ticketmaster's website security and the sophistication of the bots show that the bot developers "*must have* downloaded and stored literal or non-literal elements of Ticketmaster's website and mobile app on their local systems in the course of developing these bots." The court agreed that "it stains credulity to think that the [b]ot [d]evelopers could have developed such successful bots without downloading and storing Ticketmaster's pages and code."

The court rejected Prestige and Renaissance's license defense because "under no reasonable interpretation do [Ticketmaster's] Terms of Use grant Defendants a license to download and store Ticketmaster's pages and code." Rather, the terms of use only give users the right to "view" the website. All in all, Ticketmaster sufficiently pled that the bot developers engaged in direct infringement.

Next, the court found that Ticketmaster sufficiently pled that Prestige and Renaissance engaged in contributory infringement. Ticketmaster alleged that Prestige and Renaissance directed the bot developer's infringing activities. If proved, this shows Prestige and Renaissance had knowledge of the direct infringement. Further, the court found that given the beneficial relationship between the two companies and the bot developers, "it is reasonable to infer Defendants contributed to the Bot Developers' infringement…" Thus, the court denied Prestige and Renaissance's motion to dismiss Ticketmaster's secondary infringement claim.

Third, the court denied Prestige and Renaissance's motion to dismiss Ticketmaster's DMCA claim. The court found that, if proved, Prestige and Renaissance's use of bots "circumvented a technological measure that Ticketmaster had put in place to control access to Ticketmaster's copyrighted ticket confirmation pages and data." The court rejected Prestige and Renaissance's argument that Ticketmaster's security measures did not protect copyrighted work. The "unique, individualized presentation of information" on Ticketmaster's webpage is protectable dynamic non-literal content. Similarly, the source code used to generate the purchase confirmation page is protectable literal content. Thus, Ticketmaster sufficiently pled a claim for violation of the DMCA.

Finally, the court denied Prestige and Renaissance's motion to dismiss Ticketmaster's claims for violations of the U.S. Computer Fraud and Abuse Act, California Computer Data Access and Fraud Act, and six other state law claims.

***Perfect 10, Inc. v. Giganews, Inc*., 847 F.3d 657 (9th Cir.), cert. denied, 138 S. Ct. 504, 199 L. Ed. 2d 385 (2017)**

Perfect 10 Inc., an adult website operator, sued companies Giganews, Inc. and Livewire Services Inc. for unauthorized sharing of Perfect 10 images using Usenet message services provided by the those defendants.

Usenet is a peer-to-peer network where users' computers connect to one another and allow users to share content and messages they post. Giganews owned and operated multiple Usenet servers and provided to its subscribers, for a fee, access to content Giganews stored on those servers in addition to content stored on the servers of other Usenet providers. Livewire gave its customers access to Usenet content on Giganews' servers. The sharing of content through Usenet was mostly done by users, as they were the source of the majority of the content stored on providers' servers. This content included messages, images, film, music and more, encoded into text-based articles with unique Message-IDs which could be decoded and displayed using Giganews' browser application.

Perfect 10 owned exclusive copyrights to thousands of images that were illegally distributed by Usenet users through Giganews' servers. Upon uncovering the infringing materials on Giganews' servers, Perfect 10 sent Giganews a number of DMCA takedown notices either asking Giganews to locate and remove the infringing materials or merely informing them of the existence of the infringing material on their servers. In response, Giganews ask Perfect 10 to provide the Message-IDs for the infringing images, which Perfect 10 did not do.

In 2011, Perfect 10 sued the defendants, alleging direct, contributory, and vicarious copyright infringement. The district court ruled in favor of Giganews and Livewire on all claims, and awarded the defendants with approximately $5.6 million in attorney's fees and costs. Giganews and Livewire requested that the district court award higher attorney's fees and include founder and sole shareholder of Perfect 10, Norman Zada, as a judgment debtor under an alter ego theory. The district court denied this request. Subsequently, all parties to the case filed an appeal for their respective adverse decisions. The Ninth Circuit affirmed the district court's decision, ruling against Perfect 10 on all copyright infringement claims and siding with Giganews and Livewire.

In regards to the direct infringement claim, the Ninth Circuit held that direct infringement requires causation or "volitional conduct" by the defendant. Citing its decision in *Fox Broad. Co. v. Dish Network L.L.C.,* 583 F. App'x 618, 619 (9th Cir. 2014), the court reasoned that direct infringement of a reproduction right requires copying by the defendant, meaning they cause the copying. The Ninth Circuit held that the mere fact that users could use Giganews' browser application, Mimo, to display infringing photos did not qualify as volitional conduct by Giganews and that the display and viewing are performed by the user. The Ninth Circuit distinguished this from its decision in *Perfect 10, Inc. v. Amazon.com, Inc.,* in which it found direct infringement by Google where it exercised control over how content was stored and communicated. Here, the court stated that Giganews was more passive in its role, only providing the means for users to share infringing material.

The Ninth Circuit also affirmed the dismissal of the claims for contributory infringement, finding that Perfect 10 failed to establish that Giganews "materially contributed to or induced infringement" of its copyrights. The court elaborated, stating that contributory infringement requires "actual knowledge that specific infringing material is available using its system, and [the alleged contributory infringer] can take simple measures to prevent further damage to copyrighted works, yet continues to provide access to infringing works." The Ninth Circuit held that there were no simple measures Giganews could have taken because it would have been difficult to locate Perfect 10's images. Giganews did not induce infringement because it was not distributing its product with the intent for it to be a tool for infringement by users.

Finally, the Ninth Circuit held that Giganews did not vicariously infringe Perfect 10's images, as vicarious infringement requires that the defendant receive a "direct financial benefit" from the infringement. Here, the court found, there are no facts that establish that Giganews gained more subscriptions based on Perfect 10's images.

The Ninth Circuit affirmed the award of $5.6 million in attorney's fees and costs to Giganews and Livewire, rejecting the defendants' request for increased attorney's fees and the inclusion of Zada as a judgment debtor.

***Greg Young Publ'g, Inc. v. Zazzle, Inc.,* No. 2:16-CV-04587-SVW-KS, 2017 WL 2729584 (C.D. Cal. May 1, 2017)**

In June 2016, Greg Young Publishing, Inc. filed a suit against Zazzle, Inc., alleging infringement of the publisher's copyrights for 38 paintings. Zazzle, an online marketplace that allows customers to create personalized items, was accused of allowing customers to provide images of copyrighted portraits by Kerne Erickson in order to customize products. Erikson's portraits included images of famous U.S. cities, as well as paintings in the style of vintage vacation advertisements. Greg Young Publishing claimed that Zazzle's failure to take reasonable measures to prevent its customers from uploading infringing material constituted copyright infringement.

Zazzle argued that company staff reviewed tens of thousands of images a day in an attempt to prevent copyright infringement on the site. According to Zazzle, these reviews uncovered most of the infringing products before they were sold and those that were sold generated only a small amount of revenue for Zazzle (under $15,000 from 2013 to 2017), and royalties totaling less than $22,000 for Greg Young Publishing. Furthermore, Zazzle contended that despite hiring staff for this purpose, it did not have the means to "reverse image" search all the images customers uploaded on their site, nor did it have a database that maintained record of all copyrighted images and copyright licenses. Thus, Zazzle argued that it should not be penalized for the images being undetected by its review process. However, Greg Young Publishing countered that the fact that Zazzle had been able to consistently identify instances of copyright infringement on its site proved that the company failed to take the action required to supervise and control the use of its site for infringing activity.

In August 2017, the jury ultimately sided with Greg Young Publishing, finding that Zazzle infringed the publisher's copyrights. The verdict form granted Greg Young Publishing $460,000 in statutory damages, with amounts for each of the 38 images ranging from $200 to $66,800. Five of these statutory damage awards were over the amount of $30,000, which is allowed solely for willful infringement. In post-trial motions, Zazzle moved to limit those five statutory damages to $30,000 because Greg Young Publishing failed to prove willful infringement by Zazzle. Agreeing with Zazzle, the court limited each of those five statutory damages to $30,000 based on its reasoning that by adopting a policy against copyright infringement, requiring customers to contractually warrant that their product designs were authorized, employing a review team to assist in limiting copyright infringement, responding to Greg Young Publishing's takedown requests, and making an effort to locate and remove additional infringement of Erickson's works, Zazzle lacked willfulness.

Subsequent to its decision regarding the statutory damages amounts, in October 2017, the court issued a permanent injunction against any future infringement by Zazzle of the copyrighted works that were the subject of this case and requiring it to destroy any inventory infringing on Greg Young's copyrights to the works.

On February 8, 2018, the Central District of California vacated this injunction against Zazzle. The court based its decision on the grounds that Greg Young failed to demonstrate irreparable harm or lack of an adequate remedy at law. The court also held that the scope of the injunction was overreaching. Greg Young argued that it suffered irreparable harm, as it would lose market share due to the infringement, but the court found that Greg Young failed to show evidence of this market share loss and failed to show that its reputation was damaged by Zazzle's infringing products. The court further stated that the injunction went beyond the issues at trial because its broad language did not differentiate between the infringing products made by Zazzle and the infringing images on Zazzle's site. Greg Young initially filed an infringement claim regarding the images, but dropped it before trial, therefore the court never made a decision regarding whether Zazzle had DMCA protection for those images. Thus, the court ordered the permanent injunction vacated.

On March 21, 2018, the district court ruled that Zazzle did not have to pay attorney's fees and costs to Greg Young. The judge stated that Zazzle should not be directed to pay attorney's fees and costs because the company made novel arguments in an effort to develop copyright law and obligations to pay fee awards may deter parties from advancing arguments of first impression in copyright law.

G. NEW TECHNOLOGIES - PUBLIC PERFORMANCE AND PUBLIC DISPLAY RIGHTS

***Goldman v. Breitbart News Network, LLC*, No. 17-CV-3144 (KBF), 2018 WL 911340 (S.D.N.Y. Feb. 15, 2018)**

In July 2016, Justin Goldman took a candid photograph of New England Patriots quarterback Tom Brady in the company of several people, including Boston Celtics' General Manager Danny Ainge, in East Hampton, New York. Goldman proceeded to upload this photo to the social media application, Snapchat, which resulted in it going "viral" and being shared on several other social media platforms, including Twitter. Subsequently, numerous news outlets, including Breitbart News Network, Yahoo, Time, and The Boston Globe, "embedded" tweets of the photo in online articles speculating on whether Brady was assisting the Celtics in their attempt to recruit then-free agent, Kevin Durant. "Embedding" is the process of inserting HTML code that allows an internet browser to connect with another server and display and arrange information as directed by the code. By using embedding to feature the photo, the Defendants avoided copying and saving the photo on their servers, but instead displayed the image from Twitter's server. Goldman sued the various news outlets, alleging copyright infringement. The defendants then moved for partial summary judgment on the issue of whether displaying the image through embedded tweets on their sites violated Goldman's exclusive right to publicly display his photograph under the Copyright Act.

The defendants argued that in defining the scope of public display rights under the Copyright Act, the court should use the "Server Test" from the Ninth Circuit case *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007). In *Perfect 10*, the Ninth Circuit held that Google infringed public display rights by displaying thumbnail images that were stored on its server, while also finding that full-size images that were stored on third-party servers and accessed using "in-line linking" were not infringements. Goldman argued against the use of the "Server Test," asserting that it does not apply and its application would have a negative impact on the photography licensing industry by destroying the incentive for publications to pay licensing fees to use photographs.

The court ultimately rejected the use of the "Server Test" in this case and granted partial summary judgment to Goldman, rejecting the rule's premise that possession is a prerequisite to displaying an infringing image. The court further held that the broad application of *Perfect 10* requested by the defendants was inappropriate as the case specifically relied on Google operating a search engine and users intentionally clicking on images in order to view them, whereas in the present case users would open the articles and view the images without any further action.

The defendants and supporting amici, argued that a decision in favor of Goldman would radically change linking practices and alter existing internet practices. However, the court dismissed this argument, stating that the defendants had plausible defenses against infringement including fair use and whether the photograph was in the public domain that could be addressed later in the case, and thus the court's decision was unlikely to have that consequence.

On March 20, 2018, the S.D.N.Y. certified an interlocutory appeal to the Second Circuit.

***Fox Television Stations, Inc v. Aereokiller, LLC*, 851 F.3d 1002 (9th Cir. 2017)**

In March 2017, the Ninth Circuit ruled that internet streaming services are not entitled to the compulsory statutory copyright license that is available to traditional cable companies.

Fox Television Stations Inc. and other major cable networks filed a claim against internet-streaming service FilmOn X LLC for copyright infringement. FilmOn uses antenna technology to capture and rebroadcast television signals in order for its subscribers to stream the content via the internet. After the 2014 Supreme Court ruling in *American Broadcasting Companies Inc. et al. v. Aereo Inc. f/k/a Bamboom Labs Inc.*, finding that the use of antenna technology to rebroadast television content online constituted an infringing public performance, FilmOn sought the compulsory license available to “cable systems” under Section 111 of the Copyright Act.

The Ninth Circuit stated that it was unsettled whether Congress intended for online streaming services to have access to the Copyright Act’s Section 111 compulsory license that grants cable companies mitigated access to broadcasting content. Therefore, the court chose to defer to the long-standing opinion of the U.S. Copyright Office, which is that Congress did not intend to include unknown technologies such as internet streaming services in the statute.

This ruling served as a major victory for major cable networks, curtailing the ability of web-based services to stream terrestrial broadcasters’ content without the consent of major cable companies and without engaging in price negotiations.

***Disney Enterprises, Inc. v. VidAngel, Inc.*, 869 F.3d 848 (9th Cir. 2017)**

Disney Enterprises Inc., along with other major film studios, sued VidAngel Inc., an online streaming service that allowed customers to stream content without scenes depicting nudity and violence after purchasing DVDs and Blu-ray discs through its site. This was made possible by VidAngel decrypting the DVDs and discs and uploading them onto a computer, removing the restrictions on encryption, editing the content to remove the offending scenes, and allowing customers to stream the modified copy ripped from the physical discs. The plaintiffs sought a preliminary injunction, alleging that VidAngel violated their rights under Section 1201(a) of the Digital Millennium Copyright Act (DMCA) and Section 106 of the Copyright Act.

In December 2016, the district court ruled in favor of the studios, finding that they showed a “strong likelihood of success” on the merits of their claims. VidAngel appealed this decision by the district court to the Ninth Circuit.

The plaintiffs argued that that VidAngel violated the DMCA provision that prohibits a person from circumventing technological measures that control access to works protected under copyright law. VidAngel argued that its acts did not constitute circumvention because it was performing “space-shifting”, a process involving the decryption of DVDs so that they may be viewed in a different format. VidAngel contended that space-shifting was legal when performed by those who have purchased a DVD and elect to have that content streamed rather than viewed using a physical disc. The Ninth Circuit panel rejected this argument, finding that the DMCA exempts from liability those who decrypt a DVD with permission from the copyright owner, not those who view a DVD with the authority of a copyright owner. The panel found that the purchase of a DVD only provides permission to view, not decrypt, the DVD, and VidAngel failed to proffer any evidence that the plaintiffs authorized VidAngel to circumvent encryption in order to view the DVD or disc using its streaming service.

VidAngel also attempted to argue that its “space-shifting” was an example of fair use as it was merely changing the format in which the works could be viewed. The Ninth Circuit found that this argument lacked legal support; furthermore, the panel found that even if it assumed space-shifting was fair use, VidAngel’s use of the studios’ works were commercial and non-personal because “it [made] illegal copies of pre-selected movies and then [sold] streams with altered content and in a different format than that in which they were bought.” The Ninth Circuit’s fair use analysis in this case is summarized in greater detail here: https://www.copyright.gov/fair-use/summaries/disney-vidangel-9thcir2017.pdf

VidAngel also argued that its activity was permitted under the Family Home Movie Act (FMA), which allows a third party to “mak[e] imperceptible changes to…limited portions of audio or video content of a motion picture…from an authorized copy of the motion picture” as long as a fixed copy of the edited content is not created. However, the court rejected this argument, finding that the language of the statute did not support it and that it was in contradiction with legislative history. The Ninth Circuit held that the copy VidAngel generated on its server and streamed to customers was not an authorized copy. The court stated that if it chose to interpret the law as it was read by VidAngel, the court would be creating a loophole in copyright law that allowed infringement as “long as it filters some content and the copy of the work was lawfully purchased at some point.”

Ultimately, the Ninth Circuit upheld the district court’s preliminary injunction, agreeing that the plaintiffs demonstrated a strong likelihood of success on the merits of their claim and a likelihood of imminent irreparable injury, as VidAngel interfered with the studios’ ability to generate revenue by granting licenses to different distributors for the purposes of streaming the studios’ content. The injunction prohibited VidAngel from continuing to engage in circumvention, copying the plaintiffs’ works, and streaming or displaying plaintiffs’ works.

H. 17 U.S.C. § 107: THE FAIR USE DEFENSE

The Copyright Act provides:

> Notwithstanding the provisions of Sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other

> means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fair use doctrine (often but not always called a defense) is the subject of frequent litigation and ongoing development, as illustrated by several cases from the past year, including the *VidAngel* case summarized above and the following cases.

***Folkens v. Wyland Worldwide, LLC*, 882 F.3d 768 (9th Cir. 2018)**

In September 2014, wildlife artist Peter Folkens filed a complaint alleging that marine life painter Robert Wyland as creator, and multiple art galleries as distributors, were liable for infringing Folkens' copyright in his pen and ink illustration "Two Dolphins." Folkens alleged that Wyland's painting "Life in the Living Sea" (Living Sea) copied Folkens "Two Dolphins." Living Sea depicted three dolphins underwater, with two of them crossing, among fish and aquatic plants, and allegedly produced $4.2 million in sales revenue. In 2016, the U.S. District Court (E.D. Calif.) dismissed the case, holding that the "idea of a dolphin swimming underwater is not a protectable element" because the natural positioning and the physiology of the dolphins were not protectable.

In February 2018, the Ninth Circuit affirmed the district court's decision, finding that copyright law protects unique expressions, not depictions of nature. Folkens argued that his copyrighted image captured posed photos of dolphins rather than their natural behavior. The Ninth Circuit, however, concluded that the Two Dolphins depiction of dolphins swimming vertically and horizontally was not original, as it merely depicted how dolphins swim in nature.

The Ninth Circuit also found that the idea of dolphins crossing underwater "is within the common heritage of humankind" and Folkens' copyright protection for Two Dolphins was thin, and only covered his specific black and white expression of two dolphins in dark water, with light shining on one. Wyland's painting showed three dolphins painted in color, without the shining light element, and the dolphins crossing at varying angles. The Ninth Circuit held that based on the lack of protectable similarities between the two works Living Sea did not infringe Two Dolphins. The Ninth Circuit affirmed the district court's decision to grant Wyland summary judgment.

***Fox News Network, LLC v. TVEyes, Inc*.**, **No 15-3885, 15-3886 (2d. Cir. Feb. 27, 2018)**

This case deals with the fair use questions surrounding a commercial service that created a searchable archive of news clips. TVEyes comprehensively archives the programs of various news channels, including Fox News, which brought this copyright infringement suit. The programs are stored on the TVEyes server for 32 days. The TVEyes service allows subscribers to search for specific news clips using searchable transcriptions. TVEyes also provided ancillary services such as the ability to archive certain clips on the website's servers so they remained available longer than 32 days, the ability to email clips to others (including non-subscribers), the ability to download clips to the subscriber's computer, and the ability to search and view by day and date in addition to by term.

In 2014, the district court granted partial summary judgment to TVEyes for its core archive-and-search function on fair use grounds. The court held that TVEyes' use, which allowed meta-analysis of the news, was transformative for similar reasons as the Google Books case. However, the court declined to rule on the other services TVEyes offered, noting that the factual record was insufficient for summary judgment either way. After further discovery and briefing, the court held that the archive function was an extension of TVEyes' core, transformative service, and was therefore also protected by fair use. Similarly, the court held that the email functionality was potentially protected, but TVEyes needed to add safety measures to prevent abuse and unnecessarily broad dissemination. However, the court held that the downloading and date-and-time search functions were not a fair use, because they were not necessary for research and commentary and posed "undue danger" to the content-owners' exploitation of their copyrights.

In accordance with the court's order, the parties submitted proposals to limit TVEyes' email functionality. The court issued a permanent injunction implementing some of these proposals, as well as enjoining TVEyes from continuing the download and date-and-time search functions. The parties appealed to the Second Circuit.

In February 2018, the Second Circuit reversed the district court's fair use determination. The Second Circuit reasoned that TVEyes's re-distribution of Fox's content served a transformative purpose in enabling TVEyes's clients to select and access materials that were responsive to their interests and that re-distribution deprived Fox of licensing revenue that properly belonged to it.

The Second Circuit concluded:

> We conclude that TVEyes's service is not justifiable as a fair use. As to the first factor, TVEyes's Watch function is at least somewhat transformative in that it renders convenient and efficient access to a subset of content; however, because the function does little if anything to change the content itself or the purpose for which the content is used, its transformative character is modest at best. Accordingly--and because the service at issue is commercial--the first factor favors TVEyes only slightly. The second factor is neutral in this case. The third

> factor strongly favors Fox because the Watch function allows TVEyes's clients to see and hear virtually all of the Fox programming that they wish. And the fourth factor favors Fox as well because TVEyes has usurped a function for which Fox is entitled to demand compensation under a licensing agreement.
>
> At bottom, TVEyes is unlawfully profiting off the work of others by commercially re-distributing all of that work that a viewer wishes to use, without payment or license. Having weighed the required factors, we conclude that the balance strongly favors Fox and defeats the defense of fair use.

The Second Circuit did not address the copying of Fox's closed-captioned text into a text-searchable database, which Fox did not challenge on appeal. The panel also affirmed the district court's order to the extent that it denied TVEyes's request for additional relief and remand for entry of a revised injunction.

***Lombardo v. Dr. Seuss Enterprises, L.P.*, 279 F. Supp. 3d 497 (S.D.N.Y. 2017)**

Matthew Lombardo is the playwright of "Who's Holiday!", a raunchy play based on characters featured in Dr. Seuss' "How the Grinch Stole Christmas" (the "Original Book). The new play was set to launch on a nine-week run in November 2016, however it was postponed due to threats from Dr. Seuss Enterprises. Subsequently, Lombardo filed a suit for a declaratory judgment of non-infringement.

The Original Book tells a story about the Grinch, a creature that attempts to ruin Christmas for citizens of Who-Ville by stealing their presents, but then, on finding out that the Whos' joyous Christmas spirit allows them to celebrate without presents, decides to change his ways for the better. "Who's Holiday!" tells the story of Cindy-Lou Who, a child from the Original Book that meets the Grinch after he comes into her home to take her presents and Christmas tree. In "Who's Holiday!" Cindy-Lou is an adult woman who discusses what took place after the events in the original, including her marriage to the Grinch and her time spent in prison.

After Lombardo filed suit, Seuss brought counterclaims alleging infringement of the Original Book and its trademarks for the use of its characters and lettering. Seuss further argued that the play copied the original work and was an unauthorized sequel. However, the court disagreed.

The court stated that the new play transformed the Original Book's plot and rhyming style, by showcasing Cindy-Lou as an adult in adult-themed scenes filled with profanity and topics such as poverty, alcohol abuse, and prison, and thus, deviated from the Seussian genre and made the details of the Original Book appear ridiculous. The court determined that "Who's Holiday!" was a parody protected under the fair use doctrine. While the court admitted that the play served a commercial, not educational, purpose and used many of the same elements presented in the Original Book, and those factors weighed against protection via fair use, the transformative nature of the play was much more compelling in the argument for fair use protection. Finally, the court found that the play would not affect the market for the Original Book, as the two works appealed to highly differing audience and no consumer would see the play as an alternative to reading the Original Book.

The Second Circuit is currently set to hear an appeal of the case in 2018.

More Dr. Seuss and Fair Use - ***Dr. Seuss Enterprises, L.P. v. ComicMix LLC*, No. 16CV2779-JLS (BGS) (S.D. Cal. Dec. 7, 2017)**

For discussion of a straightforward decision rejecting a fair use argument by the creators of a book called *Oh, the Places You'll Boldly Go!* that combined various aspects of Dr. Seuss's works with elements from the science fiction entertainment franchise Star Trek, see https://www.copyright.gov/fair-use/summaries/drseuss-comicmix-sdcal2017.pdf

***Penguin Random House LLC v. Colting*, 270 F. Supp. 3d 736 (S.D.N.Y. 2017)**

In January 2017, the estates of famous authors Ernest Hemingway, Jack Kerouac, Truman Capote, and Arthur C. Clarke, along with publishers Penguin Random House and Simon & Schuster, filed a copyright suit over unauthorized picture books based on classic novels such as "Breakfast at Tiffany's" and "Old Man and the Sea." The suit alleged that Fredik Colting and his child-friendly versions, referred to as "KinderGuides," were unauthorized derivative works and were not transformative, as they simply condensed the plot, themes, characters, and sequence of events and added illustrations.

Opposing plaintiffs' motion for summary judgment, Colting argued the KinderGuides were educational "study guides" that could be used in conjunction with the actual books, and therefore were a permitted fair use. However, the books themselves did not indicate that they were intended to be used as reference guides for readers of the original novels. Colting further argued that the KinderGuides were transformative, as they did not quote or paraphrase the original novels and were distinguished from the original novels due to the absence of adult themes.

Ultimately, in July 2017 the court granted summary judgment in favor of the plaintiffs, ruling that the KinderGuides were infringing derivative works. The court reasoned that adding minimal amounts of commentary did not legalize an otherwise infringing work. The judge noted that Colting's KinderGuides did not include a retelling of the plaintiffs' novels for the educational purpose of literary analysis, but rather the KinderGuides included literary analysis solely for the purpose of attempting to qualify for the fair use defense. As a result of this ruling, the court issued a permanent injunction against Colting, banning the further distribution of the KinderGuides. A trial was set for October 2, 2017, to determine whether Colting was liable for willful infringement of the plaintiffs' works, which could have resulted in the plaintiffs' receiving damages; however, the plaintiffs dropped this claim.

***Graham v. Prince,* 265 F. Supp. 3d 366 (S.D.N.Y. 2017)**

Plaintiff Donald Graham was a professional photographer and the creator of a photo titled *Rastafarian Smoking a Joint* ("RSJ"). Graham sued Richard Prince, an appropriation artist who created an allegedly infringing print called *Untitled (Portrait)* based on RSJ, and Gagosian Gallery, Inc., an art gallery that displayed and promoted Prince's allegedly infringing print. In addition to a spot in the Gallery, *Untitled* also appeared on a billboard. *Untitled* consisted of a screenshot of RSJ as it appeared in a post on the social media site Instagram. Prince's work featured the entire photo in its Instagram context: a white frame that included an Instagram username, a timestamp, the number of Instagram "likes" the photo had received, and Instagram comments added by Prince and the posting user. Prince brought a motion to dismiss on the basis that *Untitled* constituted a fair use of RSJ. The court denied the motion.

The court began by holding that the case was ill-suited for a fair use inquiry at the motion to dismiss stage. It found, contrary to Prince's assertions, that *Untitled* was not transformative as a matter of law. Noting it was obligated to limit its review to just the complaint and appended exhibits, and obligated to view those documents in the light most favorable to the plaintiff, the court declined to conclude that *any* of the fair use factors favored defendants at the motion to dismiss stage.

The court's conclusion that *Untitled* was not transformative as a matter of law was determinative for the motion to dismiss based on fair use. The court put substantial weight on the fact that RSJ was the predominant aesthetic feature of *Untitled*, and that Prince had not made significant aesthetic alterations. It found that merely placing the unaltered photo in a white frame with other Instagram elements was insufficient to constitute a transformative use as a matter of law. Having made this determination, and mindful of its obligations at the motion to dismiss stage, the court declined to find that any of the other factors weighed in favor of defendants' motion to dismiss. The court did not foreclose the possibility that a jury stepping in the shoes of a "reasonable viewer" could later find the work to constitute a transformative use.

This case is currently being heard in the United States District Court for the Southern District of New York.

***Oracle America, Inc. v. Google Inc.*, No. 2017-1118, 2017-2012 (Fed. Cir. March 27, 2018)**

This most recent decision of the Federal Circuit addresses the 2016 jury verdict in favor of Google on fair use issues.

API packages are interfaces used by programs in communicating with one another. Many software developers write in the Java language, developed by Oracle's predecessor, and use Oracle's Java API packages, in developing applications for laptops, smartphones, and other devices. The API packages have two kinds of code: the declaring code is a short header identifying a task, while the longer implementing code contains the complete instructions to the device performing the task. Google copied some of Oracle's Java API packages in developing

Google's own Android mobile operating system. Oracle sued Google, alleging copyright infringement. The district court held that the declaring code and overall structure were not subject to copyright protection.

The Federal Circuit disagreed with the district court, concluding instead that the declaring code was entitled to copyright protection. 750 F.3d 1339 (Fed. Cir. 2014). The court noted that merger doctrine did not preclude copyright protection, as there could exist many ways for Oracle to create the declaration code, and therefore the idea and expression do not merge. The court also held that the declaring code exhibited sufficient creativity to be copyrightable even though it consists of short phrases. The scenes a faire doctrine was held to be irrelevant to the verdict: Google, it found, improperly focused its scenes a faire claim on the circumstances presented to it rather than to Oracle, which represents a misunderstanding of the doctrine.

As to the structure, sequence, and organization of API packages, the court held that these structures, which are original and creative, merit copyright protection despite being functional. Oracle does not have copyright in the idea of organizing functions, but rather over its particular way of naming and organizing the 27 Java API packages at issue.

The court also held that the district court erred in invoking interoperability in its copyrightability analysis. Interoperability belongs instead in an analysis of fair use.

Also at issue were a specific computer routine called rangeCheck and eight decompiled security files. Google's copying of the nine-line rangeCheck code and the security files was held to be more than *de minimis*, and therefore the court affirmed the holding of infringement.

The district court jury was unable to reach a verdict on Google's fair use defense, and the Federal Circuit remanded the fair use matter for further proceedings, as the record does not contain sufficient factual findings on which the court could base a decision.

A jury trial on the question of fair use began in the Northern District of California on May 9, 2016 and concluded on May 23, at which time the jury received detailed and comprehensive jury instructions on fair use from the court for the jury's deliberations. On May 26, the jury reached a verdict that the Google use of the Oracle's software was a fair use.

On June 8, 2016, the court upheld the jury verdict in an Order Denying Rule 50 Motions. Oracle appealed the district court's final judgment and various other related motions, and Google cross-appealed on the issue of whether the code declarations and sequence, structure and organization were protected by copyright law.

On March 27, 2018, the Federal Circuit issued a decision overturning the jury verdict and district court decisions regarding fair use, and remanding for a trial on damages. The Federal Circuit first determined that it should determine the ultimate question of fair use *de novo*, deferring to the jury or district court only on specific findings of historical facts, and so essentially considered the fair use issues *de novo*, based on the trial court record.

The court then looked closely and deeply at each of the statutory fair use factors as considered by the jury, based on Ninth Circuit precedents. More specifically, the Federal Circuit noted that Google's use of Oracle's APIs, was "overwhelmingly commercial," even though Google made the Android platform available without charge.

"The fact that Android is free of charge does not make Google's use of the Java API packages non-commercial," the court noted. "Although Google maintains that its revenue flows from advertisements, not from Android, commerciality does not depend on how Google earns its money."

The Federal Circuit also rejected Google's argument that it had transformed Oracle's code by taking it from desktop computers to smartphones and tablets. "While Google's use could have been transformative if it had copied the APIs for some other purpose — such as teaching how to design an API — merely copying the material and moving it from one platform to another without alteration is not transformative," the court noted. "To some extent, any use of copyrighted work takes place in a slightly different context than the original … There is no bright line identifying when a use becomes transformative ... but where, as here, the copying is verbatim, for an identical function and purpose, and there are no changes to the expressive content or message, a mere change in format (e.g., from desktop and laptop computers to smartphones and tablets) is insufficient."

The Federal Circuit considered the second prong of the fair use factors, the nature of the work, to be relatively unimportant here and gave the functional nature of the software little weight, as it did the third factor, the amount of the original work borrowed by the new work. The Federal Circuit thoroughly also noted that Google took thousands more lines of code than necessary for interoperability. "Google sought to capitalize on the fact that software developers were already trained and experienced in using the Java API packages at issued. But there is no inherent right to copy in order to capitalize on the popularity of the copyrighted work or to meet the expectations of intended customers. Taking those aspects of the copyrighted material that were familiar to software developers to create a similar work designed to be popular with those same developers is not fair use. Ultimately, the court concluded that "the third factor is, at best, neutral in the fair use inquiry, and arguably weighs against such a finding."

The fourth fair use factor evaluates the potential economic damage of the new use, looking at the market for the original work and the market for licensing the original work to others who want to create authorized derivatives. Google had argued that Oracle’s software was not present in the mobile computing in which Android operated, and therefore Google's new use of the software did not affect Oracle’s markets.

The Federal Circuit rejected that argument definitively, pointing to evidence that Oracle's software "had been used for years in mobile devices, including early smartphones, prior to Android's release."

"With respect to tablets, the evidence showed that Oracle licensed Java SE for the Amazon Kindle," the court said. "After Android's release, however, Amazon was faced with two competing options — Java SE and Android — and selected Android."

The court noted that the fourth factor should take account of potential markets. "Even if we ignore the record evidence and assume that Oracle was not already licensing Java SE in the smartphone context, smartphones were undoubtedly a potential market," the court reasoned. "Android's release effectively replaced Java SE as the supplier of Oracle's copyrighted works and prevented Oracle from participating in developing markets. This superseding use is inherently unfair."

***Corbello v. DeVito et al.*, No. 2:08-cv-00867-RCJ-PAL (D. Nev. June 14, 2017)**

In November 2016, a jury sitting in federal district court in Nevada determined that the Broadway hit musical *Jersey Boys*, based on the band The Four Seasons, infringed a copyright in the unpublished autobiography of one of the group's members, "Tommy DeVito—Then and Now." The jury concluded the libretto copied elements of the autobiography, and that the usage did not constitute fair use. That decision was overturned in June 2017, as explained in more detail below.

The facts for this case originated in the 1980s, when Rex Woodard ghostwrote an autobiography of DeVito, one of the band's founding members, which was never published. In 1991, after Woodard's death, DeVito applied for a copyright registration for the book. After *Jersey Boys* opened on Broadway in 2005, Donna Corbello, Woodard's widow, persuaded the U.S. Copyright Office to add Woodard as a co-author to the autobiography, and then brought suit for copyright infringement against DeVito and other members of The Four Seasons.

Relevant to the issues in the case, DeVito had entered into an agreement with fellow Four Seasons members Frankie Valli and Robert Gaudio in 1999 concerning a potential musical about the group. The defendants argued both that the agreement gave them an implied license to use the DeVito autobiography and that the play constituted a fair use of the material. The jury rejected these arguments and found that ten percent of the success of the play was attributable to the infringement. In a separate ruling, the court decided that the other band members were not liable for infringement as they were not aware that the book was copied to create the script, nor did they have the ability to control the writing process.

After considering various post-trial motions, the court granted the defendants' motion for judgment as a matter of law on the fair use question. Undertaking a detailed analysis of the evidence, the court found that only 145 creative words were copied from the book into the play, or 0.2 percent of the 68,500 words in the book, none of which were the "heart" of the work. The court concluded that the material taken from the book was almost entirely factual material, and that the use of the material was highly transformative. Consistent with that analysis, the court also rejected the jury's finding that 10% of the success of the play was attributable to protected elements in the book.

Estate of James Oscar Smith v. Cash Money Records, Inc., **et al., No. 1:14-cv-02703 (S.D.N.Y. May 30, 2017)**

Plaintiffs owned the rights to a spoken word recording on Jimmy Smith's 1982 album *Off the Top*. On the track, titled "Jimmy Smith Rap" ("JSR"), Jimmy Smith discusses jazz music and its relative superiority over other types of music, with its key line: "Jazz is the only real music that's gonna last. All that other bullshit is here today and gone tomorrow. But jazz was, is and always will be."

In 2013, Defendants released an album by Aubrey Drake Graham. The song "Pound Cake/Paris Morton Music 2" sampled 35 seconds of JSR, deleting and rearranging words from the original lyrics to say, in part, "Only real music is gonna last, all that other bullshit is here today and gone tomorrow." Defendant Cash Money Records, Inc. obtained a license for the JSR recording, but not for the composition, which was not registered with the U.S. Copyright Office. After the album was released, the plaintiffs registered the JSR composition with the Copyright Office, and sent Defendants a cease and desist letter.

On cross motions for summary judgment, the district court held that issues of material fact as to ownership and substantial similarity precluded summary judgment on Plaintiffs' infringement claims.

However, the court also found that any liability for Defendants' appropriation of JSR was barred because Defendants' use of it was a fair use. As to the first factor, purpose and character of the use, the court found that some of Defendants' arguments "conflate the nature of a fair use with that of a derivative work," but Defendants' alteration of the message of the JSR track—from "Jazz is the only real music that's gonna last" to "Only real music is gonna last"—sufficiently transformed the song, since Defendants' "purpose is 'sharply different' from Jimmy Smith's purpose in creating the original track." The court held that the second factor, the nature of the copyrighted work, weighed against a finding of fair use, but was of "limited usefulness." transformative.

As to the third factor, the amount of work used, the court held that "the amount taken by Defendants [was] reasonable in proportion to the needs of the intended transformative use," and the use of some of the lines "serve[d] to drive the point home." Finally, as to fourth factor, the effect on the market for the copyrighted work, the court found "no evidence in the record to suggest that Pound Cake usurps any potential market for JSR or its derivatives." Defendants' work "targets a sharply different primary market," and Plaintiffs "never attempted to establish a market for licensed derivative uses of the JSR composition copyright until Defendants used the recording."

I. DIGITAL MILLENNIUM COPYRIGHT ACT ("DMCA") (17 U.S.C. § 512)

Section 512 of the DMCA provides a safe harbor from liability for online service providers for infringing materials residing on their systems, provided that: 1) they have no actual knowledge that the material or activity is infringing, 2) they are not aware of facts from which infringement is apparent, and 3) they act expeditiously to remove or block access to the material upon obtaining knowledge or awareness of the infringement. To qualify under the safe harbor, the provider must:

- Designate an agent to receive notices of claimed infringement, register that agent with the Copyright Office and make the agent's name and contact information available through its services;
- Adopt a policy to terminate the membership of repeat infringers and notify users of that policy; and
- Accommodate and not interfere with "standard technical measures" identifying and protecting copyrighted materials.

Effective notification and counter notification of a claimed infringement must be in writing and must include substantially the elements set forth in sections 512(c) and (g) of the DMCA.

DMCA Safe Harbor Copyright Agent Registration Renewal Requirements

On October 31, 2016, the U.S. Copyright Office issued a new rule instituting an electronic system for the designation of copyright agents, which is required to take advantage of the safe harbor from copyright infringement for online service providers under 17 U.S.C. § 512(c). For purposes of § 512, any entity that provides an online service (such as a website, email service, discussion forum, or chat room) generally would qualify as an online service provider. A copyright agent is typically the individual at the online service provider for which contact information is provided in order to receive the various notices provided under § 512.

Under the new system, which went into effect December 1, 2016, all online service providers seeking safe harbor under § 512(c), including those that have previously designated an agent with the Copyright Office, are required to submit designations through the electronic system. **Entities that previously designated a copyright agent via the paper system were required to submit a new designation through the electronic system by December 31, 2017.** Failure to do so will negate the safe harbor from copyright infringement liability established by § 512(c). Designations also must be renewed at least once every three years. The fee for registration and subsequent renewal(s) is set at US$6 per designation.

Designating an agent through the electronic system requires creating an online account with the U.S. Copyright Office and providing information similar to what is required under the current paper-based system (e.g., name and address of the service provider and agent contact information), but with some differences. As before, service providers must provide a physical address and cannot use a P.O. Box, however, now a P.O. Box may be used for a service provider's agent. An agent's name does not need to be an actual individual's name and instead a department within the service provider's organization or a third-party entity is acceptable.

Separate legal entities that wish to take advantage of the safe harbor must each file separate designations for each entity. However, a single U.S. Copyright Office account can be used to register and manage designations for multiple service providers (e.g., a parent company may manage designations for its subsidiaries through a single account, but each must register separately).

The current paper-based registration allows but does not require service providers to include "alternative names," such as names under which the service provider is doing business. Under the new system, service providers must list "all alternate names that the public would be likely to use to search for the service provider's designated agent in the directory, including all names under which the service provider is doing business, website names and addresses (i.e., URLs, such as "__.com" or "__.org"), software application names, and other commonly used names."

For more information on the new copyright agent requirements, see
http://www.copyright.gov/rulemaking/onlinesp/NPR/index.html.

***Ventura Content, Ltd. v. Motherless, Inc. and Joshua Lange*, No. 13-56332, No. 13-56970 (9th Cir. Mar. 14, 2018)**

Ventura Content creates and distributes pornographic movies. Joshua Lange owns and operates Motherless, a site that contains pornographic pictures and video clips uploaded by its users. Ventura found clips from its own films on Motherless's site. These clips were uploaded by Motherless users. Rather than utilizing Motherless's takedown notice or direct removal software, Ventura filed suit against Lange and Motherless for copyright infringement. The district court granted Lange and Motherless's motion for summary judgement, finding that Motherless qualified for DMCA safe harbor protection under 17 U.S.C. §512. The Ninth Circuit affirmed.

Motherless runs on user generated content. Motherless rewards user uploads with credits that can be redeemed for merchandise or a small amount of cash. After a user uploads content, the user can add a tag to the picture or video, which enables the picture or video to be grouped with content with similar tags. Motherless's policy is that "anything legal stays." Consistent with this policy, Lange and one independent contractor quickly scan all content for "obvious signs of child pornography, copyright notices, watermarks, and other information…" and delete any impermissible material they spot.

The Motherless site informs users that repeat copyright infringement will result in account termination, but there is no written policy (on the website or internally) about how to evaluate whether termination is warranted. Lange terminated repeat copyright infringers based on his judgment, including consideration of "the number of complaints arising from the user's uploads, the amount of infringing content in the complaint he received, and whether he [thought] the user had maliciously or intentionally uploaded infringing content." The record showed that Lange “terminated between 1,320 and 1,980 users for alleged copyright infringement” and only nine alleged repeat infringers escaped detection and termination.

The Ninth Circuit first found that Motherless qualified for DMCA safe harbor protection under 17 U.S.C. §512(c). In assessing the requirements of this subsection, only the service provider’s conduct in relation to the litigated infringing material is considered.

The court found that, in accordance with this subsection, Ventura’s copyrighted content was uploaded to Motherless “at the direction of the user.” The court rejected Ventura’s argument that the content was uploaded at the direction of Motherless because Motherless screens out certain prohibited content. To the contrary, “Section 512(m) says that the law should not be construed to eliminate the safe harbor because a service provider monitors for infringement or disables access to material where the conduct depicted is prohibited by law.” Next, the fact that Motherless grouped together tagged content did not negate safe harbor protection. UMG Recordings, Inc. v. Shelter Capital Partners, LLC, 718 F.3d 1006 (9th Cir. 2013) “dispos[ed] of the argument that…enabling users to apply search tags to uploads[] takes the posting of the content out of the ‘at the direction of the user’ definition.” Finally, the fact that Motherless offered certain incentives, like redeemable credits, did not mean content was uploaded at the direction of Motherless.

Next, the court held that Motherless did not have actual or red flag knowledge of copyright infringement prior to Ventura’s lawsuit, and Motherless acted expeditiously to remove the content after the lawsuit was filed. Although four of the infringing videos displayed watermarks, “the watermarks gave no hint that Ventura owned the material, and they [did] not establish a genuine issue of fact about whether Motherless knew the material was infringing.” Additionally, the court rejected Ventura’s argument that the quality of its videos alerted Motherless to the videos’ copyrighted status. The court stated that it did not see “what on Ventura’s videos distinguish[ed] them from amateur creations.” For similar reasons, the court found Motherless did not have red flag knowledge, stating, “there is nothing about the Ventura clips that would make infringement apparent.” The court also found that Motherless expeditiously removed the infringing videos after gaining knowledge of their infringing nature, because Lange deleted the videos on the same day that Ventura informed Motherless of the URLs to the infringing clips.

On the final issue under Section 512(c), the court found that Motherless did not have “the right and ability to control” the infringing activity, and did not receive a “financial benefit directly attributable to the infringing activity.” To have the right and ability to control the infringing activity, “a service provider must be able to exert ‘substantial influence’ on its users’ activities.” Motherless did not meet this standard because it did not tell its users what to upload and “did not curate uploaded content in any meaningful way…” Moreover, its redeemable credits did not exert substantial influence on its users because the payouts were nominal. Furthermore, Motherless did not receive financial benefits attributable to the infringing activity because there was “no evidence that Motherless made any money directly from the Ventura clips.”

After determining that Motherless qualified for DMCA safe harbor protection under Section 512(c), the Ninth Circuit also held that Motherless was not excluded from such protection by

Section 512(i)(2). Under this subsection, service providers are only eligible for safe harbor protection if it "has adopted and reasonably implemented" a policy of terminating repeat infringers "in appropriate circumstances." The court emphasized that "safe harbor eligibility does not require perfection." The court found that the statute does not necessarily require a written database of infringing users or some automated means of catching repeat infringers. Although Lange had no written policy and only used his judgment to terminate repeat infringers, "the absence of a significant number of repeat infringers who escaped termination compels" summary judgment. The Ninth Circuit held the district court properly granted summary judgment based on Motherless's eligibility for DMCA safe harbor protection.

Judge Rawlinson filed a dissent, contending that there was a genuine issue of material fact regarding whether Motherless had an adequate policy for termination of repeat infringers.

***BMG Rights Mgmt. (US) LLC v. Cox Communications, Inc*., 881 F.3d 293 (4th Cir. 2018)**

In 2014, music publisher BMG Rights Management filed a suit against internet service provider (ISP) Cox Communications, alleging that Cox allowed its users to steal BMG's songs and ignored a multitude of infringement notices, and therefore was liable for contributory copyright infringement. ISPs may qualify to be exempt from liability for these type of contributory infringement claims if the ISP qualifies for the Digital Millennium Copyright Act's safe harbor. BMG argued that Cox violated the DMCA's requirement that ISPs implement a policy against repeat infringers.

In 2015, the trial court ruled in favor of BMG, holding that Cox's actions resulted in the loss of safe harbor protection under the DMCA. Subsequently, after trial a jury reached a $25 million verdict for contributory infringement against Cox.

Cox appealed the decision and in February 2018, the Fourth Circuit upheld the trial court's decision, ruling that Cox forfeited its DMCA safe harbor protections by failing to ban users who repeatedly pirated music. The court found that while Cox may have formally adopted a repeat infringer policy, it failed to actually implement that policy and was "clearly determined not to terminate subscribers who in fact repeatedly violated the policy." Cox argued that the DMCA's 'repeat infringer" rule only requires ISPs to terminate users found liable of infringement, not those who had simply been repeatedly accused. However, the court ruled that interpretation of the DMCA had not been adopted by any court and would subvert the entire the provision's purpose of limiting online infringement.

Despite this holding, the court determined that there was a possibility that Cox should not have been held liable despite the loss of its DMCA safe harbor protection because the jury was allowed to find Cox liable for contributory infringement on the premise that it "should have known" its users were infringing, contrary to a Supreme Court ruling in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd*, 545 U.S. 913 (2005). In *Grokster*, the Supreme Court held that liability may exist where a party offers a product or service with knowledge or intent that it will be used for infringement. The court found that the standard for contributory liability in the patent context, applied to copyright law, allowing liability to be based on willful blindness but not on recklessness or negligence. The court based this finding on the premise of targeting culpable infringing conduct without placing significant burdens on technological advancement. Subsequently, the court vacated the $25 million verdict against Cox and remanded for a new trial based on a revised instruction regarding the standard for contributory infringement liability.

***Mavrix Photographs, LLC v. LiveJournal, Inc*., 853 F.3d 1020, 1023 (9th Cir.), opinion amended and superseded, 873 F.3d 1045 (9th Cir. 2017)**

In 2013, Mavrix Photographs sued LiveJournal, a social media platform, alleging copyright infringement of over 20 photos posted on the site. LiveJournal subsequently won a district court ruling, holding that it was protected under the Digital Millennium Copyright Act's safe harbor because the photos were posted by site users and not LiveJournal itself. In its order, the district court listed several factors supporting its decision: (1) LiveJournal did not know of the allegedly infringing photos prior to the lawsuit, (2) the platform did not have the right or ability to control the infringing activity of users, and (3) upon learning of the posts LiveJournal promptly removed them from their site. The district court stated that these factors contributed to the finding that LiveJournal was simply an operator of an online platform where users create the content. Mavrix appealed the district court's decision in the Ninth Circuit.

In April 2017 the Ninth Circuit reversed the district court's decision, determining that community moderators of online forums may qualify as "agents" of the websites they monitor, meaning that websites could lose their DMCA safe harbor protections if moderators allow infringing content to be posted.

The photos on LiveJournal were approved by community moderators, "super-users" who volunteered to monitor posting standards. On its appeal, Mavrix argued that the community moderators constituted "agents" of LiveJournal, therefore meaning that LiveJournal itself approved the infringing images and lost DMCA protection.

The Ninth Circuit agreed and concluded that the law of agency applied to the case. The Ninth Circuit panel stated that evidence supported both sides of the argument. In favor of the argument that community moderators were agents of LiveJournal, LiveJournal employees provided substantive supervision and direction to moderators and had the authority to select and remove moderators based on performance. However, moderators also had the opportunity to volunteer freely and reject content submissions based on their own judgment, supporting the argument that they were not agents. Ultimately, the Ninth Circuit reversed the district court's decision and remanded the case back to trial for a jury to decide on the issue.

LiveJournal requested an *en banc* rehearing, arguing that the Ninth Circuit panel decision generated uncertainty for internet service providers and punishing those who attempt to limit copyright infringement. LiveJournal also argued the panel misread the wording of Section 512(c) regarding liability for user infringement. The *en banc* hearing was ultimately denied in August. The case was sent back to the district court.

J. DIGITAL MILLENNIUM COPYRIGHT ACT ("DMCA") (17 U.S.C. §1202)

***Stevens v. CoreLogic, Inc.*, No. 16-56089 (9th Cir. 2018)**

Plaintiffs Robert Stevens and Steven Vandel (the "Photographers") take digital photographs of houses. Stevens and Vandel retain the copyright in the photographs and license them to real estate agents. Many of the photographs contain metadata. Two formats are used to store that metadata: Exchangeable Image File Format ("EXIF") and International Press Telecommunications Council format ("IPTC"). Both formats can contain copyright management information ("CMI") or information about the author, title, copyright, and terms and conditions for use of the work.

Real estate agents use CoreLogic's software to upload photographs to databases of listed properties. CoreLogic's software resizes or "downsamples" images. Downsampling involves creating and saving a copy of an image in a smaller number of pixels and deleting the original image. When images are downsampled, EXIF and IPTC metadata attached to those images is not retained, and thus the CMI stored in the metadata is removed.

Section 1202 of the Copyright Act restricts the removal of CMI. The plaintiffs allege that CoreLogic's software removed CMI metadata and that CoreLogic distributed images knowing CMI had been removed in violation of 17 U.S.C. § 1202(b)(1) and (b)(3).

The 9th Circuit rejected these arguments and affirmed the district court's grant of summary judgment in favor of CoreLogic because the Photographers failed to offer evidence to satisfy the mental state requirement. Section 1202(b)(1) and b(3) prohibit removing CMI or distributing copies of works that CMI has been removed from while knowing or having reasonable grounds to know that doing so "will induce, enable, facilitate, or conceal" infringement. The court held that plaintiffs must affirmatively show that the defendant knew or had reasonable basis to know their actions would aid infringement.

The court found that the Photographers failed to show that CoreLogic knew or should have known that their actions would "induce, enable, facilitate, or conceal" infringement. The court stated that the Photographers needed to allege more than knowledge of the general "possibility of encouraging infringement" and instead demonstrate the defendant knew how specific types of infringing activities would be aided by the removal of CMI. The Photographers failed because they only alleged that CoreLogic knew of the general possibility that removal of CMI might lead to the undetected use of infringing photographs.

The court noted that the Photographers did not need to show that infringement had occurred or certainty that infringement would occur. Instead, the Photographers could have alleged that CoreLogic was aware of the probable future impact of its actions by demonstrating a past pattern of conduct or modus operandi related to infringement. The Photographers needed to point to specific patterns of infringing conduct that would have been aided by the removal of CMI in this case, and then argue CoreLogic was aware of these patterns of conduct.

The court specifically noted that the Photographers failed to offer any specific evidence indicating removal of CMI metadata from the photographs would impair their policing of infringement. In fact, the evidence presented showed that the Photographers did not use the CMI metadata to discover copyright infringement of their images. The removal of CMI did not aid infringement by allowing infringers to avoid detection by the Photographers.

The Photographers did not produce evidence showing that CoreLogic's distribution of the photographs ever induced, enabled, facilitated or concealed any act of infringement. In fact, the court noted, a party intent on using a copyrighted photograph undetected could itself remove any CMI metadata. There was no pattern or practice of infringement related to the images.

In conclusion, the court held that the Photographers did not put forward any evidence that CoreLogic knew its software carried even a substantial risk of inducing, enabling, facilitating or concealing infringement, let alone a pattern or probability of such a connection to infringement, and thus CoreLogic was not liable for violating 17 U.S.C. 1202(b). The 9th Circuit affirmed the grant of summary judgment in favor of CoreLogic.

K. OTHER DEFENSES/EXEMPTIONS

1. <u>Public Domain and Public Laws.</u>

American Society for Testing and Materials, et al. v. Public.Resource.Org, Inc., No. 17-7035, 17-7039 (D.C. Cir. Jul. 17, 2018)

Public.Resource.Org (PRO) is a non-profit corporation dedicated to publishing and sharing public domain materials. Carl Malamud founded it with the mission "to make the law and other government materials more widely available." The American Society for Testing and Materials (ASTM), the National Fire Protection Association (NFPA), and the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRE) are Standards Developing Organizations (SDOs) that generate revenue from development of private-sector codes and standards. Those SDOs sued Public.Resource.org for scanning and making available building codes and fire codes that the organizations consider their copyrighted works. The case was later joined by three other SDO plaintiffs, the American Educational Research Association, Inc., the American Psychological Association, Inc., and the National Council on Measurement in Education, Inc.

In the D.C. District Court, PRO asserted that its distribution of incorporated standards constitutes fair use defense under the Copyright Act because it facilitates criticism and comment. Judge Chutkan rejected such defense upon finding that PRO's distribution purposefully undermined the SDOs' "ability to raise revenue." She granted summary judgment to the plaintiffs and issued a permanent injunction prohibiting PRO's unauthorized distribution, display, reproduction, and creation of derivative works of the identified standards.

On appeal to the D.C. Circuit, PRO challenged the district court's injunction and the underlying partial summary judgment order. The D.C. Circuit reviewed the district court's summary judgment order *de novo* (since it granted an injunction) and framed the issue as "whether private organizations whose standards have been incorporated by reference can invoke copyright and trademark law to prevent the unauthorized copying and distribution of their works." It thus avoided a constitutional "bright line rule" on First Amendment and Due Process concerns with allowing private ownership of the law. Noting that statutory fair use "may provide a full defense to some, if not all, of the SDO's infringement claims in this case," it held the district court erroneously granted summary judgment to the organizations on the copyright claims because it misapplied the four factors of the fair use defense.
The D.C. Circuit considered the four fair use factors - the purpose of character of the use, the nature of the copyrighted work, the amount taken from the work, and the market effect - both individually and together. It concluded that the district court failed to fully consider whether distributing the information constituted transformative use, and gave undue consideration to the market effect and the finding of commercial purpose by the website owner. Therefore, as to the fair use defense, genuine issues of material fact preclude summary judgment for either party. "A proper accounting of the variation among these incorporated standards and of the fact that several are essential to understanding one's legal obligations suggests that, in many cases, it may be fair use for PRO to reproduce part or all of a technical standard in order to inform the public about the law." In the end, however, whether PRO's use as to each standard at issue qualifies as a fair use defense remains for the district court to determine.

The D.C. Circuit also held summary judgment for the Lanham Act trademark claim was inappropriate. It noted that the district court failed to consider the three nominative fair use factors after finding that consumer confusion as to the source of the trademarked standards was likely.

The D.C. Circuit vacated the permanent injunction, reversed the district court's partial grant of summary judgment against PRO, and remanded the action and required the district court to reconsider whether the use of the standards was permitted under copyright's fair use doctrine.

***We Shall Overcome Found. v. The Richmond Org., Inc.,* No. 16CV2725 (DLC), 2017 WL 3981311, at *1 (S.D.N.Y. Sept. 8, 2017)**

In 2016, the We Shall Overcome Foundation and producers of the Civil Rights-era film "The Butler" filed suit against Ludlow Music, Inc. and The Richmond Organization, Inc. ("TRO"), challenging the defendants' copyrights to the civil rights anthem "We Shall Overcome." The We Shall Overcome Foundation filed the suit after it was denied a license to use the song in a documentary. The producers of "The Butler" subsequently joined the suit after being asked to pay $100,000 to use the song in the film.

The plaintiffs alleged that the song was in the public domain because it was first published and registered as a copyright in 1948, but not timely renewed, and thus its copyright protection had lapsed. In July 2016, Ludlow moved to dismiss the case, arguing that while the versions of the anthem used by the two film producers included elements from the public domain, the versions met the low standards for copyright protection. The court refused to dismiss the case, ruling that more discovery was needed before making a decision.

In June 2017, the plaintiffs moved for partial summary judgment, arguing that with the then-present record the court should rule that the first verse and the identical fifth verse of the song were not protected under copyright law. The court agreed, reasoning that small changes to the lyrics such as changing “will” to “shall” and “down” to “deep”, as well as minute melodic differences were not enough to create discernible variations from earlier versions of the song. This court found that these changes were not enough to consider Ludlow’s version of the song a derivative work protected under copyright law. This finding by the court was supported by evidence submitted by Ludlow and TRO themselves, specifically a 1963 recording discussing the origins of the song and how there were several subtle variations in how it was being performed at the time.

In January 2018, Ludlow agreed to a settlement that conceded that “We Shall Overcome” was in the public domain. As part of the settlement, Ludlow would no longer claim to be a copyright owner of the song. Subsequently, in February 2018, the plaintiffs argued that they should be awarded $1.1 million in attorneys’ fees and costs for defeating Ludlow’s claims. Ludlow responded in March 2018 saying that it should not have to pay attorneys’ fees as it already returned the plaintiffs’ licensing fees and spent a large amount of legal fees defensing itself in the case. There has yet to be decision from the court on the issue of fees.

2. <u>De Minimis Copying.</u>

***Itoffee R. Gayle v. Home Box Office, Inc.*, 17-cv-5867, 2018 WL 2059657 (S.D.N.Y. May 1, 2018)**

An episode of HBO’s television series *Vinyl* included a scene where a woman walked down a New York City street and passed a dumpster tagged with graffiti. The graffiti appeared in the background in low lighting for two to three seconds. Itoffee Gayle, the artist of the graffiti, brought suit against HBO alleging copyright infringement, trademark infringement, and state law claims. In May 2018, the district court granted HBO’s motion to dismiss.

The district court dismissed Gayle’s copyright infringement claim because HBO’s use of his work was *de minimis*. The court relied on the fact that the graffiti appeared on screen for a short amount of time, was “never pictured by itself or in a close-up,” “play[ed] absolutely no role in the plot,” and was “never fully visible.” In sum, the court found “the graffiti was filmed in such a manner and appears so fleetingly that…there [was] no plausible claim for copyright infringement here.”

The court rejected both of Gayle's arguments in support of his copyright infringement claim. First, to show that his graffiti was visible and observable to the average lay viewer, Gayle pointed to an Instagram message congratulating him on the appearance of his graffiti in *Vinyl*. The court rejected this, finding that the anonymous user was "hardly a stand-in for the average lay observer." Next, Gayle argued that HBO's use of his graffiti was not *de minimis* because it was deliberate. The court rejected this argument as well, finding that "HBO's motive in depicting the graffiti is irrelevant to the *de minimis* inquiry."

The court also dismissed Gayle's trademark infringement claim because, even if Gayle's graffiti qualified as a trademark, "no viewer of the episode would consider whether HBO sponsored the graffiti or Gayle sponsored the episode." The court dismissed Gayle's state law claims for unfair competition and trademark infringement "for the same reasons his Lanham Act claims were dismissed." Lastly, the court declined *sua sponte* to grant Gayle leave to amend his complaint because, among other reasons, "the problem with Gayle's claims is substantive and, thus, better pleading will not cure it."

***VMG Salsoul, LLC v. Ciccone*, 824 F.3d 871 (9th Cir. 2016)**

The Ninth Circuit sided with Madonna Louise Veronica Ciccone and her producer (Shep Pettibone) in emphatically rejecting the Sixth Circuit's bright-line rule that all unlicensed sampling constitutes copyright infringement. *Cf. Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005).

Music sampling, which is common in some musical genres, is the use of snippets from a sound recording—often altered or enhanced in some manner—in a new sound recording. In *Ciccone*, the Ninth Circuit affirmed the district court's grant of summary judgment in favor of defendants Madonna, Pettibone and their associated record labels, music publishers and distributors on the grounds that—contrary to the Sixth Circuit rule set forth in *Bridgeport*—the de minimis exception to copyright infringement applies to sound recordings just as it does to other types of copyrighted works. The court also recognized that under prior precedent, the de minimis exception precluded a finding that the sampling infringed the underlying musical composition. The samples in question were "horn hits" (punctuation-like snippets of horn section chords) that lasted, respectively, less than a second and less than a quarter-second, and the court found that the average listener was unlikely to recognize their source.

While the sampled horn hits in *Ciccone* were very short and not central to the allegedly infringing song, that was not dispositive. Rather, under U.S. law a "use is de minimis only if the average audience would not recognize the appropriation"—in other words, only if "ordinary observations would cause [the sample] to be recognized as having been taken from the work of another." This is because "the plaintiff's legally protected interest" is "the potential financial return… which derive[s] from the lay public's approbation of his efforts." *Ciccone* at *4.

The Ninth Circuit noted that Madonna had taken the samples from only one track (the horns) rather than taking an "entire… temporal segment" of the original song and emphasized the ways in which the producer had digitally altered the sound of the horns. (among other changes, the horn hits were transposed into a different key, truncated to make them "punchier," and combined with other sounds and effects). *Ciccone*, at *5–6. A defendant's digital alteration of the sample is likely to be relevant in many future U.S. sampling cases because, as one musicologist who has served as an expert in such cases has observed, "samples are rarely used unaltered…. [an] important ethic for many producers is to 'flip' or transform the sample in some way in order to show their own creativity." Alexander Stewart, "Been Caught Stealing: A Musicologist's Perspective on Unlicensed Sampling Disputes", 83 UMKC L. Rev. 339, 342 (2014).

The Ninth Circuit also supported its finding that the sample was unrecognizable as to source by discussing the fact that "Plaintiff's primary expert originally misidentified the source of" one of the two horn hits, opining that it came from a different part of plaintiff's song and later corrected his opinion after obtaining masters of the accused Madonna song and listening to the horn track separately. Because the standard is whether the average listener can recognize the sample, such a mistake by "a highly qualified and trained musician listening… with the express aim of discerning which parts of the song had been copied" permitted a finding of no infringement as a matter of law. *Id.* at *6.

The Ninth Circuit broadly attacked the Sixth Circuit's reasoning in *Bridgeport*. First, the court explained that the Sixth Circuit's approach to statutory analysis was a "logical fallacy." *Id.* at *7–10 (stating, inter alia, that "Bridgeport ignored the statutory structure and § 114(b)'s express limitation on the rights of a copyright holder"). Second, the court rejected *Bridgeport's* reasoning that sampling involves a "physical taking rather than an intellectual one" and thus even trivial takings have value. *Id.* at *11 ("the possibility of a 'physical taking' exists with respect to other kinds of artistic works," such as photographs, "to which the de minimis rule applies"). Finally, the court recognized that "a deep split among the federal courts already exists" because "almost every court not bound by [*Bridgeport*] has declined to apply" its bright-line rule. The Ninth Circuit vacated an award of attorney's fees to defendants because the plaintiff's claim was premised on a legal theory "adopted [in *Bridgeport*] by the only circuit court to have addressed the issue" and thus was "objectively reasonable."

3. <u>Copyright Misuse.</u>

***Disney Enterprises, Inc. et al v. Redbox Automated Retail, LLC*, No. 2: 17-cv-08655 DDP (AGRx), 2018 WL 1942139, at *1 (C.D. Cal. 2018)**

Disney owns copyrights to many well-known movies and distributes films in multiple formats. Disney offers "Combo Packs" or boxes containing a DVD, a Blu-ray disc, and a piece of paper with a code that allows the user to view the film on RedeemDigitalMovies.com or DisneyMoviesAnywhere.com. On the exterior of the Combo Pack boxes the phrase "Codes are not for sale or transfer" appears in small print. The RedeemDigitalMovies and Disney Movies Anywhere web pages each set forth additional terms and conditions. Both websites require users to represent that they own the DVD or Blu-ray disc sold with the code before redeeming and restrict users' right to copy, sell or distribute digital copies.

Defendant Redbox Automated Retail, LLC ("Redbox") sold download codes for Disney movies. Redbox does not have a vendor agreement with Disney. Instead, Redbox acquires Disney films by purchasing copies, including Combo Packs, at retail outlets. Redbox then removes the piece of paper containing the code, repackages it and offers the code for sale.

Disney alleges that Redbox's resale of the Combo Pack digital download codes 1) constitutes copyright infringement 2) is a breach of Redbox's contract with Disney 3) interferes with Disney's contracts with RedeemDigitalMovie.com users, and 4) violates California false advertising and unfair competition laws. Disney moved for a preliminary injunction enjoining Redbox from selling or transferring Disney download codes.

To prevail on a motion for a preliminary injunction Disney was required to show a fair chance of success on the merits and a significant threat of irreparable injury absent the requested injunctive relief. The court found that Disney failed to demonstrate likelihood of success on the merits of any of its claims.

Disney failed to demonstrate likelihood of success on the merits of its breach of contract claim. Disney could not show the existence of a valid contract as there was no valid offer and acceptance. Disney argued that the phrase "Codes are not for sale or transfer" on the box constituted an offer Redbox accepted by opening the box. The court rejected this argument because there was no language on the box indicating that opening the box constituted acceptance of license restrictions or even that a license agreement existed. The court found that in absence of any indication that an offer was being made, Redbox's opening of the box could not reasonably be interpreted as assent to a restrictive license.

Disney failed to demonstrate likelihood of success on the merits of its contributory copyright infringement claim. Disney alleged that Redbox contributorily infringed by enabling and encouraging individual consumers to violate the RedeemDigitalMovies and Disney Movies Anywhere use licenses. The court determined that end users necessarily violated the terms of the licenses when they bought the code from Redbox and redeemed it. However, the court went on to conclude that Disney's download services' license agreements likely constituted copyright misuse. The court held that the restrictive license terms improperly granted Disney power beyond the scope of its copyright by denying Combo Pack purchasers the right to access digital movie content unless they gave up their statutorily-guaranteed right to distribute their physical copies of the movie.

The court also held that the first sale doctrine was not applicable to this case because no particular, fixed copy of copyrighted work existed at the time Redbox purchased, or sold, a digital download code. The first sale doctrine allows the owner of a particular copy to sell that copy without the permission of the copyright holder. The copyright owner's exclusive right to distribute a particular copy is exhausted once it transfers title to that copy. For copyright purposes, a particular copy is a fixed work in a tangible medium. The court relied on *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640 (S.D. N.Y. 2013) (involving digital music files) and held that the first sale doctrine is limited to material items the copyright owner puts into the stream of commerce. The court concluded that Disney sold something "akin to an option to create a physical copy at some point in the future" and that a particular copy only existed once a download code was redeemed and the copyrighted work was fixed onto a hard drive.

The court also noted the United States Copyright Office has recommended that the first sale doctrine not be explicitly expanded to include digital transmission, because while physical copies degenerate over time, digital information does not. A "used" digital copy can easily compete for market share with the copyright owner's new copies.

The court found Disney's allegations concerning Redbox's intentional interference with the contractual relationship between Disney and its RedeemDigitalMovie.com users to be relatively undeveloped and largely derivative of Disney's other questionable arguments. The court also noted that Disney failed to offer any evidence that RedeemDigitalMovie.com users decided to switch to Redbox download codes.

Lastly, the court found that Disney failed to demonstrate likelihood of success on the merits of its false advertising and unfair competition claims because although Disney alleged that Redbox misled customers by omitting details about license restrictions, those restrictions were likely invalid and unenforceable. Disney also failed to sufficiently demonstrate its standing to assert false advertising claims.

In sum, the district court denied Disney's motion for preliminary injunction, finding it unlikely to prevail on the merits of any of its claims.

L. MUSIC CASES - VARIOUS ISSUES

Melissa Ferrick, et al. v. Spotify USA Inc., et al., No. 1:16-cv-08412(AJN) (S.D.N.Y. May 22, 2018)

On May 22, 2018, the District Court for the Southern District of New York approved a class action settlement between Spotify and a class comprised of named plaintiff Melissa Ferrick and similarly situated copyright owners. The class alleged that Spotify made works containing their musical compositions available for streaming and limited downloads without obtaining proper licenses. At least one appeal was filed after the court's approval of the settlement agreement. The start of the claim submission process is currently delayed until this and any other appeals are resolved.

Pursuant to the settlement agreement, Spotify will pay $43,450,000 into a settlement fund. The claim period begins after the settlement agreement is approved and all appeals are resolved. Settlement class members will have 210 days from the start of the claim period to submit their claim form (available on a dedicated settlement website). The claim form will contain: (1) information about the settlement class member, including name, phone number, and address; and (2) information about each claimed musical work, including the U.S. copyright registration number and the claimant's ownership share in the work. Each claimant who submits a valid claim form will receive "a minimum pro rata payment from a fixed portion of the [settlement fund], regardless of the number of times their [c]laimed [w]orks have been streamed or downloaded." Valid claimants whose works have been streamed more than 100 times will receive an additional percentage of the remaining settlement fund. If there are competing ownership claims, the parties must resolve the dispute either voluntarily amongst themselves or in court before receiving payment from the settlement fund.

In addition, Spotify will establish the Unmatched Track Royalty Reserve to pay §115 license royalties, in accordance with 37 C.F.R. §§385.10-17, for tracks that Spotify makes available after court approval of the settlement agreement. Settlement class members are eligible to receive royalties if they submit a valid claim form as discussed above, or did not submit a valid claim form but submit a valid royalty claim form (available on a dedicated royalty program website) or otherwise identify themselves to Spotify "in accordance with the methods available to a copyright owner that wishes to obtain royalties pursuant to §115 of the Copyright Act and the regulations thereunder…" If there are competing ownership claims, the parties must resolve the dispute either voluntarily amongst themselves or in court before receiving royalties. For tracks added to Spotify after court approval of the settlement agreement, Spotify will follow §115 requirements to obtain compulsory licenses.

Settlement class members may request an audit of Spotify's payment of §115 license royalties under the settlement agreement. Valid royalty claimants may request a plenary audit for claimed musical works that: (1) accrued royalties of $20,000 or more in the previous year; or (2) is embodied in tracks that were streamed 2,000,000 times or more in the previous year. In a plenary audit, a mutually agreed upon auditor will make findings "regarding Spotify's books, records, and server data regarding the calculation of royalties under 17 U.S.C. §115…" If valid royalty claimants do not meet either of the two requirements to request a plenary audit, they may request a streamlined audit. In a streamlined audit, Spotify will investigate the §115 license royalties paid to the requesting claimant. Spotify will then provide the requesting claimant with a written description of how royalty payments to that claimant were calculated. Spotify will not be obligated to engage in a plenary audit more than once every two years, and a settlement class member may not request a streamlined audit more than once every two years.

Spotify will also engage in efforts to refine its licensing process. Spotify and the class plaintiffs will appoint members to a six-member Mechanical Licensing Committee. The Mechanical Licensing Committee will hold meetings "to discuss potential ways to increase the percentage of tracks available on Spotify's service that can be matched to registered copyright owners." At each meeting, "Spotify will present a confidential report detailing efforts to reduce the rate of unmatched works on Spotify's service." Spotify will consider in good faith all Mechanical Licensing Committee proposals regarding §115 licensing of content on Spotify. Additionally, Spotify will invite various stakeholders (including the American Society of Composers, Sony/ATV Music Publishing, Warner/Chappell Music, Amazon Digital Services, Google, and Pandora) to form the Copyright Data Sharing Committee. The Copyright Data Sharing Committee will discuss: (1) sharing of catalog data to facilitate the §115 licensing of content on streaming services; and (2) the digitization of pre-1978 U.S. copyright records for free use by the public. Spotify will consider in good faith all proposals made by the Copyright Data Sharing Committee.

Under the settlement agreement, class members who did not timely opt out of the settlement agreed to "waive, release, and forever discharge Spotify" from all claims arising out of Spotify's actions in connection with making their musical compositions available for streaming and limited downloads without a valid license during the defined class period (between December 28, 2012 and date of court approval of the settlement agreement).

***Osama Ahmed Fahmy v. Jay-Z, et al.*, 891 F.3d 823 (9th Cir. 2018)**

In 1999, Jay-Z used a sample of the 1957 song "Khosara" in his hit single "Big Pimpin'." Osama Ahmed Fahmy, heir to the copyright of "Khosara," sued Jay-Z for copyright infringement in 2007. The district court granted Jay-Z's motion for summary judgement because Fahmy lacked standing to sue. To have standing, "Fahmy must have retained the exclusive right to prepare derivative works of 'Khosara'..." Fahmy lacked standing because in 2002, he entered into an agreement to transfer "all" of his economic rights in "Khosara" to a recording company.

On appeal in the Ninth Circuit, Fahmy asserted three theories for why he had proper standing. First, Fahmy argued that Egyptian law does not allow transfer of derivative works right, and thus he retained this right regardless of the 2002 Agreement. The parties agreed that Egyptian law was applicable here because the 2002 Agreement was executed in Egypt. Fahmy's argument was based on the inalienability of moral rights under Egyptian law. Egyptian moral rights allow copyright owners to "object to those derivative works the author deems to be 'distortions' or ‘mutilations’ of the work…” The Ninth Circuit, however, held that a plain reading of the Egyptian Copyright Law provide for “the straight forward conclusion that the right to prepare derivative works from the copyrighted work for profit can be transferred...” Thus, Fahmy cannot attain standing on the theory that he retained derivative rights to “Khosara.” Further, to the extent that Fahmy retained moral rights to prevent distortions or mutilations of “Khosara,” these moral rights are not enforceable in the United States. Moreover, even if Egyptian moral rights were recognized, the Egyptian law only entitled Fahmy to injunctive relief, not to the monetary damages he sought.

Second, Fahmy argued that the 2002 Agreement does not meet the requirements for conveyance of economic rights under Egyptian law, and therefore he did not effectively transfer his rights in “Khosara.” According to Fahmy, the 2002 Agreement did not “contain an explicit and detailed indication of each right to be transferred” as required by Egyptian law, because “the agreement does not state separately, clearly, and unequivocally that it transfers the right to make changes to future versions of ‘Khosara.’” The Ninth Circuit also rejected this argument, agreeing with the district court that “it would be unreasonable to interpret Egyptian law to require a copyright holder who is purporting to transfer ‘all’ of the economic rights in his copyright to *also* separately identify each economic right to be transferred.”

Finally, Fahmy argued that because the 2002 Agreement reserved Fahmy’s right to receive royalties, he is the beneficial owner of the “Khosara” copyright and thus has standing to sue for copyright infringement. The Ninth Circuit found that in both Egyptian and U.S. law, the right to receive royalties does not confer standing to sue for copyright infringement. In the U.S., “royalty rights reserved in a contract transferring a copyright are a concern of state law only and are not a concern of federal law at all.” Likewise, In Egypt, the right to receive royalties is “separate from the bundle of economic rights related to the copyright…” Accordingly, the Ninth Circuit affirmed the district court holding that Fahmy lacked standing to sue Jay-Z for copyright infringement of “Khosara.”

***John Wilson, Charles Still, Terrance Stubbs v. Dynatone Publishing Company, UMG Recording, Inc., Unichappel Music, Inc.*, No. 17-cv-1549, 2018 WL 2707531 (2d Cir. June 6, 2018)**

John Wilson, Charles Still, and Terrance Stubbs are former members of the band Sly Slick & Wicked. The trio wrote and performed in the sound recording of “Sho’ Nuff.” In 1973, Unichappell’s predecessor-in-interest registered the musical composition for “Sho’ Nuff” with the Copyright Office, listing Wilson, Still, and Stubbs as the writers and Dynatone as the claimant. In 1974, UMG’s predecessor-in-interest registered the sound recording for “Sho’ Nuff” with the Copyright Office, claiming sole ownership and asserting that the recording was a work made for hire. Wilson, Still, and Stubbs deny agreeing to any work for hire provision with UMG’s predecessor.

In 2001, the original term copyright in “Sho’ Nuff” expired and the renewal term began. In the same year, UMG registered a renewal term copyright for the sound recording of “Sho’ Nuff” with the Copyright Office. Wilson, Still, and Stubbs deny executing any agreements transferring interest in the renewal term copyright for the musical composition or sound recording.

In 2013, nearly forty years after its initial commercial release, Justin Timberlake used a sample from “Sho’ Nuff” in his hit song “Suit & Tie.” J. Cole also used a sample from “Sho’ Nuff” in his new single “Chaining Day.” Dynatone, UMG, and Unichappell collected royalties from these samplings.

In 2016, Wilson, Still, and Stubbs brought suit against Dynatone, UMG, Unichappell. Wilson, Still, and Stubbs sought a declaratory judgement that they own the renewal term copyright for the musical composition of “Sho’ Nuff.” In addition, Wilson, Still, and Stubbs sought a declaratory judgement that they, along with Perrell and UMG, co-own the renewal term copyright in the sound recording. The district court dismissed the case because the claims were time-barred. Wilson, Still, and Stubbs appealed.

The Second Circuit vacated the district court’s holding that the copyright claims were time-barred and remanded the case. Pursuant to Section 507(b) of the Copyright Act, copyright ownership claims must be filed “within three years after the claim accrued” to meet the statute of limitations. The Second Circuit found that it was error for the district court to find that Dynatone, UMG, and Unichappell’s repudiation of Wilson, Still, and Stubb’s ownership of the initial term copyrights also triggered the accrual of Wilson, Still, and Stubb’s claims in the renewal term copyrights.

First, the Second Circuit found the 1973 and 1974 copyright registrations relied on by the district court did not repudiate Wilson, Still, and Stubb’s ownership of the renewal term copyrights. The court found that “those acts, while they may have repudiated Plaintiffs’ claim to the initial terms, did not repudiate Plaintiffs’ ownership of the renewal terms.” Likewise, the lack of royalty payments to Wilson, Still, and Stubbs during the original term does not repudiate their ownership in the renewal term. The court found that failure to pay royalties during the original term is irrelevant to repudiation of the renewal term copyrights because it is “merely consistent with” the assignment of the initial term copyrights.

Further, the court found that UMG’s 2001 registration of the renewal term copyright in the sound recording did not amount to repudiation. The court noted, “if mere registration of a copyright without more sufficed to trigger the accrual of an ownership claim, then rightful owners would be forced to maintain constant vigil over new registrations.” Next, the court found that Wilson, Still, and Stubbs’s claims were not time-barred due to the absence of royalties they received from the 2013 samplings of “Sho’ Nuff” because the payments allegedly began within three years of the complaint filing.

Finally, the court found that, if the sound recording was a work for hire as UMG’s predecessor stated in its 1973 copyright registration, this would effectively repudiate Wilson, Still, and Stubbs’s claims for the renewal term. Under Section 304 of the Copyright Act, the employer for hire is the effective author and owner for the initial term as well as the renewal term. Nevertheless, the 1973 copyright registration in the sound recording is not dispositive at the motion to dismiss stage. Construing the facts in the light most favorable to the non-moving party, Wilson, Still, and Stubbs did not have reasonable notice that UMG's copyright registration listed UMG as an employer for hire. Again, "an author is not under a duty to constantly monitor filings in the Copyright Office on pain of losing her copyright." Thus, the registration "did not constitute an effective repudiation, triggering an obligation on Plaintiffs to bring suit…" The court vacated the district court's holding that the copyright claims were time-barred, and remanded the case.

On June 20, 2018, UMG petitioned the Second Circuit for a rehearing of the case. UMG contended that the Second Circuit, "[i]nstead of analyzing the totality of the original term and renewal term circumstances (as precedent instructs)…viewed each circumstance in a vacuum, and determined that none was sufficient to repudiate plaintiffs' purported renewal term rights."

***Oyewole v. Ora*, No. 16-cv-912 (AJN) (S.D. N.Y. 2018)**

In 1968, plaintiff Abiodun Oyewole created the song "When Revolution Comes." This song warned of a coming racial revolution and challenged people not to waste time with "party" and "party and bullshit" but to prepare for change.

In 1993, defendant Christopher Wallace ("B.I.G.") released a song called "Party and Bullshit" which celebrated hip hop lifestyle. In 2012, defendant Rita Ora released a song called "How We Do (Party)." This song begins with the phrase "and party and bullshit" and describes how Ora wants to "party and bullshit."

Oyewole filed suit against B.I.G., Ora and other parties who performed, composed, produced, published, or distributed the allegedly infringing songs including Kobalt Music and Downtown Music ("Defendants"). Oyewole alleged that use of "party and bullshit" and "party" infringed on Oyewole's copyright for "When Revolution Comes." Oyewole's complaint contained four counts: 1) a claim for copyright infringement 2) a request for creation of a constructive trust to prevent unjust enrichment by Defendants 3) a demand for an accounting of the sales and distribution of Defendants' recordings; and 4) a request for injunctive relief. Defendants filed various motions to dismiss for insufficient process or service of process and failure to state a claim.

The court granted the Defendants' motion to dismiss for failure to state a claim under Rule 12(b)(6) because B.I.G. and Ora's use of "party and bullshit and "party" constituted fair use of "When Revolution Comes" under the 17 U.S.C. § 107 four-factor test for fair use.

The court assumed arguendo that Oyewole sufficiently alleged ownership interest in "When Revolution Comes" and that the words "party and bullshit" and "party" were protectable expressions.

Under the first factor, purpose and character of use, the court compared the songs and found Defendants' works transformed "When Revolution Comes" by glorifying "party and bullshit" and "party" rather than condemning as the original work did. The first factor required the court to consider whether the allegedly infringing work superseded the original or added something new making the new work transformative. The key inquiry was whether the new work imbued the copyrighted material with a different character than the original. The court found that in Oyewole's work the phrases "party and bullshit" and "party" were used to admonish listeners and express disappointment in those who were unprepared for revolution whereas in the Defendants' works "party and bullshit" and "party" were desired and glorified activities.

The court found the second factor, the nature of the copyrighted work, to concern whether the work was creative and whether the work was published. The court determined "When Revolution Comes" was a creative work, which weighed against fair use, but that it was also published, which weighed in favor of fair use.

In analyzing the third factor, the quantity and importance of the portion used in relation to the purpose of the copying, the court found that though Defendants used two phrases from "When Revolution Comes," neither of these phrases was essential to the original's song's message.

In considering the fourth factor, effect of use on the market for the copyrighted work, the court found Defendants' songs were unlikely to usurp the market for "When Revolution Comes" because their works were different in character and purpose and thus reached a different audience. Defendants' works were significantly different and did not constitute a substitute for "When Revolution Comes."

After weighing the factors, the court concluded Defendants' actions constituted fair use and not infringement. The court found Oyewole's remaining counts were essentially remedies for the alleged copyright infringement. As Oyewole failed to state a claim of copyright infringement, he was not entitled to any remedy on that basis; thus, the court held his remaining claims failed.

M. VISUAL ARTISTS RIGHTS ACT (VARA)

***Cohen et al v. G&M Realty et al*, No. 13-CV-05612 (FB) (RLM) (E.D.N.Y. Feb. 12, 2018)**

This case, knows as the 5Pointz litigation, is summarized perfectly in the opening of the court's February 12, 2018 Decision:

> This marks the latest chapter in the ongoing saga of what has commonly become known as the 5Pointz litigation. Plaintiffs, 21 aerosol artists, initiated this lawsuit over four years ago by seeking a preliminary injunction under the Visual Artists Rights Act of 1990 ("VARA"), 17 U.S.C. § 106A, against defendants Gerald Wolkoff ("Wolkoff") and four of his real estate entities to prevent the planned demolition by Wolkoff of his warehouse buildings in Long Island City and consequent destruction of plaintiffs' paintings on the walls of the buildings.

On November 12, 2013, after a hearing, the Court issued an order denying preliminary injunctive relief and stating that "a written opinion would soon be issued." ECF No. 34. Rather than wait for the Court's opinion, which was issued just eight days later on November 20th, Wolkoff destroyed almost all of the plaintiffs' paintings by whitewashing them during that eight-day interim.

In its extensive opinion the Court initially noted that Wolkoff's buildings "had become the repository of the largest collection of exterior aerosol art ... in the United States" and that this litigation "marks the first occasion that a court has had to determine whether the work of an exterior aerosol artist—given its general ephemeral nature—is worthy of any protection under the law." *Cohen v. G & M Realty L.P.*, 988 F. Supp. 2d 212, 214 (E.D.N.Y. 2013) ("*Cohen I*").

In denying the plaintiffs' application for preliminary injunctive relief, the Court recognized that the rights created by VARA were at tension with conventional notions of property rights and tried to balance these rights. It did so by not interfering with Wolkoff's desire to tear down the warehouses to make way for high-rise luxury condos, but cautioned that "defendants are exposed to potentially significant monetary damages if it is ultimately determined after trial that the plaintiffs' works were of 'recognized stature' " under VARA. *Cohen I*, 988 F. Supp. 2d at 227.

The trial has now happened. It lasted three weeks. At plaintiffs' insistence, it was tried before a jury, but just prior to summations, plaintiffs—with defendants' consent—waived their jury rights. Rather than summarily dismiss the jury after it had sat through the entire trial, the Court converted it to an advisory jury. During its charge, the Court carefully explained the parties' rights and obligations under VARA, including the plaintiffs' entitlement to substantial statutory damages if the jury determined that Wolkoff had violated plaintiffs' VARA rights and that he had acted willfully. On a 98-page verdict sheet, the jury found liability and made various damage awards in respect to 36 of plaintiffs' 49 works of art that were the subject of the lawsuit. In every case they found that Wolkoff had acted willfully.

Although the Court does not agree with all of the jurors' findings, it does agree that Wolkoff willfully violated plaintiffs' VARA rights in respect to those 36 paintings. The Court further finds that liability and willfulness should attach to an additional nine works.

Given the abject nature of Wolkoff's willful conduct, the Court awards the maximum statutory damages under VARA for each of the 45 works of art wrongfully and willfully destroyed in the combined sum of $6,750,000.

In that decision, the court further also reasoned that:

> VARA does not directly address whether it protects temporary works. However, in the context of works on buildings, it is clear from 17 U.S.C. § 113(d) that temporary works are protected. Moreover, relevant case law conceptually supports this conclusion. In short, there is no legal support for the proposition that temporary works do not come within VARA's embrace.

Finally, the court found that:

> In the present case, the Court need not dwell on the nuances of the appropriate evidentiary standard since the plaintiffs adduced such a plethora of exhibits and credible testimony, including the testimony of a highly regarded expert, that even under the most restrictive of evidentiary standards almost all of the plaintiffs' works easily qualify as works of recognized stature.

N. CONTRACTS AND LICENSING, INCLUDING OPEN SOURCE SOFTWARE LICENSE ISSUES

***Oracle USA, Inc. v. Rimini Street, Inc.*, 879 F.3d 948 (9th Cir. 2018)**

Oracle licenses proprietary enterprise software. Rimini is a third-party support service for Oracle's enterprise software. It competes with Oracle's direct maintenance services. In the course of its provision of software updates for Oracle licensees, Rimini created development environments for the software products at issue. Rimini was not a licensee of Oracle, but it created the development environments under color of licenses held by its customers. Rimini also went a step further; it created development environments under color of license held by one customer, which it then used to provide software updates to other customers who were also licensees of Oracle. Oracle sued Rimini and Rimini's CEO Seth Ravin for copyright infringement and state law claims.

Four Oracle software products are at issue: J.D. Edwards, Siebel, PeopleSoft, and Database. The four software licenses varied in their language, and thus effect. The district court granted Oracle's motion for summary judgement for claims arising from Rimini's copying of PeopleSoft and Database. The court submitted to a jury the claims arising from Rimini's copying of J.D. Edwards and Siebel. Rimini appealed from the district court's grant of summary judgment as to the former claims and denial of Rimini's motion for judgment as a matter of law as to the latter claims. The Ninth Circuit affirmed.

The Ninth Circuit affirmed the district court's denial of judgment as a matter of law as to the J.D. Edwards and Siebel claims. The J.D. Edwards license stated, "Customer shall not, or cause anyone else to…copy…Software except to the extent necessary for Customer's archival needs and to support the Users." Siebel's license contained similar language. Rimini first argued that the district court jury instructions misconstrued the effect of the licenses. On Oracle's direct use claim, the district court instructed the jury that, according to the license, "it was proper for Rimini, as a third-party, to make copies of the Oracle software to support its customers by archiving, backup, and related testing." The Ninth Circuit rejected Rimini's argument that the instructions should have expressly approved other forms of direct use because Rimini failed to make this request in the district court.

On Oracle's cross use claim, the district court instructed the jury that it was not proper for Rimini to "make copies of the…software application…to use the customer's software…to support other customers." Rimini argued that contrary to this instruction, the J.D. Edwards and Siebel licenses permitted such cross use. According to Rimini, since each of Rimini's customers had its own Oracle license and each license permitted copies made for support purposes, it was permissible for Rimini to create development environments under color of one license to support another licensee. The Ninth Circuit rejected this argument, pointing out that "each of the licenses at issue here pointedly limits copying and use to supporting the '*Licensee*.'" This language restricts Rimini's creation of development environments for support services to only that particular licensee.

The Ninth Circuit also rejected Rimini's copyright misuse defense to the J.D. Edwards and Siebel claims. Rimini argued that the district court's interpretation of the licenses "would foreclose competition in the aftermarket for third-party maintenance." The Ninth Circuit disagreed. Rather, it found the district court's interpretation did not preclude Rimini from creating specific, separate development environments for individual existing customers, but only precluded Rimini from creating development environments for future customers. Thus, the crux of the copyright misuse defense is whether "it would contravene the policy of the Copyright Act to allow Oracle, as a copyright holder, to have a head start in making copies." The Ninth Circuit held that it does not, because "just as a copyright holder has the 'right of first publication,' it also must enjoy the right of 'first copy.'"

Next, the Ninth Circuit affirmed grant of Oracle's motion for summary judgment with respect to PeopleSoft. The terms of the PeopleSoft license are similar to those of the J.D. Edwards and Siebel licenses, expect it has the additional language "PeopleSoft grants Licensee a…license to use the licensed Software, solely for Licensee's internal data processing operations at its facilities." The Ninth Circuit found the creation of development environments on Rimini's computers could not qualify as "the *licensee*'s facilities." The Ninth Circuit also rejected Rimini's copyright misuse defense, because Rimini "offer[ed] no argument as to why a restriction on the location of copies would stifle competition and run afoul of the copyright misuse doctrine."

The Ninth Circuit also affirmed grant of Oracle's motion for summary judgment with respect to Database. Rimini advanced similar arguments here as it did for claims relating to the previous three licenses, except that for the Database claim, Rimini also argued that its actions were authorized by the Oracle License and Service Agreements. The Ninth Circuit held that Oracle "waived this point because it [] failed to challenge the district court's legal conclusion that Rimini was not entitled to assert the OLSAs as a defense."

Finally, the Ninth Circuit affirmed the district court's award of $12,774,550.26 in costs. 28 U.S.C. §1920 identifies only six categories of costs that are taxable against the losing party. Meanwhile, the Copyright Act provides for "recovery of full costs" according to the court's discretion. The circuits are currently split over whether "recovery of full costs" under the Copyright Act is limited by the categories listed in 18 U.S.C. §1920. The Ninth Circuit holds the position that award of costs under the Copyright Act is not limited to the categories of costs listed in 18 U.S.C. §1920. Thus, the district court's award of costs was proper.

This final issue relating to costs was appealed to the U.S. Supreme Court on May 31, 2018. Certiorari is currently pending.

***Alexander Stross v. Redfin Corporation*, No.17-50046 (5th Cir. 2018)**

Alexander Stross licensed his photographs to real estate agents through Austin/Central Texas Realty Information Service ("ACTRIS"), a multiple listing service. To download listings from ACTRIS, realtors and brokers must sign a sublicensing agreement: the Participant Content Access Agreement ("PCAA"). The PCAA provides a "non-exclusive, limited-term, revocable license" subject to the participant's compliance with ACTRIS rules. The rules require participants to use ACTRIS data "solely . . . in connection with the sale, lease and valuation of real property." Particularly, the rules limit the use of data concerning previously sold homes to supporting property estimates for particular homes and clients or advertising the prior sales of a particular realtor.

Redfin, an online real estate brokerage company, began using ACTRIS in 2010 and entered a PCAA. In 2013, Stross noticed that Redfin had displayed more than 1,800 of his copyrighted photographs. Stross believes Redfin used his photographs in a manner that violated the PCAA and his copyrights because Redfin displayed sold listings for purposes other than to support an estimate or advertise a particular realtor's prior sales. Redfin encouraged users to post Stross's photographs to social-media sites and provided an online album allowing users to save the photographs as "design ideas."

Stross sued Redfin for direct and contributory copyright infringement. Redfin moved for summary judgment, raising an affirmative defense of license and arguing that Stross had licensed his photographs to ACTRIS and ACTRIS licensees including Redfin. Stross filed cross motions arguing that while he had issued a broad license to ACTRIS, Redfin received a narrower sublicense governed by its PCAA with ACTRIS. The district court granted summary judgment to Redfin finding that because Stross was not a party to the Redfin-ACTRIS transaction, he lacked standing to sue. The court also found Redfin's use of the photographs was licensed and thus shielded from Stross's direct infringement claims.

The 5th Circuit reversed the district court's order and remanded for further proceedings. The court found the district court was mistaken to focus on contractual standing when it should have focused on standing under federal copyright law. The court held Stross fulfilled standing requirements under the Copyright Act simply through ownership of a valid copyright.

The court next addressed Redfin's license defense and found Stross created a genuine issue of material fact as to 1) whether Redfin had any license to use the photographs before April 2012 and 2) whether Redfin exceeded the scope of the license after receiving it.

The court found a genuine factual dispute concerning when Redfin became an ACTRIS licensee. Redfin alleged it became a licensee in October, 2010 while Stross argued Redfin did not enter a PCAA until April, 2012. There was evidence to support both contentions, and Redfin failed to explain the date discrepancies. On a motion for summary judgment, the court found it was compelled to resolve the issue in Stross's favor and reverse the lower court's decision to grant summary judgment.

The court also found Stross demonstrated a genuine issue of material fact as to whether Redfin exceeded the scope of its license to use the photographs. Redfin argued the broad Stross-ACTRIS license applied directly to its use of the photographs while Stross argued only the narrower PCAA applied. The contractual language at issue was an ACTRIS rule which granted "ACTRIS (and its service providers and licensees") the right to use the photographs "for any purpose consistent with the facilitation of the sale, lease and valuation of real property." Redfin argued this rule was intended to benefit licensees directly.

The court interpreted the license under Texas law which disfavors contract interpretations that imply a third party beneficiary. In order for the broad Stross-ACTRIS license to apply to Redfin, there needed to be a clear and unequivocal expression of the parties' intent to directly benefit third party beneficiaries like Redfin. The court found the language of the ACTRIS rule insufficient to grant Redfin benefits. The court determined the ACTRIS rule was intended to authorize ACTRIS to sublicense Stross's listings and that ACTRIS did so through a much narrower PCAA.

The court remanded the case for further proceedings to determine whether Redfin could assert a defense based on the PCAA or whether it exceeded the scope of the PCAA.

SAS Institute, Inc. v. World Programming Ltd., 874 F.3d 370 (4th Cir. 2017)

SAS Institute ("SAS") and World Programming Limited ("WPL") compete in the statistical software market. SAS sells a product called "SAS System." SAS System users write programs in the SAS programming language. SAS also offers "SAS Learning Edition," which provides the same functionality but also helps users learn the SAS language. When installing Learning Edition, a user must click "Yes" to indicate agreement with the terms of the license including a prohibition on "reverse engineering" and a restriction requiring use only for "non-production purposes."

WPL developed World Programming System ("WPS") to run SAS language programs. While developing WPS, WPL acquired twelve copies of Learning Edition. Developers at WPL ran SAS programs on Learning Edition and WPS, and then modified WPS's code to make the two achieve more similar outputs. After WPS entered the market, several SAS customers replaced their SAS System with a WPS.

SAS filed suit in North Carolina asserting breach of the license agreement and copyright infringement. The district court granted SAS summary judgment on its breach of contract claim but granted WPL summary judgment on the copyright infringement claim. Ultimately, the court awarded SAS $79,129,905 in damages but denied SAS's request for an injunction.

The 4th Circuit affirmed the district court's ruling finding WPL liable for breach of the license agreement but refused to grant SAS a permanent injunction and deemed SAS's copyright claims moot.

The district court found WPL liable for breach of contract on the basis of violations of the terms prohibiting "reverse engineering" and restricting use to "non-production purposes." WPL argued the contractual terms "reverse engineering" and "non-production," were ambiguous making summary judgment inappropriate, but the court found no ambiguity.

The court held that WPL violated the reverse engineering prohibition by analyzing Learning Edition to discover how it worked in order to create similar functionality in its own product. WPL argued that "reverse engineering" had a narrow meaning, restricting only attempts to recreate the program's source code. SAS argued that reverse engineering encompassed any attempt to analyze a product in order to produce a copy or an improved version. The district court turned first to dictionary definitions which aligned with SAS's definition. The 4th Circuit agreed with this approach and additionally noted that as the reverse engineering prohibition was paired with prohibitions on reverse assembling and decompiling, WPL's narrow construction would make the phrase "reverse engineering" redundant by making it affect only those who reverse engineered software by decompiling and reverse assembling it.

The court held that only after a contract is found to be ambiguous should a court turn to extrinsic evidence and rejected WPL's extrinsic evidence. Furthermore, the court determined that even if it were to reach extrinsic evidence, WPL only demonstrated that reverse engineering was possible through the means WPL described in its narrow definition but not that the contract should be interpreted according to the narrow definition. The court found WPL's examination of Learning Edition was a violation of the broadly defined reverse engineering prohibition.

The court held that WPL also breached the unambiguous "non-production" purposes limitation. The court agreed with the district court's interpretation of the clause to forbid "the creation or manufacture of commercial goods" following the Oxford English Dictionary's definition of "production." WPL attempted to create ambiguity by offering a supposedly technical definition of "production" as used in the software industry. However, the court found that the preferred construction is the term's ordinary meaning. Additionally, WPL primarily presented evidence concerning the phrase "production environment," which never appears in the contract. The court concluded that WPL used Learning Edition to produce a competing commercial product in violation of the non-production purposes limitation.

SAS asked the 4th Circuit to reverse the decision of the district court by granting a permanent injunction on the basis of WPL's breach of contract. The 4th Circuit refused, finding that injunctive relief was not warranted because SAS failed to demonstrate an irreparable injury or inadequate remedy at law, the balance of hardships militated against an injunction, and the public interest weighed heavily in favor of denying an injunction.

The court found that SAS failed to demonstrate irreparable injury. SAS had already been awarded $79,129,905 including over $12 million based on expected post-trial damages. SAS's other damages claims related to lost business relationships, market share, and goodwill were largely unsupported by evidence. The court determined that SAS's injury had already been redressed.

The court rejected SAS's argument that monetary damages were inadequate because of collectability concerns. In this case, rather than preserving WPL's ability to pay damages, the injunction would have had a negative financial impact on WPL. SAS also failed to offer specific evidence concerning barriers to collectability and only speculated about WPL's financial prospects.

The court also found the balance of hardships to militate against an injunction because an injunction prohibiting WPL from selling its only product would ruin WPL while SAS would remain the world's largest privately-held software company. Additionally, the court observed that WPL already faced significant hardship due to the monetary damages it would need to pay.

Lastly, the court identified concrete harms to WPL's existing customers who would need to expend time and money to replace their existing WPL systems should the injunction be granted and found that the public interest weighed against an injunction.

SAS also asked the 4th Circuit to grant an injunction on the basis of its copyright claim. The court refused firstly because it was uncertain the district court made an error of law by granting summary judgment to WPL on SAS's copyright claim. Secondly, even if there was infringement, the court found that given how strongly the equitable factors weighed against injunctive relief, SAS should not receive such relief.

This conclusion led the court to question the justiciability of SAS's copyright claim. The court found that because SAS made it clear that the only relief it sought from the copyright claim was an injunction, and SAS would not receive an injunction even if it were to prevail the claim, then legal resolution of the copyright question would not impact relief. Thus, because resolution of the copyright claim would have no practical effect on the outcome of this case, the claim was moot. The court vacated the district court's ruling on the copyright issue.

***Artifex Software, Inc. v. Hancom, Inc.,* No. 16-CV-06982-JSC, 2017 WL 1477373, at *1 (N.D. Cal. Apr. 25, 2017)**

Plaintiff Artifex Software Inc., provider of the Ghostscript software, filed a lawsuit for breach of contract and copyright infringement against Hancom, Inc. for the breach of an open software license. Ghostscript was available to companies via a dual-licensing model. This dual-licensing model offered the software under the GPL license, an open-source license that allows free modification and redistribution of the software in exchange for compliance with specific viral open-source licensing requirements, as well as a proprietary license where companies could pay a fee to modify, copy, and distribute Ghostscript without having to comply with the viral open-source licensing requirements. The viral nature of the GPL license requires contributors to share the source code of any licensee software that incorporates the GPL-licensed software code. Without obtaining a proprietary license or complying with the GPL license, Hancom proceeded to use Ghostscript in its software product. Upon learning of Hancom's use, Artifex contacted Hancom to encourage the company to comply with the GPL license. Hancom refused to comply with the GPL license source code distribution requirements, prompting Artifex to file the suit. Hancom subsequently filed a motion to dismiss Artifex's claims.

Artifex contended that due to Hancom's failure to have a proprietary license, its use and distribution of Ghostscript constituted consent to the GPL license. This assertion was based on language within the GPL license that stated a company's modification and propagation of Ghostscript (without a commercial license) indicates an acceptance of the GPL license, and any modification or propagation without the GPL license constitutes copyright infringement. Hancom moved to dismiss the copyright claim in part, alleging that Artifex failed to allege that Hancom committed a predicate act in the United States. This argument was based on the Ninth Circuit finding that entirely extraterritorial acts of infringement cannot be the basis for a claim under the Copyright Act.

Ultimately, the court rejected Hancom's argument and denied its motion to dismiss, finding that Artifex sufficiently alleged Hancom committed copyright infringement within the United States, due to the sale and distribution of its infringing software in California through the internet. However, the court denied the motion to dismiss without prejudice in the event that evidence surfaced that suggested the extraterritorial infringement and activities in the United States were not related.

In regards to damages on the copyright claim, Artifex requested statutory and exemplary damages, as well as attorney's fees. Hancom argued that Artifex was not entitled to copyright damages, as the GPL grants royalty-free rights. However, the court disagreed, and relying on *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008), the court determined that royalty-free open source licenses do not preclude claims for copyright damages.

A confidential out-of-court settlement was reached between the parties in December 2017.

O. COMPUTER FRAUD AND ABUSE ACT

***hiQ Labs, Inc. v. LinkedIn Corp.*, No. 17-cv-03301-EMC (N.D. Cal. 2017)**

LinkedIn is a social networking site focused on business and professional networking. When LinkedIn users create a profile they can decide whether it will be viewable by the general public.

hiQ sells its clients information about their workforces that hiQ generates through analyzing the public profiles of LinkedIn users. hiQ has gathered data since 2012 through "scraping" or automatically collecting data from LinkedIn.

In 2017, LinkedIn issued a cease and desist letter demanding hiQ cease scraping. LinkedIn also took steps to block hiQ's access to publicly available information on LinkedIn profiles. LinkedIn stated that any further access to LinkedIn by hiQ would be in violation of the federal Computer Fraud and Abuse Act (CFAA).

When hiQ and LinkedIn failed to reach an agreement, hiQ filed a complaint. Eventually, hiQ moved for a preliminary injunction. The court granted hiQ's motion for a preliminary injunction and enjoined LinkedIn from preventing hiQ from accessing LinkedIn's website because hiQ faced irreparable harm and raised serious questions concerning the merits of LinkedIn's arguments and because the balance of equities and the public interest favored hiQ.

The court found hiQ needed to establish 1) likelihood of success on the merits 2) irreparable harm in absence of preliminary relief 3) a balance of equities that tipped in their favor and 4) public interest in their favor. The court employed a sliding scale test such that if the balance of hardships tipped sharply in the plaintiff's favor, the plaintiff needed only to raise serious questions concerning the merits in order to be entitled to relief.

The court found hiQ faced irreparable harm if denied relief because its entire business depended on access to LinkedIn. The court discounted LinkedIn's argument that it faced irreparable harm because hiQ's data collection threatened the privacy of its users. LinkedIn presented little evidence its users with public profiles actually expected privacy protection. LinkedIn failed to demonstrate actual harm to its customer relationships or financials resulting from hiQ's activities. The court found the balance of hardships clearly tipped in hiQ's favor.

The court then found hiQ raised serious questions on the merits of LinkedIn's arguments, including whether the CFAA allows LinkedIn to revoke access to public portions of its website. The court identified the key CFAA issue in this case to be whether hiQ would be accessing a computer without authorization within the meaning of the CFAA by continuing to access public Linkedin profiles after LinkedIn explicitly revoked permission. LinkedIn relied on *Facebook, Inc. v. Power Ventures, Inc.* and *United States v. Nosal (Nosal II)* to argue that hiQ's access would be without authorization. The court rejected this argument and distinguished the two cases from hiQ's case because the defendants in those cases gained access to password-protected private data rather than public data.

The court did agree the terms "access" and "without authorization" in the CFAA could be ambiguous but noted how the CFAA must be interpreted in its historical context. The court held the CFAA was intended to protect against hacking and trespass onto private computers and expanding the CFAA to cover the accessing of websites generally open to the public would have sweeping consequences. In short, a private company like LinkedIn would be able to revoke "authorization" for any reason and invoke the CFAA for criminal or civil enforcement. The court found this prospect very concerning particularly because the website owner's reasons for denying access would not matter.

The court also considered "access" and "without authorization" in light of trespass law. The court analogized the Internet to a public place or business rather than a private home and relied on a U.S. Supreme Court case, *Packingham v. North Carolina*, to embrace the norm that online forums should be accessible to all. The court concluded it made sense to apply "access without authorization” when a website has imposed a password authentication system but not when the website is publicly accessible.

The court also rejected LinkedIn’s argument that scraping data could fall under the CFAA even if general access did not. The court found the CFAA is most naturally read in reference to the identity of the entity accessing the website, not how access occurred. Thus, under the CFAA it does not matter if hiQ viewed one public profile or used scraping to access many public profiles. In both cases, a plaintiff could raise valid CFAA claims only when the website was private and password-protected.

The court next considered whether hiQ was entitled to preliminary injunctive relief because it raised serious questions as to whether its rights were violated under state law. The court found hiQ failed to raise serious questions with respect to its claim that LinkedIn violated California’s constitutional free speech protections. The court expressed doubt as to whether protections extended to speech that takes place in a public forum like a shopping mall could be extended into the realm of the Internet.

However, the court found hiQ did raise serious questions with respect to its claim that LinkedIn’s decision to block access was made for an impermissible, anti-competitive purpose under California’s Unfair Competition Law. hiQ argued LinkedIn unfairly leveraged its power in the professional networking market to secure an unjustified advantage in the data analytics market, and that LinkedIn violated the “essential facilities” doctrine which precludes a monopolist from denying access to a facility it controls that is essential to its competitors, in this case the data itself. The court found these arguments plausible and noted the strength of LinkedIn’s market position and how LinkedIn’s decision to terminate access coincided with its decision to launch a product very similar to hiQ’s products.

The court also concluded the public interest favored hiQ’s position. The court found it likely that users who opted to make their profile public expected their information to be subject to data collection and allowing hiQ to use this data would not deter the free flow of information. Furthermore, the court found that private entities like LinkedIn should not be able to block access to otherwise publicly available information and then use the CFAA for enforcement.

The court concluded the balance of hardships tipped sharply in hiQ’s favor, hiQ raised serious questions going to the merits, and the public interest favored hiQ. The court granted hiQ’s motion for a preliminary injunction. LinkedIn has appealed the district court’s ruling to the Ninth Circuit.

P. ADDITIONAL COPYRIGHT REFERENCES

Compendium of U.S. Copyright Office Practices, Third Edition, effective as of September 29, 2017 - https://www.copyright.gov/comp3/

Copyright-related legislative proposals - https://www.copyright.gov/legislation/ and https://www.copyright.gov/laws/hearings/

Fair use case summaries - https://www.copyright.gov/fair-use/ and http://cyberlaw.stanford.edu/our-work/cases

Fair use guidance - http://cmsimpact.org/code/documentary-filmmakers-statement-of-best-practices-in-fair-use/

Copyright registration - https://www.copyright.gov/registration/ and https://www.copyright.gov/circs/

Pro bono legal advice in Washington state - http://thewla.org/what-we-do/clinics/ (Washington Lawyers for the Arts)

Recommended Blog - http://www.trademarkandcopyrightlawblog.com/

TAB
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PRACTICE POSITIONS

Of Counsel: Wood Herron & Evans LLP (Cincinnati, OH) (2010-)
Of Counsel: Greenebaum Doll & McDonald PLLC (Cincinnati, OH) (2008-10)
Partner/Of Counsel: Thompson Hine LLP (Cincinnati, OH) (2002-08)
Partner/Member: Frost Brown Todd LLC [formerly Frost & Jacobs LLP] (Cincinnati, OH) (1988-2002)
Of Counsel: Banner & Witcoff [formerly Banner, Birch, et al.] (Washington, DC) (1987-88)
Counsel: King & Schickli (Lexington, KY) (1982-87)

ACADEMIC POSITIONS

Distinguished Professorial Practitioner: U. of Dayton School of Law (Dayton, OH) (2007-13, 2016)
Distinguished Senior Fellow: NKU Chase College of Law (Highland Heights, KY) (2013-2014)
Adjunct Professor: University of Cincinnati College of Law (1988-2006)
Adjunct Professor: American University College of Law (Washington, DC) (1987-88)
Visiting Professor: George Washington University National Law Center (Washington, DC) (1986-87)
Professor of Law: University of Kentucky College of Law (Lexington, KY) (1971-86)
Instructor in Law: Indiana University School of Law (Bloomington, IN) (1969-71)

LEGAL AFFILIATIONS/RECOGNITIONS

Ohio State Bar (1989 -) State Bar of California (1970-) [inactive]

Board of Advisors, *Restatement (Third) of Unfair Competition* (1987-92)
Advisory Board, *Patent, Trademark and Copyright Journal* (1987-)
Founder/Program Chair, All Ohio Annual Institute on Intellectual Property (1990-2013);
(Program Chair Emeritus 2014-)
Member, Board of Directors, United States Trademark Assn. (1990-92)
Member, Cincinnati Intellectual Property Law Association (1988-)
The Best Lawyers in America (1991-92 and later editions)
Marquis' Who's Who in American Law and *Who's Who in the World*
Guide to the World's Leading Experts in Trade Mark Law (1996 and later)
Who's Who Legal, The International Who's Who of Trademark Lawyers (2001-)
Chambers USA, America's Leading Lawyers for Business (2004-)
Ohio Super Lawyers 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013
Cincy Magazine: "Tristate's 2015 Leading Lawyers"
World Trademark Review, The World's Leading Trademark Professionals (2014-)
Best Lawyers "Lawyer of the Year 2011" (Intellectual Property Law - Cincinnati)
Best Lawyers "Lawyer of the Year 2012" (Trademark Law - Cincinnati)
Best Lawyers "Lawyer of the Year 2014" (Litigation, IP and Trademark Law - Cincinnati)
Best Lawyers "Lawyer of the Year 2015" (Litigation, IP and Trademark Law - Cincinnati)
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FORMAL EDUCATION

New York University School of Law, J.D., 1969; *N.Y.U. Law Review*, Associate Editor
Rutgers College, A.B., 1966 (Magna Cum Laude); Elected to Phi Beta Kappa (1966)

PRESENTATIONS/PUBLICATIONS

Over 290 public lectures; over 10 in-house presentations; over 20 publications

WOOD HERRON & EVANS LLP
intellectual property law

PRECEDENTIAL CIRCUIT COURT CASES ON TRADEMARKS AND UNFAIR COMPETITION: 2017-2018 IN REVIEW

Prepared for the 28th
All Ohio Annual Institute On Intellectual Property
"AOAIOIP"
By: Kenneth B. Germain

Slides Prepared By: Sean K. Owens

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A. DISTINCTIVENESS OF MARKS

B. LIKELIHOOD OF CONFUSION

C. "USE"–RELATED ISSUES IN INFRINGEMENT CASES

D. TRADE DRESS

E. PROCEDURAL ISSUES

F. INJUNCTIVE RELIEF

G. EQUITABLE DEFENSES

H. ATTORNEYS' FEES

I. BANKRUPTCY

J. MISCELLANEOUS

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A. DISTINCTIVENESS OF MARKS

WOOD HERRON & EVANS LLP
intellectual property law

Royal Crown v. Coca-Cola (Fed. Cir.)

Case 1
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WOOD HERRON & EVANS LLP
intellectual property law

Royal Crown v. Coca-Cola (Fed. Cir.)

"Where a mark sits on a sliding scale of descriptiveness impacts the burden a proposed registrant must bear with respect to its claim of acquired distinctiveness. ('[T]he applicant's burden of showing acquired distinctiveness increases with the level of descriptiveness; a more descriptive term requires more evidence of secondary meaning.'). In assessing acquired distinctiveness,…the Board must first determine whether the proposed mark is highly descriptive rather than merely descriptive."

Case 1
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WOOD HERRON & EVANS LLP
intellectual property law

Royal Crown v. Coca-Cola (Fed. Cir.)

"We conclude the Board erred in its legal framing of the genericness inquiry in two ways—it failed to examine whether ZERO identified a key aspect of the genus at issue, and it failed to examine how the relevant public understood the brand name at issue when used with the descriptive term ZERO."

Case 1
Slide 6

WOOD HERRON & EVANS LLP
intellectual property law

Royal Crown v. Coca-Cola (Fed. Cir.)

"We explained in *Cordua* that 'the test is not only whether the relevant public would itself use the term to describe the genus, but also whether the relevant public would understand the term to be generic. Any term that the relevant public understands to refer to the genus . . . is generic.'

We also explained that 'a term is generic if the relevant public understands the term to refer to part of the claimed genus of goods or services, even if the public does not understand the term to refer to the broad genus as a whole.'"

Case 1
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intellectual property law

Royal Crown v. Coca-Cola (Fed. Cir.)

On remand, this instruction was proffered:

"If it reaches the question of acquired distinctiveness, the Board must make an express finding regarding the degree of the mark's descriptiveness on the scale ranging from generic to merely descriptive, and it must explain how its assessment of the evidentiary record reflects that finding."

Case 1
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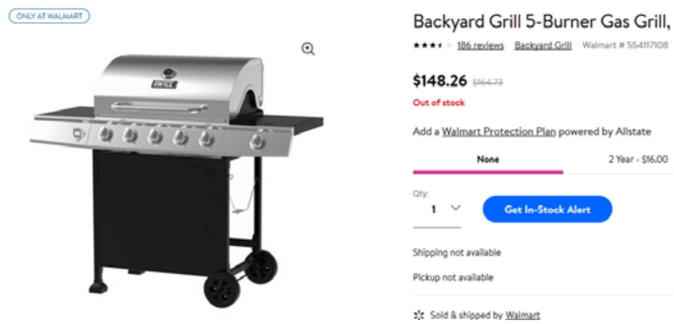
WOOD HERRON & EVANS LLP
intellectual property law

Variety Stores v. Wal-Mart (4th Cir.)



Case 2
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WOOD HERRON & EVANS LLP
intellectual property law

Variety Stores v. Wal-Mart (4th Cir.)

"Even if we assume that [Plaintiff's] marks are suggestive, these marks are conceptually weak. This Court has noted on numerous occasions that 'the suggestive 'designation does not resolve the mark's conceptual strength.' . . . Rather, the frequency of prior use of a mark's text in other marks, particularly in the same field of merchandise or service, illustrates the mark's lack of conceptual strength. [C]onsumers are unlikely to associate a mark with a unique source if other parties use the mark extensively.'"

Case 2
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WOOD HERRON & EVANS LLP
intellectual property law

Variety Stores v. Wal-Mart (4th Cir.)

"[A] a court may consider whether "a substantial number of present or prospective customers understand the designation when used in connection with a business to refer to a particular person or business enterprise." Thus, "evidence of extensive third-party use also demonstrates that [a] mark lacks commercial strength . . . ."

Case 2
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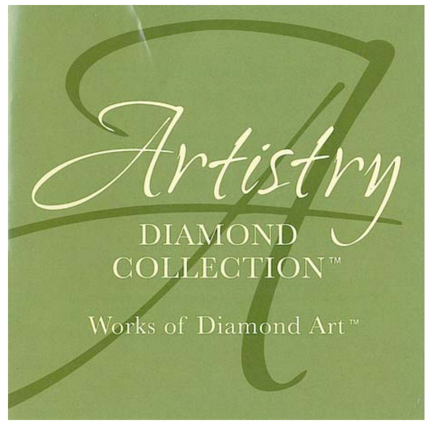
intellectual property law

B. LIKELIHOOD OF CONFUSION

WOOD HERRON & EVANS LLP
intellectual property law

Sterling Jewelers v. Artistry (6th Cir.)



Case 4
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intellectual property law

Sterling Jewelers v. Artistry (6th Cir.)

"[Artistry] is a weak mark, one that differs at most in modest degree but not in kind from like-seen words and their derivatives in the jewelry business: precious, gorgeous, luxury, vintage, style, forever, creative, crafted, sparkling, exquisite, elegant, and so on. Think about it another way: How many jewelers and related types of craftsmen are not trying to associate their product with artistry and these other words? The words indeed describe the goal of virtually all jewelry making and selling."

Case 4
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WOOD HERRON & EVANS LLP
intellectual property law

Sterling Jewelers v. Artistry (6th Cir.)

"This is not a term like De Beers, Fabergé, or Tiffany, a random name that over time has become associated with a product and quality. It is difficult to sell jewelry without using words like 'artistry,' 'artistic,' or 'artisan' or for that matter any of the others listed above."

Case 4
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C. "USE"–RELATED ISSUES IN INFRINGEMENT CASES

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intellectual property law

Sazerac Brands v. Peristyle (6th Cir.)

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intellectual property law

Sazerac Brands v. Peristyle (6th Cir.)

"The critics may have a point, but they exaggerate the consequences of our approach. [Our] trademark use test resembles in nearly every particular the fair use defense that we just applied. There is little daylight between the 'non-trademark use' the Circuit test requires and the 'descriptive use' that the statute requires. So it will often be the case that a claim that fails our threshold trademark use test will also be vulnerable to a fair use defense."

Case 6
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WOOD HERRON & EVANS LLP
intellectual property law

Sazerac Brands v. Peristyle (6th Cir.)

"[W]e must acknowledge that fact patterns might arise where our test might make a difference and where we might wish to reconsider whether our test respects the language of the statute. Recall that our test creates a threshold burden on the plaintiff, all before it must show consumer confusion. Under the Lanham Act, the plaintiff need only demonstrate confusion to make a presumptive case of infringement. The defendant meanwhile can always prove fair use as an affirmative defense."

Case 6
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intellectual property law

Sazerac Brands v. Peristyle (6th Cir.)

"One concern, then, is that our test effectively shifts the burden of statutory fair use from the defendant to the plaintiff. The other concern is that the fair use test under the Lanham Act not only asks how the defendant used the mark; it also asks whether the defendant used the mark 'fairly and in good faith.' Our test thus not only shifts the burden on the fair use defense; it also truncates it."

Case 6
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intellectual property law

Viacom v. IJR Capital (5th Cir.)

THE KRUSTY KRAB

Word Mark	THE KRUSTY KRAB
Goods and Services	(ABANDONED) IC 043. US 100 101. G & S: Restaurant services
Standard Characters Claimed	
Mark Drawing Code	(4) STANDARD CHARACTER MARK
Serial Number	86470477
Filing Date	December 3, 2014
Current Basis	1B
Original Filing Basis	1B
Published for Opposition	June 9, 2015

Case 7
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intellectual property law

Viacom v. IJR Capital (5th Cir.)

"Often this court has bypassed the use [as a trademark] inquiry and conducted only a distinctiveness analysis. However, the two issues are separate questions, and because the use-as-a-source-indicator requirement is at issue in this case [Plaintiff] must establish both use and distinctiveness."

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intellectual property law

Viacom v. IJR Capital (5th Cir.)

"[Plaintiff's] ownership of the mark is not undermined by the word mark's varying styles, fonts, and sizes on the licensed products. Other circuits have observed that '[c]onsistent and repetitive use of a designation as an indicator of source is the hallmark of a trademark.' The Krusty Krab is a word mark — not a design mark — so the focus is whether the words themselves are consistently used as an indicator of source. While the title, font, and prominence of the mark are inconsistent, the words 'Krusty Krab' are consistently used on the licensed goods and support [Plaintiff 's] ownership claim."

Case 7
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intellectual property law

Viacom v. IJR Capital (5th Cir.)

"To show actual confusion, a plaintiff may rely on anecdotal instances of consumer confusion or consumer surveys. [Plaintiff] commissioned . . . . a consumer survey, and it found that 30% of respondents indicated that a restaurant named The Krusty Krab was "operated by, affiliated or connected with, or approved or sponsored by [Plaintiff]" and that 35% of respondents associated such a restaurant with [Plaintiff]."

Case 7
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D. TRADE DRESS

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intellectual property law

Moldex-Metric v. McKeon (9th Cir.)

Moldex-Metric	McKeon Products
	

Case 8
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intellectual property law

Moldex-Metric v. McKeon (9th Cir.)

"Our case law shows that we continue to consider the existence or nonexistence of alternative designs as probative evidence of functionality or nonfunctionality. To gauge functionality of a feature after *TrafFix*, this Court has applied the traditional Inwood formulation in conjunction with our *Disc Golf* factors, including whether alternative designs are available. Our cases acknowledge that the *Inwood* test does not always easily apply to some features, and this is true regarding [Plaintiff's] green color. In *Inwood* and *TrafFix*, the Supreme Court did not explain what it takes for a feature to be 'essential to the use or purpose of a product.'"

Case 8
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WOOD HERRON & EVANS LLP
intellectual property law

Moldex-Metric v. McKeon (9th Cir.)

"And whether a feature is 'essential to the use or purpose of a product' is not always as apparent as it was in *TrafFix*, especially in cases such as this where the visibility of [Plaintiff's] green color is not the 'central advance' of a utility patent and does not equate to the same 'strong evidence' of essentiality as the patents in *TrafFix*, and where the green color does not affect the cost of ear plugs as compared to the dual-spring device in *TrafFix* that was less expensive than an alternative three-spring device."

Case 8
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intellectual property law

F. INJUNCTIVE RELIEF

WOOD HERRON & EVANS LLP
intellectual property law

adidas v. Skechers (9th Cir.)

Case 11
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intellectual property law

adidas v. Skechers (9th Cir.)

adidas defines its Stan Smith trade dress as having:

(1) "a classic"
(2) "three rows of tennis-shoe profile with a sleek white leather upper; perforations in the pattern of" adidas Three-Stripe mark;
(3) "a defined stitching across the sides of each shoe,"
(4) "a raised mustache-shaped colored heel patch, which often is green;" and
(5) "a flat tonal white rubber outsole."

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WOOD HERRON & EVANS LLP
intellectual property law

adidas v. Skechers (9th Cir.)

"As for likelihood of irreparable harm (in the absence of injunctive relief), the court relied upon *Herb Reed*, in which it had held that '[e]vidence of loss of control over business reputation and damage to goodwill [can] constitute irreparable harm, so long as there is concrete evidence in the record of those things.' Both marketplace data – including Plaintiff's careful monitoring of lookalikes – and consumer surveys supported this factual finding. Again, though, the court was affected by Defendant's "intent to foment and capitalize on . . . confusion [caused by] its source code for the Onix webpage." So, irreparable harm also was established."

Case 11
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intellectual property law

adidas v. Skechers (9th Cir.)

"[Defendant] argues that the use of its own logo on the Cross Court negates any confusion arising from its use of a similar three-striped mark. But a trademark may not be freely appropriated so long as the user also includes its own logo. . . . Whether the likelihood of confusion persists despite the presence of the alleged infringer's own logo is a question of fact, and the district court here did not clearly err in finding that [Defendant's] logo was not sufficiently prominent in comparison to the three-striped mark to alleviate the likelihood of confusion."

Case 11
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intellectual property law

adidas v. Skechers (9th Cir.)

The Dissent starts out with this hard-hitting rejection/repudiation of the Majority's explanation of its refusal to find irreparable harm in connection with the Three-Stripe/Cross Court conflict:

"[T]he majority opinion misunderstands our precedent, misperceives the means by which adidas will suffer irreparable injury, and mischaracterizes the evidence before the district court."

Case 11
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intellectual property law

adidas v. Skechers (9th Cir.)

"The Majority has elected to discount that evidence, by applying its own skepticism toward employee testimony. But the district court concluded that the evidence was reliable. The Majority simply substituted its own view of the evidence to disregard it. That is not our function as a court of appeals."

Case 11
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intellectual property law

adidas v. Skechers (9th Cir.)

"In sum, based on the record before it, the district court was well within its discretion to infer that confusion between Skechers's "lower-end" footwear and adidas's footwear was likely to harm adidas's reputation and goodwill as a premium shoe brand. This is precisely the type of harm that is "irreparable" insofar as it cannot be adequately compensated for by money damages."

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G. EQUITABLE DEFENSES

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intellectual property law

Pinkette v. Cosmetic Warriors (9th Cir.)

LUSH FRESH HANDMADE COSMETICS

L U S H

Case 12
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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

"We conclude that the principle at work in these cases—a concern over laches overriding a statute of limitations—does not apply here, where the Lanham Act has no statute of limitations and expressly makes laches a defense to cancellation."

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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

As for the copyright context:

"[T]he Court differentiated between the Copyright Act and the Lanham Act: 'In contrast to the Copyright Act, the Lanham Act, which governs trademarks, contains no statute of limitations, and expressly provides for defensive use of 'equitable principles, including laches.'"

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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

"When Congress enacts a statute of limitations, it speaks directly to the issue of timeliness and provides a rule for determining whether a claim is timely enough to permit relief. . . . [A]pplying laches within a limitations period specified by Congress would give judges a 'legislation-overriding' role that is beyond the Judiciary's power.' With respect to the latter: 'Laches is a gap-filling doctrine, and where there is a statute of limitations, there is no gap to fill.'"

Case 12
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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

As for the patent context:

"Similar to the Copyright Act's three-year statute of limitations, the Patent Act's six-year statute of limitations 'represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim.' In short, the Patent Act's statute of limitations leaves no gap for laches to fill."

Case 12
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Pinkette v. Cosmetic (9th Cir.)

"The Lanham Act, on the other hand, provides that a petition for cancellation may be brought '[a]t any time' but affords different grounds for cancellation depending on whether the petition is brought within five years of registration. Applying laches to a cancellation claim against a contestable mark neither overrides a clear directive from Congress nor fills a gap where there is none to fill."

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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

"[O]nly a showing of wrongfulness, willfulness, bad faith, or gross negligence, proved by clear and convincing evidence, will establish sufficient culpability for invocation of the doctrine of unclean hands."

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intellectual property law

Pinkette v. Cosmetic (9th Cir.)

"If it is inevitable that a significant amount of confusion will probably be created by the junior user's actions, then the right of the public not to be confused and deceived may outweigh the inequity to the junior user of the trademark owner's delay in suing [and defeat a defense of laches]. That said, 'the danger of 'inevitable confusion' between products will defeat a successful laches defense only in a narrow set of circumstances.'"

Case 12
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intellectual property law

H. ATTORNEYS' FEES

WOOD HERRON & EVANS LLP
intellectual property law

NantKwest v. Iancu (Fed. Cir.)

QP: Does Patent Act § 145, which requires all applicants who elect to forego appealing rejections of their applications in favor of de novo appeals to District Court to pay '[a]ll the expenses of the proceedings" mean that the Government's inside counsel's allocated charges are transferred to these applicants, regardless of whether they win or lose?

Case 14
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intellectual property law

NantKwest v. Iancu (Fed. Cir.)

"We hold that it does not, for the American Rule prohibits courts from shifting attorneys' fees from one party to another absent a 'specific and explicit' directive from Congress. The phrase '[a]ll the expenses of the proceedings' falls short of this stringent standard."

Case 14
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NantKwest v. Iancu (Fed. Cir.)

The "American Rule" per the Majority is a "bedrock principle" of American jurisprudence. It is said to be the default position, displaceable only by express Congressional action. But there are judicial exceptions, too: "The Supreme Court has carved out several equitable exceptions to further the interests of justice" Examples are bad faith litigation practices and willful disobedience to court orders. Otherwise, the American Rule applies unless 'specific and explicit' statutory directions exist."

Case 14
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intellectual property law

NantKwest v. Iancu (Fed. Cir.)

"Given the primary purpose of the American Rule—protection of access to courts—the PTO's alleged distinction makes little sense. We submit that the policy behind the American Rule would be even more strongly implicated where attorneys' fees would be imposed on a winning plaintiff."

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intellectual property law

NantKwest v. Iancu (Fed. Cir.)

"The American Rule and the 'specific and explicit' requirement demand more than language that merely can be and is sometimes used broadly to implicitly cover attorneys' fees. Moreover, other statutory provisions enacted by Congress demonstrate that ordinarily, a statutory right to 'expenses' does not include an implicit authorization to award attorneys' fees. This is further demonstrated by both contemporaneous and current court cases and other statutory provisions in the Patent Act."

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WOOD HERRON & EVANS LLP
intellectual property law

NantKwest v. Iancu (Fed. Cir.)

The Dissent characterizes the PTO's internal counsel's charges as "personnel expenses" rather than "attorneys' fees" per se. Then it emphasizes that by "all the expenses" Congress "meant all the expenses." It relies on this maxim:

"Absent persuasive indications to the contrary, we presume Congress says what it means and means what it says."

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intellectual property law

NantKwest v. Iancu (Fed. Cir.)

"In sum, contrary to the majority's views, the language of § 145 evinces Congress's 'specific and explicit' intent to depart from the American Rule and to impose upon the applicant payment of all the expenses of the proceedings, including the PTO's personnel expenses."

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intellectual property law

I. BANKRUPTCY

WOOD HERRON & EVANS LLP
intellectual property law

Mission Prods. v. Tempnology (1st Cir.)

"We next consider whether Mission retained its rights to use Debtor's trademarks post-rejection. In defining the intellectual property eligible for the protection of section 365(n), Congress expressly listed six kinds of intellectual property. 11 U.S.C. § 101(35A). Trademark licenses (hardly something one would forget about) are not listed, even though relatively obscure property such as 'mask work protected under chapter 9 of title 17' is included. Nor does the statute contain any catchall or residual clause from which one might infer the inclusion of properties beyond those expressly listed."

Case 16
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intellectual property law

Mission Prods. v. Tempnology (1st Cir.)

"Careful examination undercuts that premise because the effective licensing of a trademark requires that the trademark owner -- here Debtor, followed by any purchaser of its assets -- monitor and exercise control over the quality of the goods sold to the public under cover of the trademark. . . . Trademarks, unlike patents, are public-facing messages to consumers about the relationship between the goods and the trademark owner. They signal uniform quality. . . . The licensor's monitoring and control thus serve to ensure that the public is not deceived as to the nature or quality of the goods sold."

Case 16
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intellectual property law

Mission Prods. v. Tempnology (1st Cir.)

However, the Dissenter recommended an end-run around the statutory impasse:

"The majority focuses on the Bankruptcy Code's protection of debtors' ability to reorganize and to escape 'burdensome obligations.' But, as the majority acknowledges, in some situations, the Bankruptcy Code also provides protections to non-debtor parties of an executory contract, allowing the courts to determine an equitable remedy pursuant to the terms of a rejected contract."

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intellectual property law

J. MISCELLANEOUS

WOOD HERRON & EVANS LLP intellectual property law

In re Brunetti (Fed. Cir.)

Case 18
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WOOD HERRON & EVANS LLP intellectual property law

In re Brunetti (Fed. Cir.)

"The trademark at issue is vulgar…. Many of the marks rejected under § 2(a)'s bar on immoral or scandalous marks, including the marks discussed in this opinion, are lewd, crass, or even disturbing. We find the use of such marks in commerce discomforting, and are not eager to see a proliferation of such marks in the marketplace."

Case 18
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WOOD HERRON & EVANS LLP
intellectual property law

In re Brunetti (Fed. Cir.)

"The First Amendment, however, protects private expression, even private expression which is offensive to a substantial composite of the general public. The government has offered no substantial government interest for policing offensive speech in the context of a registration program such as the one at issue in this case."

Case 18
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intellectual property law

PRECEDENTIAL CIRCUIT COURT CASES ON TRADEMARKS AND UNFAIR COMPETITION: 2017-2018 IN REVIEW

Prepared for the 28th
All Ohio Annual Institute On Intellectual Property
"AOAIOIP"
By: Kenneth B. Germain

Slides Prepared By: Sean K. Owens

PRECEDENTIAL CIRCUIT COURT CASES ON TRADEMARKS AND UNFAIR COMPETITION: 2017-2018 IN REVIEW*

*Kenneth B. Germain***

Wood Herron & Evans LLP
University of Dayton School of Law

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* Prepared for the **28th *All Ohio Annual Institute On Intellectual Property* ("AOAIOIP"),** sponsored by the Cincinnati Bar Association and the Cleveland Intellectual Property Law Association (Cleveland and Cincinnati, Ohio; September 27 and 28, 2018, respectively.) (N.B.: Many quotations have been edited, sometimes by deleting or abbreviating citations.)

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Testimonial Expert Witness in numerous trademark/unfair competition cases; available as an Early Neutral Evaluator for trademark/unfair competition disputes.

PRECEDENTIAL CIRCUIT COURT CASES ON TRADEMARKS AND UNFAIR COMPETITION: 2017-2018 IN REVIEW

By: *Kenneth B. Germain*

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A. DISTINCTIVENESS OF MARKS

1. Royal Crown Co. v. Coca-Cola Co.,
892 F.3d 1358, 127 U.S.P.Q.2d 1041 (Fed. Cir. 2018):

In a detailed opinion penned by Judge O'Malley, the Federal Circuit rejected the non-genericness and acquired distinctiveness determinations the Board had made with regard to "zero" as part of marks such as SPRITE ZERO and COKE ZERO. Opposer, first the loser, now reenergized by this reversal and remand, also uses "zero" in such marks as DIET RITE ZERO and PURE-ZERO – but Opposer had voluntarily disclaimed "zero" in these marks. Also, "many other soft drink companies have applied to register ZERO-inclusive marks for various types of soft drinks." Nevertheless, the Board had agreed with the PTO's underlying determination that the "zero" element in Applicant's mark was *not* generic and thus eligible for registration, "merely descriptive" under § 2(e), and ultimately registrable under § 2(f). But the Federal Circuit almost completely disagreed with the PTO's and TTAB's approaches to the relevant legal issues.

Noting that Applicant had conceded descriptiveness by proceeding under § 2(f), the court insisted that an early determination of the type/degree of descriptiveness must be made:

> Where a mark sits on a sliding scale of descriptiveness impacts the burden a proposed registrant must bear with respect to its claim of acquired distinctiveness. ("[T]he applicant's burden of showing acquired distinctiveness increases with the level of descriptiveness; a more descriptive term requires more evidence of secondary meaning."). In assessing acquired distinctiveness, accordingly, the Board must first determine whether the proposed mark is highly descriptive rather than merely descriptive.

Then the court firmly rejected the Board's handling of *both* genericness and descriptiveness:

> We conclude the Board erred in its legal framing of the genericness inquiry in two ways—it failed to examine whether ZERO identified a key aspect of the genus at issue, and it failed to examine how the relevant public understood the brand name at issue when used with the descriptive term ZERO. We also find that the Board should have first assessed the level of the marks' descriptiveness before determining whether [Applicant] satisfied its burden of establishing acquired distinctiveness. Absent such a finding, it is not possible for us to review on appeal whether the evidentiary record can support the Board's finding of acquired distinctiveness.

Regarding genericness, the court leaned heavily on its 2016 *Cordua* case:

> The Board asked the wrong question in assessing the alleged genericness of the ZERO term. Specifically, the Board failed to consider that "a term can be generic for a genus of goods or services if the relevant public . . . understands the term to refer to a key aspect of that genus." *In re Cordua. . . .* We explained in *Cordua* that "the test is not only whether the relevant public would itself use the term to describe the genus, but also whether the relevant public would understand the term to be generic. Any term that the relevant public understands to refer to the genus . . . is generic." We also explained that "a term is generic if the relevant public understands the term to refer to part of the claimed genus of goods or services, even if the public does not understand the term to refer to the broad genus as a whole."
>
> We made clear that "[t]here is no logical reason to treat differently a term that is generic of a category or class of products where some but not all of the goods identified in an application fall within that category."

Regarding descriptiveness, the court emphasized that "the applicant's burden of showing acquired distinctiveness increases with the level of descriptiveness; a more descriptive term requires more evidence of secondary meaning." And, per its 2015 *Louisiana Fish Fry* case, it reiterated that terms that qualify as "highly descriptive" certainly require an "elevated burden." Here, the Board failed to make (or reject) a "highly descriptive" characterization.

On remand, this instruction was proffered:

> If it reaches the question of acquired distinctiveness, the Board must make an express finding regarding the degree of the mark's descriptiveness on the scale ranging from generic to merely descriptive, and it must explain how its assessment of the evidentiary record reflects that finding.

2. Variety Stores, Inc. v. Wal-Mart Stores, Inc.,
888 F.3d 651, 126 U.S.P.Q.2d 1505 (4th Cir. 2018):

A monster monetary award —contested on various grounds by both parties — was set aside when the Fourth Circuit reversed the grant of summary judgment on the substantive ground of infringement due to a genuine issue of material fact.

Plaintiff owned a registration for THE BACKYARD for "retail store services in the field of lawn and garden equipment and supplies." The appellate court noted that the PTO had "registered the mark without requiring proof of secondary meaning, which is required when the submitted mark is relatively weak and generally unregistrable." Plaintiff also had used other "backyard" marks, including BACKYARD (alone) and BACKYARD BBQ "for selling not just lawn and garden equipment, but also grills and grilling supplies."

Defendant big-box company adopted and used BACKYARD GRILL for grills and grilling supplies. The PTO approved Defendant's application. Plaintiff soon opposed, then filed suit under §§ 32 and 43(a). The evidence clearly showed that Defendant's in-house counsel had learned of Plaintiff's registration; the evidence was unclear as to whether Defendant's counsel also knew of Plaintiff's unregistered, so-called "common law" — really federal, à la § 43(a) — marks in connection with any products. There was much evidence of the popularity of "backyard" as a registered trademark or component thereof, including a number listing "grill" in the IDs.

The trial judge determined Plaintiff's BACKYARD marks to be strong, both conceptually and commercially, and found Defendant's adoption to be in bad faith and intended to cause confusion, etc. But the Fourth Circuit disagreed in many respects, usually on the ground that the evidence — allowing all reasonable factual inferences in favor of the non-moving party—did not support summary judgment for Plaintiff. The discussion focused on § 32, seemingly to the exclusion to § 43(a). And absolutely no mention was made of the presumption of validity, etc. resulting from registration. Acknowledging that a senior mark must be valid and infringed (by likelihood of confusion caused by a junior mark), the appellate court jumped over validity and concentrated on likelihood of confusion, tracking its *Grayson* (4th Cir. 2017) case's factor analysis.

The first factor, "strength or distinctiveness" of the senior mark, was reiterated to be "paramount." As for that factor, the Fourth Circuit rejected the trial judge's "strong" assessment which had been focused on "the linguistic or graphical 'peculiarity' of the mark, considered in relation to the product [or] service. . . . to which the mark attaches." This is a function of the established four-part classification. Here, the border separating "descriptive" and "suggestive" was in issue. Noting that the PTO had registered Plaintiff's THE BACKYARD mark without reliance upon secondary meaning – which per *Grayson* "constitutes prima facie evidence that the mark is suggestive," the court further noted that "[s]uggestive marks . . . are inherently distinctive, and thus receive the greatest protection against infringement." However, the court soon retreated from deciding on descriptive v. suggestive. This, instead:

> Even if we assume that [Plaintiff's] marks are suggestive, these marks are conceptually weak. This Court has noted on numerous occasions that "the suggestive 'designation does

> not resolve the mark's conceptual strength.' . . . Rather, the frequency of prior use of a mark's text in other marks, particularly in the same field of merchandise or service, illustrates the mark's lack of conceptual strength. [C]onsumers are unlikely to associate a mark with a unique source if other parties use the mark extensively."

Then, the court questioned the propriety of summary judgment in this case – in which the court perceived significant unresolved factual issues – including the impact of Defendant's SAEGIS search report which showed many "backyard"-containing marks for relevant goods/services. This frequency of use led the court to find conceptual weakness. However, recognizing that the "conceptual" might be overcome by the "commercial," further analysis, including the following, was considered:

> [A] a court may consider whether "a substantial number of present or prospective customers understand the designation when used in connection with a business to refer to a particular person or business enterprise." Thus, "evidence of extensive third-party use also demonstrates that [a] mark lacks commercial strength . . . ."

Bottom line here: facts in flux, so summary judgment inappropriate.[1]

Next, the court switched to likelihood of confusion, again finding a genuine dispute of material fact, first regarding the similarity of the parties' marks:

> On the one hand, [Defendant's] mark "Backyard Grill," like [Plaintiff's] "Backyard BBQ," features the word "backyard" followed by another descriptive word. The similar linguistic design could confuse consumers; therefore, these two marks could be deemed sufficiently similar. On the other hand, [Defendant] argues that we should give greater weight to the word "grill" since, on the logo, it is larger and more noticeable than the word "backyard."

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[1] In a later footnote, the court explained its reason for not ruling on the protectability of Plaintiff's BACKYARD marks:

> Because we find that the district court erred in its likelihood of confusion analysis, and this alone is sufficient to vacate the grant of summary judgment in [Plaintiff's] favor, we need not address whether [Plaintiff's] marks are protectable.

Another factor of concern for the court was whether Defendant had an intent to confuse or infringe – a fact the court characterized as "sometimes a major factor." Here the court seemed to draw a negative inference from Defendant's legal department's discouragement of BACKYARD BARBECUE. The court also seemed to be impressed that Defendant "did not investigate how [Plaintiff's] stores were branding and marketing its products." As to this lack of investigation, the court noted that Defendant's non-conduct "was simply because [Plaintiff] was not identified as a major competitor."

3. ZW USA, Inc. v. PWD Systems, LLC,
889 F.3d 441, 126 U.S.P.Q.2d 1613 (8th Cir. 2018):

Both parties sell dog waste plastic bags that easily peel or pull off headers to which they are attached. Plaintiff's registered (without recourse to § 2(f) acquired distinctiveness) mark is ONEPUL, a misspelling of "one pull", which describes how the bags are detached from headers. Defendant's bags are called "BAGSPOT," but its website "identifies its [header] bags using the "one-pull" and "one pull" phrases also used by third-party competitors.

As for infringement, alleged pursuant to § 32, the Eighth Circuit applied the *Co-Rect* (8th Cir. 1985) factor analysis, thus examining both conceptual and commercial strength as part of the first-listed "strength of the owner's mark" factor. The court quickly concluded that "ONEPUL is conceptually weak . . . . [being] after all, little more than a misspelling of 'one-pull'." The court noted that the PTO's willingness to register the mark as if it were inherently distinctive was unimpressive in this context, as "[w]e have previously been skeptical of similar arguments." As for commercial strength, the court was unimpressed by the $1.5 million of advertising since 2010, noting that this circumstantial evidence said little about the relevant query, the "minds of consumers".

The *Co-Rect* analysis continued, concluding with agreement with the trial judge's grant of summary judgment of the Defendant.

On the counterclaim challenging the validity of "ONEPUL" as descriptive or generic, the court dealt with the effect of the federal registration per Lanham Act § 33(a) – but not § 7(b) – parenthetically explaining that both the placement of the burden of proof on the contesting party and the "content of the evidence provided by the registration" are "sometimes called the 'presumption of validity'." Further explanation is relevant:

> The content of that evidence depends on how the PTO registered the mark. We have explained that, when the PTO registers a mark without asking the registrant to show the mark has acquired secondary meaning, the registration is evidence that the mark is inherently distinctive (i.e.,

> suggestive, arbitrary, or fanciful). In this case, it is undisputed that the PTO registered ONEPUL without requiring [Plaintiff] to show that it had acquired secondary meaning. Accordingly, [Plaintiff's] registration certificate is evidence that the ONEPUL mark is inherently distinctive.

The court's conclusion was that summary judgment of continued validity of "ONEPUL" was factually debatable, thus making the grant of summary judgment erroneous. So, remand as to genericness or descriptiveness (sans secondary meaning) was necessary.

B. LIKELIHOOD OF CONFUSION

4. Sterling Jewelers, Inc. v. Artistry Ltd.,

_____ F.3d _____ , _____ U.S.P.Q.2d _____, 2018 U.S. App. LEXIS 20534 (6th Cir. 2018):

Upscale jewelry wholesaler with the trade name Artistry Ltd. objected when co-owned national/retail chains (KAY; JARED) came out with "Artistry Diamond Collection," worrying about confusion with allegedly lower quality "mall brands." The PTO registered ARTISTRY DIAMOND COLLECTION; Artistry Ltd. never sought to register any "Artistry" mark. A Declaratory Relief lawsuit ensued, but it was dismissed on summary judgment. On appeal to the Sixth Circuit, affirmed!

The court, acknowledging that "trademark law protects the first party to use the mark in commerce regardless of whether the party registered the mark" (citing § 43(a)), explained that likelihood of confusion is a "mixed question of fact and law" and then turned to its 1997 *Daddy's Junky's* factor analysis. It soon explained why it deemed "artistry" to be a common, ordinary term very often used in connection with jewelry. It analogized "artistry" here to BLISS for beauty products, LEAN for low-calorie food, KIK and KICK for tabletop soccer games, and BEST and PREMIUM for high quality services. Saliently, as to "artistry", it concluded:

> It is a weak mark, one that differs at most in modest degree but not in kind from like-seen words and their derivatives in the jewelry business: precious, gorgeous, luxury, vintage, style, forever, creative, crafted, sparkling, exquisite, elegant, and so on. Think about it another way: How many jewelers and related types of craftsmen are not trying to associate their product with artistry and these other words? The words indeed describe the goal of virtually all jewelry making and selling.
>
> This is not a term like De Beers, Fabergé, or Tiffany, a random name that over time has become associated with a product and quality. It is difficult to sell jewelry without using words like "artistry,"

> "artistic," or "artisan" or for that matter any of the others listed above.

The court proceeded to explain how the parties' trade channels and customers differed – largely due to the wholesale/retail differences. Likely high levels of purchasing care by retailers dealing with wholesalers, and large/bulk purchases by knowledgeable persons in that milieu were seen as negating likely confusion. And examples of "short-lived confusion" were discounted; indeed, most of the instances cited by the senior party actually were inquiries. Thus, this conclusion: "But questions are not answers. And questions about potential affiliation do not necessarily demonstrate confusion in this setting."

5. Excelled Sheepskin & Leather Coat Corp. v. Oregon Brewing Co., _____ F.3d _____ , _____ U.S.P.Q.2d _____, 2018 U.S. App. LEXIS 20940 (2d Cir. 2018):

Senior User's brewery sold ROGUE beer nationwide, then added collateral merchandise including t-shirts, hats, and sweatshirts sold nationwide by third party retailers and at beer festivals, and online, but not in clothing-only or department stores. Junior User started to sell ROGUE leather coats and jackets, and later extended its ROGUE line to include t-shirts, hats, and sweatshirts sold in clothing-only and department stores. The lawsuit was filed by Junior User after Senior User expanded its sales outlets to include clothes-only and department stores. Senior User counterclaimed.

The trial court granted summary judgment in favor of Junior User on *all* counts, enjoining Senior User's right to use ROGUE "in the advertising or sale of any clothing in Department and Clothing Stores; or in any trade channels other than where [Senior User's] ROGUE-branded beer is sold as complements to and in promotion of [Senior User's] own brewing and beverage business."

But the Second Circuit totally disagreed with the trial court, explaining:

> The district court found that [Senior User] deliberately and continuously sold ROGUE-branded clothing throughout the United States since 1989. Even if those uses were intended primarily to support [Senior User's] ROGUE trademark for beer, they were nonetheless bona fide continuous nationwide sales in significant quantities and were sufficient to establish a protectable priority in use of the mark for the sale of such goods.
>
> While it is correct, as the district court reasoned, that first use of a mark does not give the owner exclusive rights over the mark "as to all goods or services and across all markets," it does not follow that the owner's rights are limited to the types of stores in which the owner has previously exploited

> the mark. The law does not limit the owner's trademark rights to the types of stores in which it has sold, leaving the mark up for grabs in any other type of store. The fact that, prior to 2011, [Senior User] did not sell in department stores and clothing-only stores does not mean that a new user was free to usurp [Senior User's] priority in such stores.

C. "USE" – RELATED ISSUES IN INFRINGEMENT

6. Sazerac Brands, LLC. v. Peristyle, LLC,
892 F.3d 853, _____ U.S.P.Q.2d _____ (6th Cir. 2018):

When Defendant, which had purchased the real estate of the defunct Old Taylor distillery, started to inform the public that it was rehabbing that property – retaining historic signage – to make an entirely new brand of bourbon to be called "Castle & Key", it was sued by Plaintiff, which earlier had bought the "trademark rights"[2] to OLD TAYLOR. The district court granted summary judgment of non-infringement and the Sixth Circuit affirmed.

The Sixth Circuit rested its decision on one, or perhaps two, legal grounds: fair use per § 33(b) (4) and "non-trademark use" per that court's special, oft-criticized doctrine. As to fair use, Defendant's use of "Old Taylor" was seen as merely "in a descriptive and geographical manner . . . . to pinpoint the historic location where [Defendant] planned to make a new bourbon, not to brand that bourbon." Its good faith was demonstrated by its inclusion – often but not always – of "former" or "historic".

If the opinion had ended there, controversy – except perhaps regarding characterization of the facts – could have been avoided. However, the opinion continued, to consider the applicability of the Sixth Circuit's "trademark use test." Per this (atypical) doctrine, plaintiffs have an additional, up front, burden to demonstrate that defendants are, in fact, using the challenged term "in a trademark way that identifies the source of their goods." This test must be met before the typical likelihood of confusion analysis is undertaken. Although a few other circuits, plus Professor McCarthy, have rejected this doctrine as statutorily and judicially unjustified, the Sixth Circuit now claims to stick to its guns:

> The critics may have a point, but they exaggerate the consequences of our approach. The trademark use test resembles in nearly every particular the fair use defense that we just applied. There is little daylight between the "non-trademark use" the Circuit test requires and the "descriptive use" that the statute requires. So it will often be the case that

[2] A latent abandonment-due-to-nonuse issue was not mentioned by the circuit court.

> a claim that fails our threshold trademark use test will also be vulnerable to a fair use defense.

But then the court qualified its adherence to this doctrine:

> [W]e must acknowledge that fact patterns might arise where our test might make a difference and where we might wish to reconsider whether our test respects the language of the statute. Recall that our test creates a threshold burden on the plaintiff, all before it must show consumer confusion. Under the Lanham Act, the plaintiff need only demonstrate confusion to make a presumptive case of infringement. The defendant meanwhile can always prove fair use as an affirmative defense.
>
> One concern, then, is that our test effectively shifts the burden of statutory fair use from the defendant to the plaintiff. The other concern is that the fair use test under the Lanham Act not only asks how the defendant used the mark; it also asks whether the defendant used the mark "fairly and in good faith." Our test thus not only shifts the burden on the fair use defense; it also truncates it.

So what's really the "rule" in the Sixth Circuit?

7. Viacom International, Inc. v. IJR Capital Investments, L.L.C., 891 F.3d 178, _____ U.S.P.Q.2d _____ (5th Cir. 2018):

In a case expressly based on "common law trademark" infringement principles – oddly mentioning the Lanham Act a few times, but only including one "see, e.g."citation to § 43(a)(1)(A)[3]-- the Fifth Circuit affirmed the grant of summary judgment for Plaintiff, purveyor of SPONGEBOB SQUAREPANTS fame with regard to its fictional underwater burger joint named THE KRUSTY KRAB. Defendant owned a PTO-approved ITU application for THE KRUSTY KRAB for seafood restaurants.

In the course of its generally well-founded and usually balanced opinion, the appellate court uttered these noteworthy statements:

> Often this court has bypassed the use [as a trademark] inquiry and conducted only a distinctiveness analysis. However, the two issues are separate questions, and because

[3] The court did note – apparently negatively toward Plaintiff in connection with its analysis of Defendant's possibly bad intent – that Plaintiff's THE KRUSTY KRAB name was a "name that [Plaintiff] did not register."

> the use-as-a-source-indicator requirement is at issue in this case [Plaintiff] must establish both use and distinctiveness.
>
> Can specific elements from within a television show—as opposed to the title of the show itself—receive trademark protection? We conclude that they can. . . . Extending trademark protection to elements of television shows that serve as source identifiers can serve [valid] purposes.
>
> [Plaintiff's] ownership of the mark is not undermined by the word mark's varying styles, fonts, and sizes on the licensed products. Other circuits have observed that "[c]onsistent and repetitive use of a designation as an indicator of source is the hallmark of a trademark." The Krusty Krab is a word mark — not a design mark — so the focus is whether the words themselves are consistently used as an indicator of source. While the title, font, and prominence of the mark are inconsistent, the words "Krusty Krab" are consistently used on the licensed goods and support [Plaintiff 's] ownership claim.

Much later on, noting that evidence of actual confusion is the "best evidence of likelihood of confusion," the court explained:

> To show actual confusion, a plaintiff may rely on anecdotal instances of consumer confusion or consumer surveys." [Plaintiff] commissioned . . . . a consumer survey, and it found that 30% of respondents indicated that a restaurant named The Krusty Krab was "operated by, affiliated or connected with, or approved or sponsored by [Plaintiff]" and that 35% of respondents associated such a restaurant with [Plaintiff]. There is also anecdotal evidence of confusion: [one of Plaintiff's principals] admitted that The Krusty Krab calls to mind "SpongeBob SquarePants," and an investor mentioned SpongeBob "out of the blue" while discussing the restaurant.

D. TRADE DRESS

8. Moldex-Metric, Inc. v. McKeon Prods., Inc.,
_____ F.3d _____ , _____ U.S.P.Q.2d _____ , 2018 U.S. App. LEXIS 18886 (9th Cir. 2018):

In a detailed opinion authored by District Judge Piersol (visiting from D.S.D.), the Ninth Circuit carefully considered/reconsidered Supreme Court and its own caselaw, from 1982 until the present, in an effort to clarify the role of "alternative designs" in determining functionality, particularly in single-color product design trade dress cases. The Ninth Circuit's starting point was its acknowledgment that "[t]he Lanham Act makes actionable the deceptive and misleading use of trademarks to protect persons engaged in commerce against unfair competition," citing *Two Pesos* (U.S. 1992) and § 45.

Focus soon was shifted to § 43(a) as the federal protector of (unregistered) product design trade dress, with express recognition that § 43(a)(3) requires plaintiffs to establish non-functionality in such cases. Other cited Supreme Court cases include *Inwood Labs,* (1982), *Qualitex* (1995), *Wal-Mart* (2000), and *TrafFix* (2001). Cited Ninth Circuit cases include *Disc Golf* (1998), *Click's Billiards* (2001), *Tie Tech* (2002), *Talking Rain* (2003), *Au-Tomotive Gold* (2006), *Secalt* (2012), and *Millennium Labs* (2016).

At issue here was a 10-shade Pantone range of bright green color as applied to certain safety ear plugs. Plaintiff claimed exclusivity, alleging that a wide range of other colors would work as effectively. Defendant disagreed, arguing that the functionality inquiry should not consider alternative designs (i.e., other colors). The district court had seen it Defendant's way, granting summary judgment, but the Ninth Circuit reversed (and remanded for further factual findings).

Acknowledging that "[a]dmittedly, there has been some question whether consideration of alternative designs is required after *TrafFix*," the court summarized its post-*TrafFix* cases, noting that "we have continued to consider alternative designs in determining functionality." The court labored to differentiate typical utilitarian functionality situations from less typical aesthetic functionality situations; it also labored to consider cases truly involving product features (colors, shapes, forms) from those involving words/logos. An example of the latter type is *Au-Tomotive Gold*, in which automotive logos were at issue, and in which this was said:

> "[T]he existence of alternative designs cannot negate a trademark's functionality," but "may indicate whether the trademark itself embodies functional or merely ornamental aspects of the product."

And, in *Millennium Labs*, the court's most recent case on functionality, the court had confirmed that its *Disc Golf* formulation – including alternate designs – had survived *TrafFix*. So, as to *Millennium Labs*, this now was said: "[A]lthough *Millennium*'s graphical layout served the function of presenting test results, it was not necessarily functional because there were alternative designs for presenting the information."

And this soon led to these conclusions:

> Our case law shows that we continue to consider the existence or nonexistence of alternative designs as probative evidence of functionality or nonfunctionality. To gauge functionality of a feature after *TrafFix*, this Court has applied the traditional *Inwood* formulation in conjunction with our *Disc Golf* factors, including whether alternative designs are available. Our cases acknowledge that the *Inwood* test does not always easily apply to some features, and this is true regarding [Plaintiff's] green color. In *Inwood* and *TrafFix*, the Supreme Court did not explain what it takes for a feature to be "essential to the use or purpose of a product."
>
> And whether a feature is "essential to the use or purpose of a product" is not always as apparent as it was in *TrafFix*, especially in cases such as this where the visibility of [Plaintiff's] green color is not the "central advance" of a utility patent and does not equate to the same "strong evidence" of essentiality as the patents in *TrafFix*, and where the green color does not affect the cost of ear plugs as compared to the dual-spring device in *TrafFix* that was less expensive than an alternative three-spring device.
>
> Our cases reflect that, with some features, the availability of alternative designs becomes more important in assessing functionality. *Millennium* is a good example. There, even though the graphical layout served the function of presenting test results in an easy-to-read format, the existence of alternative designs for presenting the information was a factor in our decision that questions of fact existed whether the trade dress was functional.

E. PROCEDURAL ISSUES

9. Marcel Fashion Group, Inc. v. Lucky Brand Dungarees, Inc., _____ F.3d _____ , _____ U.S.P.Q.2d _____, 2018 U.S. App. LEXIS 21482 (2d Cir. 2018):

A sort of new procedural doctrine, dubbed "defense preclusion" and intended "to refer to the preclusion of litigation defenses (such as those enumerated in F.R.C.P. 8(c)), a principle [the court views] as consistent with claim preclusion," is the crux of this case. Here, the warring parties engaged in court-concluded battles a few times over more than a decade concerning apparel-area use of GET LUCKY. However, Defendant had failed to raise a particular release-based defense until recently (upon engagement of new legal counsel).

About “defense preclusion,” the Second Circuit explained:

> At issue here is claim preclusion, a doctrine which, in the usual situation, bars a plaintiff from relitigating claims against a defendant that it lost in a previous action against the same defendant and claims that the plaintiff could have brought in that earlier action but did not. Claim preclusion, applied in this manner, “serves the interest of society and litigants in assuring the finality of judgments, [and] also fosters judicial economy and protects the parties from vexatious and expensive litigation.” The doctrine ensures these efficiency aims by “achieving finality and preventing piecemeal and wasteful litigation.” Stated more broadly, claim preclusion ensures that “[w]hen a party is victorious, it [does] not have to defend that victory again.”

Then, comparing this doctrine to more typical claim preclusion:

> We do not think the principles animating the claim preclusion doctrine disappear when that which is sought to be precluded is a defense. Rather, we view the efficiency concerns as equally pressing when the matter subject to preclusion is a defense rather than a claim.
>
> The following efficiencies are readily apparent. *First,* defense preclusion incentivizes defendants to litigate all their relevant defenses in an initial action, thereby promoting judicial efficiency at least to the same extent as does precluding claims. *Second,* absent defense preclusion, plaintiffs might be hesitant to rely on judicial victories for fear that a hidden defense will later emerge to alter their judicially established rights. *Third,* and relatedly, defense preclusion prevents wasteful follow-on actions that would not have been filed had the defense been asserted (and maintained) at the first opportunity. As with the preclusion of claims, therefore, defense preclusion ensures that "[w]hen a party is victorious, it [does] not have to defend that victory again."

But the court recognized some potential limitations:

> It might be unfair to bar a defendant from raising a defense that it elected not to bring in an earlier action because that action was of a significantly smaller scope, or the defense was somehow tangential to the matter. Put differently, it would be unfair to preclude a defense that the defendant had little to no incentive to raise in the earlier action. Relatedly, because it is generally not a defendant's prerogative to be hauled into court, they should be given some room to make tactical

> choices to attempt to end the suit against them with as little cost as possible without facing the unforeseen consequences of forever abandoning a defense.
>
> We also acknowledge that what constitutes a "defense" may not always be as clear as what constitutes a "claim," and that a broad understanding of "defense" in this context risks eliding the distinction between claim and issue preclusion.
>
> Finally, the fairness of defense preclusion may depend on the nature of the action. For example, there will hardly ever be unfairness in applying defense preclusion to bar a defendant from invoking defenses that could have been asserted in a previous action in a subsequent action to enforce a judgment previously entered against it. This is especially true here, where sophisticated parties, armed with able counsel, litigate claims and counterclaims for nearly two decades. In contrast, *pro se* civil defendants might not initially mount their best defense and we should be wary of compounding that misfortune in subsequent litigation on nearly identical issues as to which they manage to muster a superior defense.

10. Horowitz v. 148 South Emerson Associates LLC,
888 F.3d 13, 126 U.S.P.Q.2d 1452 (2d Cir. 2018):

In a case also resolving various issues concerning derivative representation (of a business entity immobilized by one of is owners) and the application of the "First-Filed" Rule, the Second Circuit frontally faced the meaning and application of F.R.C.P. 41(d), which states in relevant part:

> If a plaintiff who previously dismissed an action in any court files an action based on or including the same claim against the same defendant, the court . . . may order the plaintiff to pay all or part of the costs of that previous action.

Specifically, the appellate court considered whether the two cases between the parties were "based on or include the same claim" – a substantive question – *and* whether attorneys' fees qualify as awardable "costs" under this Rule – a remedial question.

As to the "same claim" matter, the court readily decided that "[t]he different assertions in these actions are certainly 'based on' the same underlying claims of ownership and use rights." Labeling Plaintiff/Appellant's litigation conduct "vexatious," and noting that "Rule 41(d) is to serve as a deterrent to forum shopping and vexatious litigation," the appellate court found no abuse of discretion by the district court's grant of "costs."

Whether "costs" includes attorneys' fees under Rule 41(d) required the court to deal with a conflict among other Circuits: the Sixth, which refuses to include attorneys' fees; the Eighth and Tenth, which do include; and three other Circuits, which apply a hybrid statute-dependent approach. The current court, the Second Circuit, concluded that the inclusive view of the Eighth and Tenth Circuits was correct, reasoning as follows:

> Two relevant lessons emerge from the case law on how to assess the availability of attorneys' fees pursuant to a provision, such as Rule 41(d), which allows for "costs" but makes no express reference to attorneys' fees.
>
> First, "costs" do not include attorneys' fees where the rule incorporates a statutorily enumerated list of "costs" that itself omits attorneys' fees . . . Here, Rule 41(d) incorporates no other definition of costs, either expressly or by reference, and therefore attorneys' fees are not precluded by this principle.
>
> Second, in this situation—where the term "costs" is entirely undefined, either expressly or by reference—we look to see "if the statute otherwise evinces an intent to provide for [attorneys'] fees." . . . Consequently, we disagree with the Sixth Circuit's conclusion that attorneys' fees are unavailable under Rule 41(d) "simpl[y] [because] the rule does not explicitly provide for them."

Then, citing "the great weight of district court authority . . . . in this circuit", this was stated:

> [T]he entire Rule 41(d) scheme would be substantially undermined were the awarding of attorneys' fees to be precluded. We thus have no difficulty in concluding that Rule 41(d) evinces an unmistakable intent for a district court to be free, in its discretion, to award attorneys' fees as part of costs. [Indeed] . . . Rule 41(d) would be greatly limited as an effective deterrent if district courts were precluded from assessing attorneys' fees as part of costs

F. INJUNCTIVE RELIEF

11. adidas American, Inc. v. Skechers USA, Inc.,
890 F.3d 747, 126 U.S.P.Q.2d 1769 (9th Cir. 2018):

Significant demands for preliminary injunctions regarding two well-established product design trade dress designs led the Ninth Circuit to grant one and – over a strongly-worded dissent – deny the other. The crux of both issues was the definition and application of "irreparable harm" in the wake of *MercExchange* (U.S. 2006) and *Herb Reed* (9th Cir. 2013).

All three appellate judges agreed that the quite famous (but unregistered) Stan Smith footwear design probably had been infringed and diluted by Defendant's Onix design and that the grant of a preliminary injunction had been correct. However, while those same judges also agreed that the well-established (and registered) Three-Stripe mark had been infringed and diluted by the design of Defendant's "Relaxed Fit Cross County TR" shoe, only one of them agreed with the trial judge's grant of a preliminary injunction in that situation. With regard to both motions for preliminary injunction, the panel applied the *Winter* (9th Cir. 2008) standard, namely:

> "A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest."

Defendant only contested two of these factors: likelihood of success on the merits and irreparable harm.

First, the court considered the Stan Smith design – carefully defined by Plaintiff.[4] Secondary meaning was readily acknowledged, both by "ample evidence in the record" and by Defendant's brazen metadata associations of its Onix and Plaintiff's Stan Smith. In the latter regard, the court directly noted: "Proof of copying strongly supports an inference of secondary meaning." Then the court added: "[Defendant's] use of the metadata is probative of its attempt to capitalize on the Stan Smith by both creating and selling the lookalike Onix." So, likelihood of confusion was established.

As for likelihood of irreparable harm (in the absence of injunctive relief), the court relied upon *Herb Reed*, in which it had held that "[e]vidence of loss of control over business reputation and damage to goodwill [can] constitute irreparable harm, so long as there is concrete evidence in the record of those things." Both marketplace data – including Plaintiff's careful monitoring of lookalikes – and consumer surveys supported this factual finding. Again, though, the court was affected by Defendant's "intent to foment and capitalize on . . . confusion [caused by] its source code for the Onix webpage." So, irreparable harm also was established.

[4]adidas defines its Stan Smith trade dress as having: (1) "a classic" (2) "three rows of tennis-shoe profile with a sleek white leather upper; perforations in the pattern of" adidas Three-Stripe mark; (3) "a defined stitching across the sides of each shoe," (4) "a raised mustache-shaped colored heel patch, which often is green;" and (5) "a flat tonal white rubber outsole."

When attention was shifted to the Three-Stripe design, the panel members again agreed on the substantive bases, infringement and dilution. The Three-Stripe mark was characterized as suggestive and it had become very strong, and Defendant's history of intentional copying of Plaintiff's trade designations was noted. Defendant's special attempt to avoid a confusion conclusion was rejected:

> [Defendant] argues that the use of its own logo on the Cross Court negates any confusion arising from its use of a similar three-striped mark. But a trademark may not be freely appropriated so long as the user also includes its own logo. . . . Whether the likelihood of confusion persists despite the presence of the alleged infringer's own logo is a question of fact, and the district court here did not clearly err in finding that [Defendant's] logo was not sufficiently prominent in comparison to the three-striped mark to alleviate the likelihood of confusion.

With regard to dilution, the panel acknowledged that the § 43(c)(2)(B) dilution factors and the *Sleekcraft* infringement factors had "substantial overlap" and, "[a]ccordingly…. the district court did not err in finding a likelihood of success on the merits on [Plaintiff's] trademark dilution claim."

However, as to irreparable harm, the three judges could not agree, two finding lack of proof, the other being satisfied that the district judge had found sufficient proof. The (shorter) majority opinion – focusing on Plaintiff's claim of dangerous post-sale confusion -- insisted that Plaintiff's claim that post-sale viewers of Defendant's shoes would incorrectly believe them to be Plaintiff's shoes AND also believe that they were inferior to Plaintiff's actual shoes, failed to satisfy Plaintiff's "burden of showing a likelihood of irreparable harm on the theory that it actually raised." (The dissenter demurred to this restricted approach.) Rather, per the Majority, the trial judge had been correct in ruling that Plaintiff's evidence of the "value brand" nature of Defendant's accused shoes was an "'unsupported and conclusory statement[ ]' that is not 'grounded in any evidence or showing offered by [Plaintiff].'"

Rejecting the dissenter's interpretation of *Herb Reed*, the Majority stated: "*Herb Reed* makes clear that it is the plaintiff's burden to put forward specific evidence from which the court can infer irreparable harm."

The Dissent starts out with this hard-hitting rejection/repudiation of the Majority's explanation of its refusal to find irreparable harm in connection with the Three-Stripe/Cross Court conflict: "[T]he majority opinion misunderstands our precedent, misperceives the means by which adidas will suffer irreparable injury, and mischaracterizes the evidence before the district court."

The Dissenter notes that *Herb Reed*, the relied-upon Ninth Circuit extender of *MercExchange*, had stated that the district court's (mistaken) findings of irreparable harm had not been "grounded in any evidence or showing offered by the plaintiff." In addition, the Dissenter proffered that "in other [i.e., apart from the evidence adduced in *Herb Reed*] circumstances, including those here, the inference of injury is logical." To buttress this, the dissenter quoted another appellate case: "Although we no longer apply a presumption, the logic underlying the presumption can, and does, inform how we exercise our equitable discretion in this particular case" (quoting from *Groupe SEB USA, Inc.,* 3d Cir. 2014).

Relying upon experiences he had "[a]bout thirty years ago, when I was in private practice," the Dissenter analyzed the ins and outs of the post-sale confusion doctrine, after which he explained:

> If a shoe bearing a mark that looks like the Three Stripes cannot reliably be identified as being an adidas shoe, available at adidas prices, and made to satisfy the quality standards of adidas, then that Three-Stripe mark will lose some of its value and adidas will be harmed.

This to him was "logical" – as opposed to the Majority's characterization as "counterintuitive" – especially in view of (blurring-type) dilution doctrine. Indeed, per the Dissenter:

> The district court found that adidas has offered sufficient proof to support a blurring claim. It specifically found that "Skechers' infringement undermines adidas's substantial investment in building its brand and the reputation of its trademarks and trade dress" and that "Skechers' attempts to 'piggy back' off of adidas's efforts by copying or closely imitating adidas's marks means adidas loses control over its trademarks, reputation, and goodwill."

On the factual merits, the Dissenter further explained:

> [T]he majority opinion neither acknowledges that the district court cited the relevant precedent nor references the four pages in the district court's order devoted to its discussion of irreparable harm.
>
> The Majority has elected to discount that evidence, by applying its own skepticism toward employee testimony. But the district court concluded that the evidence was reliable. The Majority simply substituted its own view of the evidence to disregard it. That is not our function as a court of appeals.

> In sum, based on the record before it, the district court was well within its discretion to infer that confusion between Skechers's "lower-end" footwear and adidas's footwear was likely to harm adidas's reputation and goodwill as a premium shoe brand. This is precisely the type of harm that is "irreparable" insofar as it cannot be adequately compensated for by money damages.

Alas, morass!

G. EQUITABLE DEFENSES

12. Pinkette Clothing, Inc., v. Cosmetic Warriors Ltd.,
894 F.3d 1015, _____ U.S.P.Q.2d _____ (9th Cir. 2018):

This is a complicated case, largely focusing on the oft-fuzzy doctrine of laches – particularly as it interacts with statutes of limitations. Senior Party (DJ Defendant) sells LUSH cosmetics, perfumes, and hair services; Junior Party (DJ Plaintiff) sells LUSH women's clothing. Despite a jury verdict finding infringement, the trial judge – "advised" by the jury – relied upon laches in refusing to grant injunctive relief. The Ninth Circuit affirmed, concluding.

> We conclude that the principle at work in these cases—a concern over laches overriding a statute of limitations—does not apply here, where the Lanham Act has no statute of limitations and expressly makes laches a defense to cancellation.

Background: Senior Party had a history of active policing of third parties' LUSH marks. Junior Party discovered Senior Party's LUSH-branded products and its lush.com domain name in the course of its own pre-adoption internet searching. Moreover, the record showed: "A trademark watch service notified [Junior Party's] outside counsel of the application, but [that party] claims that it did not become aware of [Senior Party's] use of the LUSH mark, much less its trademark application, until years later." Both courts considered the issuance of Junior Party's registration as "constructive notice" (per § 22) chargeable to Senior Party.

Senior Party filed a Petition for Cancellation just before the fifth anniversary of Junior Party's registration. That stimulated Junior Party to file the current DJ lawsuit (staying the TTAB action). While the § 14(1) filing certainly was technically timely for TTAB inter partes purposes, the laches doctrine was interposed both in that context and regarding the resulting infringement counterclaim in the DJ suit. In the appellate court's resulting discussion, these Lanham Act provisions were relied upon: § 14, § 15, § 19, § 33(b)(9). Significantly, that court carefully distinguished two recent Supreme Court cases on laches – one in the copyright context (*Petrella*, 2014), the other in the patent context (*SCA Hygiene,* 2017). As for the copyright context:

> [T] he Court differentiated between the Copyright Act and the Lanham Act: "In contrast to the Copyright Act, the Lanham Act, which governs trademarks, contains no statute of limitations, and expressly provides for defensive use of 'equitable principles, including laches.'"
>
> When Congress enacts a statute of limitations, it speaks directly to the issue of timeliness and provides a rule for determining whether a claim is timely enough to permit relief. . . . [A]pplying laches within a limitations period specified by Congress would give judges a 'legislation-overriding' role that is beyond the Judiciary's power." With respect to the latter: "Laches is a gap-filling doctrine, and where there is a statute of limitations, there is no gap to fill."

As for the patent context:

> Similar to the Copyright Act's three-year statute of limitations, the Patent Act's six-year statute of limitations "represents a judgment by Congress that a patentee may recover damages for any infringement committed within six years of the filing of the claim." In short, the Patent Act's statute of limitations leaves no gap for laches to fill.

Switching back to the trademark context led the Ninth Circuit to distinguish the other two contexts:

> § 1064 does not implicate the same concerns identified in *Petrella* and *SCA Hygiene*. The statutes of limitations at issue in those cases state categorically that "[n]o civil action shall be maintained," or "no recovery shall be had." Such language represents a clear directive from Congress and leaves no gap for laches to fill.
>
> The Lanham Act, on the other hand, provides that a petition for cancellation may be brought "[a]t any time" but affords different grounds for cancellation depending on whether the petition is brought within five years of registration. Applying laches to a cancellation claim against a contestable mark neither overrides a clear directive from Congress nor fills a gap where there is none to fill.

Then the court buttressed its analysis with TTAB conduct:

> Notwithstanding the long pedigree of the rule in *Petrella* and *SCA Hygiene*, the TTAB has repeatedly reached the same conclusion we do today and applied laches to bar trademark cancellation claims brought within five years of the relevant registration.

Thus, laches was ruled "available" in the current case – but was it factually warranted?

The basic guide regarding the interaction of laches and statutes of limitations was restated (from *La Quinta Worldwide*, 9th Cir. 2014) as follows:

> [W]e assess the plaintiff's delay by looking to whether the most analogous state statute of limitations has expired. If the most analogous state statute of limitations expired before suit was filed, there is a strong presumption in favor of laches. That presumption is reversed, however, if the most analogous state statute of limitations expired after suit was filed.

Here, the most analogous state statute was deemed California's 4 year trademark infringement statute. Per the court, the commencement of the relevant period was "the time the Plaintiff knew or should have known about its potential cause of action." Here, the issuance date of Junior Party's registration was held to control – definitely due to the "constructive notice" effect of § 22. And because the instant case was not brought until after the 4-year point, "a strong presumption in favor of laches arises."

Apparently failing to challenge the correctness of commencement as just explained, Senior Party attended to the six-factor test for "applying" laches. In this connection, the court rejected Senior Party's claim that injunctive, as opposed to monetary, relief was *not* available due to a possible finding of laches. Also, these points were made by the Ninth Circuit:

> ("[D]elay weakens a claim of likelihood of confusion, because the public may learn to distinguish between similar marks over time, so that any real likelihood of confusion gradually dissipates.").
>
> Perhaps most importantly, there is no evidence that [Junior Party] ever sought to free-ride on [Senior Party's] good will or otherwise take unfair advantage of the similarity between the two companies' marks. [Junior Party's] good faith thus weighs in favor of laches.

> "[O]nly a showing of wrongfulness, willfulness, bad faith, or gross negligence, proved by clear and convincing evidence, will establish sufficient culpability for invocation of the doctrine of unclean hands."
>
> "If it is inevitable that a significant amount of confusion will probably be created by the junior user's actions, then the right of the public not to be confused and deceived may outweigh the inequity to the junior user of the trademark owner's delay in suing [and defeat a defense of laches]." That said, "the danger of 'inevitable confusion' between products will defeat a successful laches defense only in a narrow set of circumstances."

13. Excelled Sheepskin & Leather Coat Corp. v. Oregon Brewing Co.,
_____ F.3d _____ , _____ U.S.P.Q.2d _____ , 2018 U.S. App. LEXIS 20940 (2d Cir. 2018):
In the ROGUE clothing case, earlier summarized herein, the Second Circuit also broached the applicability of laches, adopting the 6-year New York statute of limitations as a presumptive guide, with the relevant timeframe to begin when the trademark owner "knew or should have known, not simply that [the infringer] was using the potentially offending mark, but that [it] had a provable infringement claim against [the infringer]." Here, where the evidence pointed to less than a 4-year delay in bringing suit, the presumption favored the Senior Party, and thus, summary judgment of no laches had been erroneous.

H. ATTORNEYS' FEES

14. NantKwest, Inc. v. Iancu,
_____ F.3d _____ , _____ U.S.P.Q.2d _____ , 2018 U.S. App. LEXIS 20932 (Fed. Cir. 2018):

Monster case; monster firms (most representing multiple *amici*); monster opinion – actually two, splitting the en banc Federal Circuit 7-4. QP: Does Patent Act § 145, which requires all applicants who elect to forego appealing rejections of their applications in favor of de novo appeals to District Court to pay '[a]ll the expenses of the proceedings" mean that the Government's inside counsel's allocated charges are transferred to these applicants, regardless of whether they win or lose? Per the majority of 7, no:

> We hold that it does not, for the American Rule prohibits courts from shifting attorneys' fees from one party to another absent a "specific and explicit" directive from Congress. The phrase "[a]ll the expenses of the proceedings" falls short of this stringent standard.

The "American Rule" per the Majority is a "bedrock principle" of American jurisprudence. It is said to be the default position, displaceable only by express Congressional action. But there are judicial exceptions, too: "The Supreme Court has carved out several equitable exceptions to further the interests of justice." Examples are bad faith litigation practices and willful disobedience to court orders. Otherwise, the American Rule applies unless "specific and explicit" statutory directions exist. But there is no "magic words" requirement, so careful examination must be undertaken.

The Majority acknowledged the Fourth Circuit 's 2015 *Shammas* case, which in a split decision interpreted "a nearly identical provision of the Lanham Act," § 21(b)(3), as viewing the term "expenses" as an explicit inclusion of attorney fees without any reference to "prevailing party." Now the Federal Circuit Majority rejects that view – encouraged by the unanimous positions taken by the seven *amici*: "[W]e hold that the American Rule applies to § 145."[5] Thus:

> Given the primary purpose of the American Rule—protection of access to courts—the PTO's alleged distinction makes little sense. We submit that the policy behind the American Rule would be even more strongly implicated where attorneys' fees would be imposed on a winning plaintiff.
>
> We respectfully submit that *Shammas's* holding cannot be squared with the Supreme Court's line of nonprevailing party precedent applying the American Rule. Although *Alyeska Pipeline* [U.S. 1975] does refer to the American Rule in the context of a "prevailing party," the rule is not so limited. Rather, the Supreme Court has consistently applied the rule broadly to any statute that allows fee shifting to either party, win or lose.

Having decided that the American Rule does apply to situations of the sort now being litigated, does Patent Act § 145 (and, by extension, Trademark Act § 21(b)(3)) create a "specific and explicit" deviation? Per the Majority, no:

> In our view, § 145's statement that "[a]ll the expenses of the proceedings shall be paid by the applicant" lacks the "specific and explicit" congressional authorization required to displace the American Rule. Section 145 contains no reference to attorneys' fees, "reasonable compensation for actual, necessary services rendered by the . . . attorney," PTO attorney salaries, or any other equally clear language.
>
> To satisfy the Supreme Court's strict standard, the PTO must show that "[a]ll the expenses of the proceedings"

[5] Thus, presumably also to Lanham Act § 21(b)(3).

> specifically and explicitly includes attorneys' fees. But this phrase is at best ambiguous as to attorneys' fees. As explained below, the cases and definitions relied on by the PTO demonstrate that, at most, this language is merely capable of implicitly covering attorneys' fees.
>
> The American Rule and the "specific and explicit" requirement demand more than language that merely *can be* and *is sometimes* used broadly to implicitly cover attorneys' fees. Moreover, other statutory provisions enacted by Congress demonstrate that ordinarily, a statutory right to "expenses" does not include an implicit authorization to award attorneys' fees. This is further demonstrated by both contemporaneous and current court cases and other statutory provisions in the Patent Act.

Detailed, carefully-crafted examinations and explanations are provided by the Majority. A few salient aspects include:

> We note that § 145 is not discretionary; it requires that "[a]ll the expenses of the proceedings shall be paid by the applicant." To the extent the phrase "expenses" unambiguously includes attorneys' fees, it is unclear why it took the PTO more than 170 years to appreciate the statute's alleged clarity and seek the attorneys' fees that are statutorily mandated under its interpretation.
>
> The existence of several Patent Act provisions awarding "attorneys' fees" demonstrates Congress's use of "specific and explicit" language in the Patent Act to shift fees when it so desired.
>
> Congress elected in § 145 to provide for the recovery of the PTO's "expenses," not its "attorneys' fees." When "Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." Here, Congress did not award "attorneys' fees" under § 145 but did make them available under other sections of the Patent Act. We presume this was intentional, and thus the omission of "attorneys' fees" from § 145 "strongly suggest[s] a deliberate decision not to authorize such awards."
>
> The patent laws have been amended on numerous occasions since Congress enacted § 145's predecessor in 1839. If the PTO's decision not to seek fees during this time

> contradicted Congress's intent, Congress could have revised the statute to make its intent more clear. "When Congress amends one statutory provision but not another, it is presumed to have acted intentionally."

And, finally:

> The general rule in the United States is that each party pays for its own attorneys. To deviate from the status quo embodied in the American Rule, Congress must draft legislation—"specific and explicit" legislation—demonstrating its intent to make the award of attorneys' fees available under that statute.
>
> Awarding "[a]ll the expenses" simply cannot supply the "specific and explicit" directive from Congress to shift attorneys' fees, and nothing else in the statute evinces congressional intent to make them available. Other than *Shammas*'s interpretation of the trademark analogue, we are not aware of any statute requiring a private litigant to pay the government's attorneys' fees without regard to the party's success in the litigation. We are unwilling to "invade the legislature's province by redistributing litigation costs" in a way that would create such an anomalous statute here.

However, four Judges saw it quite differently!

The Dissent characterizes the PTO's internal counsel's charges as "personnel expenses" rather than "attorneys' fees" per se. Then it emphasizes that by "all the expenses" Congress "meant all the expenses." It relies on this maxim: "Absent persuasive indications to the contrary, we presume Congress says what it means and means what it says." It adds "Although the PTO did not retain outside counsel in this case, the statute's history suggests that Congress even intended 'expenses' to include attorneys' fees for the PTO's retained outside counsel." And, carefully-crafted examinations and explanations followed – aimed at rebutting the Majority's positions. The Dissent concluded:

> In sum, contrary to the majority's views, the language of § 145 evinces Congress's "specific and explicit" intent to depart from the American Rule and to impose upon the applicant payment of all the expenses of the proceedings, including the PTO's personnel expenses.

15. Verisign, Inc. v. XYZ.Com LLC,
891 F.3d 481, ____ U.S.P.Q.2d (4th Cir. 2018):

The Fourth Circuit unequivocally and emphatically embraced the basically unanimous circuit-court level position that the award of attorney's fees under the "exceptional case" clause of § 35(a) should be determined by the ordinary preponderance of the evidence standard *and* that proof of "bad faith" per se is *not* necessary. (This case falls under § 43(a)(1)(B) "false advertising," but probably applies without modification to § 43(a)(1)(A) unregistered trademark infringement and § 32 registered trademark infringement also.)

Of course, all of this is due to the extension of the patent damages ruling by the Supreme Court in *Octane Fitness* (2014), which interpreted identical statutory language. Moreover:

> Because we have already adopted the *Octane Fitness* standard for awarding these fees, we see no reason not to adopt the *Octane Fitness* burden of proof as well. And in *Octane Fitness*, the Supreme Court explicitly rejected a clear and convincing evidentiary standard for Patent Act cases in favor of a preponderance of the evidence standard. Thus, *Octane Fitness* requires a party to prove an "exceptional case" by a preponderance of the evidence.
>
> Although it is unclear from the district court's opinion whether it did in fact impose a bad faith requirement, we now clarify that the losing party's conduct need not have been independently sanctionable or taken in bad faith in order to merit an award of attorney fees to the prevailing party under the Lanham Act.

In so doing, the Fourth Circuit took the opportunity to "clarify" that one of its previous case's rulings – differentiating the treatment of prevailing plaintiffs from prevailing defendants – no longer was sound in this Circuit, because "the Supreme Court made no such distinction . . . . in announcing that an 'exceptional case' need not include a showing of bad faith or independently sanctionable conduct."

I. BANKRUPTCY

16. Mission Products Holdings, Inc. v. Tempnology, LLC

879 F.3d 389, _____ U.S.P.Q.2d _____ (1st Cir. 2018):

By a 2-1 vote, and despite a dissenting opinion, the First Circuit rejected the Seventh Circuit's 2012 *Sunbeam* ruling that rejections of executory trademark licenses by debtors-in-bankruptcy are invalid. This sets up a clear conflict-of-the-Circuits, almost certainly ripe for Supreme Court review.

The Majority set the stage thusly:

> We next consider whether Mission retained its rights to use Debtor's trademarks post-rejection. In defining the intellectual property eligible for the protection of section 365(n), Congress expressly

> listed six kinds of intellectual property. 11 U.S.C. § 101(35A). Trademark licenses (hardly something one would forget about) are not listed, even though relatively obscure property such as "mask work protected under chapter 9 of title 17" is included. Nor does the statute contain any catchall or residual clause from which one might infer the inclusion of properties beyond those expressly listed.

The Majority continued:

> [T]o be precise, rejection as Congress viewed it does not "vaporize" a right. Rather, rejection converts the right into a pre-petition claim for damages. Putting that point of vocabulary to one side, and leaving open the possibility that courts may find some unwritten limitations on the full effects of section 365(a) rejection, we find trademark rights to provide a poor candidate for such dispensation.
>
> Congress's principal aim in providing for rejection was to "release the debtor's estate from burdensome obligations that can impede a successful reorganization." *Sunbeam* therefore largely rests on the unstated premise that it is possible to free a debtor from any continuing performance obligations under a trademark license even while preserving the licensee's right to use the trademark.

But the fly in the ointment is the ongoing duty to control the licensee's use of the mark:

> Careful examination undercuts that premise because the effective licensing of a trademark requires that the trademark owner -- here Debtor, followed by any purchaser of its assets -- monitor and exercise control over the quality of the goods sold to the public under cover of the trademark. . . . Trademarks, unlike patents, are public-facing messages to consumers about the relationship between the goods and the trademark owner. They signal uniform quality. . . . The licensor's monitoring and control thus serve to ensure that the public is not deceived as to the nature or quality of the goods sold.

The Majority saw the results of the *Sunbeam* approach to be out of step with bankruptcy philosophy and antithetical to the interests of the debtor/licensor:

> [T]he approach taken by *Sunbeam* entirely ignores the residual enforcement burden it would impose on the debtor just as the Code otherwise allows the debtor to free itself from executory burdens. The approach also rests on a logic that invites further degradation of the debtor's fresh start options.

However, the Dissenter recommended an end-run around the statutory impasse:

> I disagree with the majority's bright-line rule that the omission of trademarks from the protections of section 365(n) leaves a non-

rejecting party without any remaining rights to use a debtor's trademark and logo. As Judge Easterbrook wrote, "an omission is just an omission," and simply implies that section 365(n) does not determine how trademark licenses should be treated -- one way or the other.

The majority focuses on the Bankruptcy Code's protection of debtors' ability to reorganize and to escape "burdensome obligations." But, as the majority acknowledges, in some situations, the Bankruptcy Code also provides protections to non-debtor parties of an executory contract, allowing the courts to determine an equitable remedy pursuant to the terms of a rejected contract.

J. MISCELLANEOUS

17. Gordon v. Drape Creative, Inc.,
_____ F.3d _____ , _____ U.S.P.Q.2d _____ , 2018 U.S. App. LEXIS 20986 (9th Cir. 2018):

This case atypically – at least for the Ninth Circuit, which had recognized full defenses to trademark infringement in all five of its earlier similar cases – found an issue of triable fact requiring that Defendant's allegedly "expressive" use of Plaintiff's mark be jury-tried under the established *Rogers v. Grimaldi* (2d Cir. 1989) test. The court itself encapsulated the facts and its holdings thusly:

> [Plaintiff] has presented evidence that he sold various products bearing his mark, including greeting cards; that his agent met with a representative of defendants' parent corporation to discuss a possible licensing deal; that shortly thereafter, defendants started developing their own line of greeting cards even though their parent corporation had rejected the proposed licensing deal; and that defendants' president, who drafted the cards, could not recall what inspired them. Moreover, the cards themselves use [Plaintiff's] catchphrases in different ways, and a jury could possibly conclude that defendants used the phrases for artistic reasons on one or more cards but not on others.

Accordingly, Plaintiff will be allowed to show that his famous catchphrase HONEY BADGER DON'T CARE (plus a vulgar variant thereof), used, inter alia, on licensed greeting cards, was being infringed by Defendant's phrases "Honey Badger and me just don't care" (and vulgar variants of Plaintiff's vulgar variant), also used on greeting cards.

The court explained that the *Rogers* test sought to "employ the First Amendment as a rule of construction and avoid a conflict between the Constitution and the Lanham Act." So, after a plaintiff establishes the basis for infringement – a valid mark plus a likelihood of confusion caused by a defendant's usage – the defendant must show that its usage is "part of an expressive work protected by the First Amendment." And then the burden shifts to a plaintiff to show that defendant's usage "is either not artistically relevant to the underlying work *or* explicitly misleads consumers to the source or content of the work." Here, the reversal of summary judgment for defendant was based on the appellate court's finding of a jury-triable issue as to "artistic relevance," which must merely be "above zero." However:

> [T]he "artistic relevance" inquiry does not ask only whether a mark is relevant to the rest of the work; it also asks whether the mark is relevant to the defendant's own *artistry*. The use of a mark is artistically relevant if the defendant uses it for artistic reasons. Conversely, the use of a mark is not artistically relevant if the defendant uses it merely to appropriate the goodwill inhering in the mark or for no reason at all.
>
> [I]t cannot be that defendants can simply copy a trademark into their greeting cards without adding their own artistic expression or elements and claim the same First Amendment protection as the original artist ("[T]he First Amendment cannot permit anyone who cries 'artist' to have *carte blanche* when it comes to naming and advertising his or her works, art though it may be."). That would turn trademark law on its head.

18. In re Brunetti,
877 F.3d 1330, 125 U.S.P.Q.2d 1072 (Fed. Cir. 2017):

In a lengthy, post-*Tam* opinion, the Federal Circuit found that FUCT – described as the equivalent of the past tense of FU_K – could not be refused registration as "scandalous" or "immoral" because those § 2(a) prohibitions are unconstitutional under the First Amendment. To be clear, the entire panel found FUCT to be "scandalous" *factually*, but non-refusable *legally*. The Majority's major conclusions are obvious from its headings, namely:

I. The mark FUCT is vulgar and therefore scandalous
II. Section 2(a)'s Bar on Immoral or Scandalous Marks is Unconstitutional under the First Amendment.

Consequently, the Majority's conclusion:

> The trademark at issue is vulgar…. Many of the marks rejected under § 2(a)'s bar on immoral or scandalous marks, including the marks discussed in this opinion, are lewd, crass, or even disturbing. We find the use of such marks in commerce discomforting, and are not eager to see a proliferation of such marks in the marketplace.
>
> There are, however, a cadre of similarly offensive images and words that have secured copyright registration by the government. There are countless songs with vulgar lyrics, blasphemous images, scandalous books and paintings, all of which are protected under federal law. No doubt many works registered with the Copyright Office offend a substantial composite of the general public. There are words and images that we do not wish to be confronted with, not as art, nor in the marketplace.
>
> The First Amendment, however, protects private expression, even private expression which is offensive to a substantial composite of the general public. The government has offered no substantial government interest for policing offensive speech in the context of a registration program such as the one at issue in this case.

Judge Dyk issued a Concurring Opinion in which he argued that although FUCT is *not* obscene, another term qualifying as obscene could pass constitutional muster:

> The First Amendment does not protect obscene speech. Under the narrow construction I have proposed, then, the bar on the registration of obscene marks would withstand constitutional challenge. If Congress wished to expand the scope of § 1052(a), it could enact new legislation, which could then be constitutionally tested. Without this saving construction, the majority's result leaves the government with no authority to prevent the registration of even the most patently obscene marks.

19. Excelled Sheepskin & Leather Coat Corp. v. Oregon Brewing Co.,
_____ F.3d _____ , _____ U.S.P.Q.2d _____ , 2018 U.S. App. LEXIS 20940 (2d Cir. 2018):

In the ROGUE case, earlier summarized herein, the trial court had granted summary judgment dismissing the Senior Party's "fraud on the PTO" claim. But the Second Circuit revived and remanded this assertion. After stating the 5-part requirement for a fraud on the PTO claim, the appellate court noted that the correct procedure called for the contesting party to bear "the burden to show an absence of clear and convincing evidence supporting [the Senior Party's] cancellation counterclaim." Then, the court concluded that on two factual bases there were reasons in support of the fraud on the PTO claim. Thus, summary disposition was unwarranted.

TABLE OF CASES

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TAB
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Lesley Fair is a Senior Attorney with the Federal Trade Commission's Bureau of Consumer Protection. After more than 20 years litigating false advertising cases, she now specializes in industry outreach and education. She also serves as the FTC's business blogger at ***business.ftc.gov***. In 2015, she received the FTC's Lifetime Achievement Award.

From 2000 to 2015, Lesley served as Vice-Chair of the American Bar Association Section of Antitrust Law's Consumer Protection Committee and was co-editor of the Committee's *What's In Store* publication. She wrote the monthly "Fair Trade" column in *Electronic Retailer* magazine and contributed chapters to FOOD AND DRUG LAW AND REGULATION (3d ed. 2015) and SOCIAL MEDIA AND THE FDA (2010).

On the faculty of the Catholic University School of Law since 1984, Lesley holds the title of Distinguished Lecturer. She also teaches Consumer Protection Law at The George Washington University Law School. Lesley is a graduate of the University of Notre Dame and the University of Texas School of Law. She clerked for United States District Judge Fred Shannon in San Antonio and served as staff counsel to the United States Court of Appeals for the Fifth Circuit.

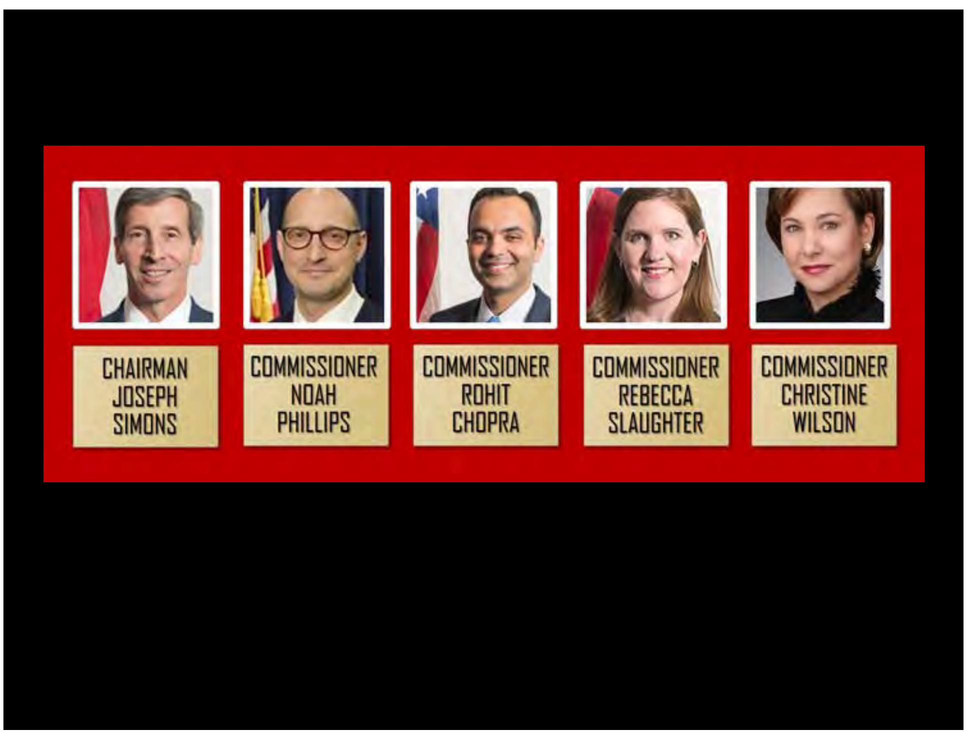
Advertising, Privacy, and Fintech: Three FTC Developments to Watch

Lesley Fair
Senior Attorney
Bureau of Consumer Protection
Federal Trade Commission

AOAIOIP
September 2018

Some things have changed . . .

and some things have stayed the same.

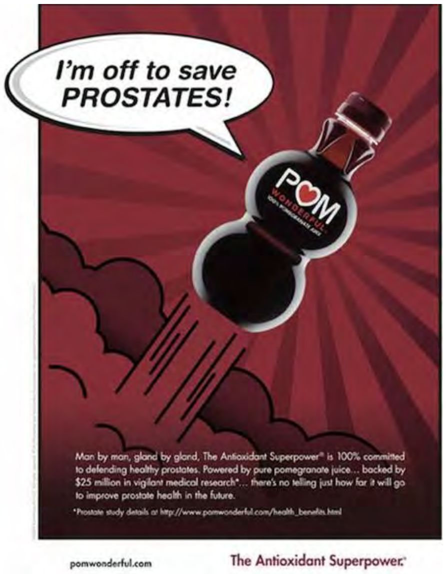


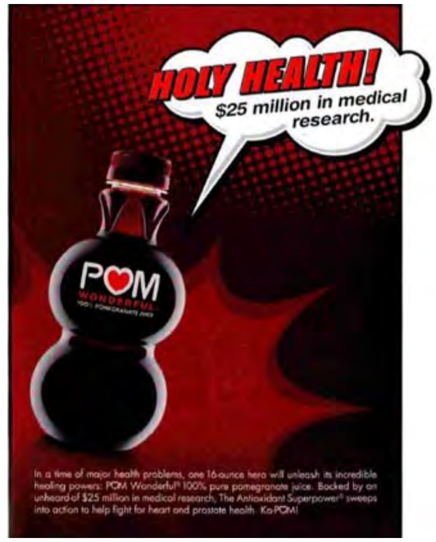

Unfair methods
of competition or
unfair of deceptive
acts of practices
in or affecting
commerce are
hereby declared
unlawful.
FTC
Truth in Advertising


FINANCIAL PRACTICES
and FINTECH

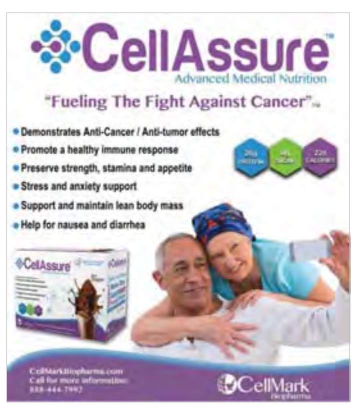

DATA SECURITY and
CONSUMER PRIVACY


ADVERTISING
and SOCIAL MEDIA





POM Wonderful v. FTC (D.C. Cir. 2015)



FTC v. NextGen Nutritionals, LLC (stipulated order) and FTC v. CellMark (stipulated order)

<u>FTC and State of Maine v. Health Research Laboratories, LLC</u> (stipulated order)

<u>FTC v. MSA 30X LLC</u> (stipulated order)

FTC v. Catlin Enterprises, Inc. (stipulated order)

FTC-FDA warning letters

FTC-FDA warning letters

In the Matter of Moonlight Slumber, LLC (consent order)

In the Matter of Benjamin Moore & Co., Inc. and In the Matter of Imperial Paints, LLC (consent orders)

In the Matter of Underground Sports d/b/a Patriot Puck (proposed consent order)

AMERICAN MADE Matters ★ CHOOSE AMERICAN ★

In the Matter of Bollman Hat Co. (consent order)

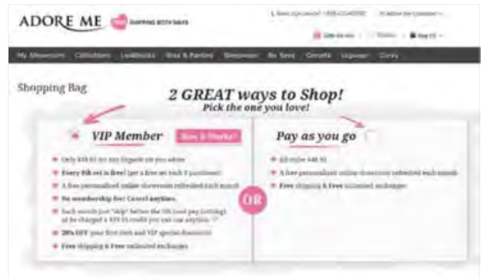
Restore Online Shoppers' Confidence Act

ROSCA bans online negative options unless the seller:

1. clearly discloses all material terms before obtaining consumer's billing information;
2. gets consumer's express informed consent before making the charge; and
3. provides a simple way to stop recurring charges.

FTC v. Tarr Inc. (stipulated order)

FTC v. Tarr Inc. (stipulated order)



FTC v. AdoreMe, Inc. (consent order)

FTC Endorsement Guides

16 C.F.R. § 255

"When there exists a connection between the endorser and the seller of the advertised product that might materially affect the weight or credibility of the endorsement (i.e., the connection is not reasonably expected by the audience), such connection must be fully disclosed."

<u>In the Matter of Mikey and Momo, Inc. (Aromaflage)</u> (proposed consent order)

★★★★★ **I love Wild. I wear it every day as a ...**
By Sheri Matarese on July 26, 2016
Scent Name: Aromaflage Wild   Size: 4 Fluid Ounce
I love Wild. I wear it every day as a perfume. It also really works to keep the bugs away. It smells very musky and woodsy. Its [sic] an amazing product.

* * *

★★★★★ **Both men and women love it.**
By Stacey Tompkins on July 26, 2016
Scent Name: Aromaflage Wild   Size: 4 Fluid Ounce
We use this at our lakehouse all summer. Both men and women love it….Our guests are happy and with no bug bites[.]

* * *

★★★★★ **Finally felt like a lady outdoors**
By Melissa Matarese on July 26, 2016
Scent Name: Aromaflage Wild   Size: 4 Fluid Ounce
I wouldn't have survived my last trip to Nevis without this. Finally felt like a lady outdoors. It works too. no [sic] bites!

* * *

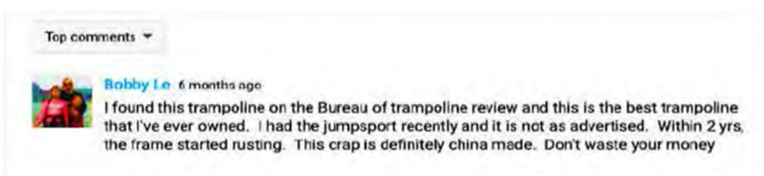
★★★★★ **Five Stars**
By Mary Denker on July 28, 2016
Scent Name: Aromaflage Wild   Size: 4 Fluid Ounce
Was the must have item on my trip to the Costa Rican jungle.

<u>In the Matter of Mikey and Momo, Inc. (Aromaflage)</u> (proposed consent order)

In the Matter of Telomerase Activation Sciences, Inc. (proposed consent order)

CSGOLotto, Inc., Trevor Martin, a/k/a TmarTn, and Thomas Cassell a/k/a Syndicate (consent order)

ICP Construction, Benjamin Moore & Company, Inc., Moonlight Slumber, LLC, Son Le and Bao Le, NextGen Nutritionals LLC and Ashley Madison (consent orders)



In the Matter of Son Le and Bao Le (consent order)

WORLD PATENT MARKETING

FTC v. World Patent Marketing Inc. (stipulated order)

Email from company president

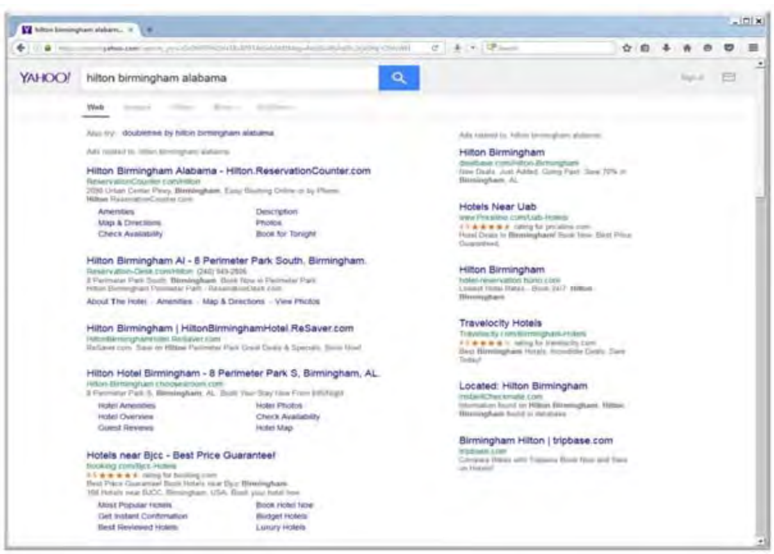
to a dissatisfied customer

"Hey Genius [ ]   I understand you emailed one of my board members telling her you think my company lacks integrity and you think we might be a fraud. Just wanted to let you know that is probably going to be the most expensive email you ever sent. I hope it was worth it . . . Meet my attorneys [   ]. They really enjoy meeting new people."

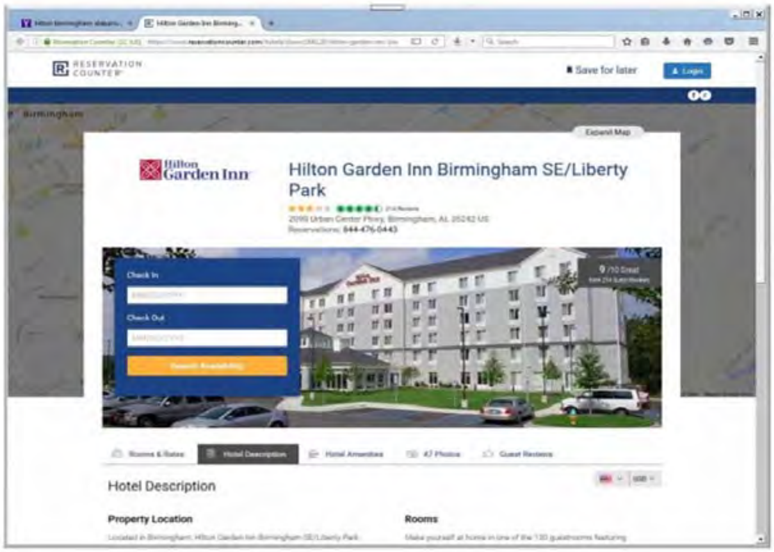
Consumer Review Fairness Act

CRFA prohibits contract provisions that:

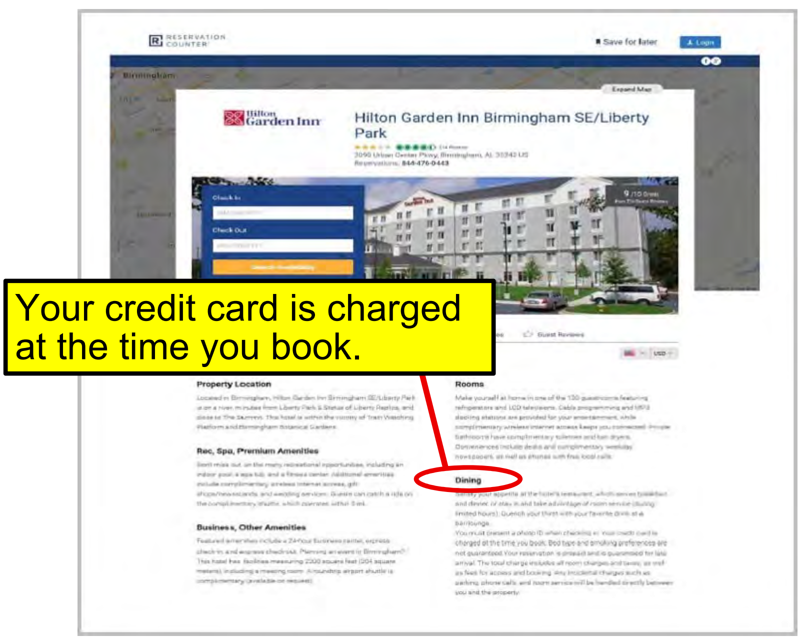
1. restrict person's ability to review a company's products, services, conduct;
2. imposes a penalty against someone who gives a review; or
3. requires people to give up intellectual property rights in the content of their reviews.



In the Matter of Reservation Counter (consent order)



In the Matter of Reservation Counter (consent order)



In the Matter of Reservation Counter (consent order)

All plans include:

	Unlimited Data (Email/Web) Visual Voicemail		
SMS Text Messaging	+200 5¢/add'l	+1500 3¢/add'l	UNLIMITED
Consumer Data Plan	$20	$30	$40
Enterprise Data Plan*	$45	$55	$65

FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FEDERAL TRADE COMMISSION, *Plaintiff-Appellee*, v. AT&T MOBILITY LLC, a limited liability company, *Defendant-Appellant*.	No. 15-16585 D.C. No. 3:14-cv-04785-EMC OPINION

Appeal from the United States District Court
for the Northern District of California
Edward M. Chen, District Judge, Presiding

Argued and Submitted En Banc September 19, 2017
San Francisco, California

Filed February 26, 2018

Before: Sidney R. Thomas, Chief Judge, and Stephen Reinhardt, Susan P. Graber, M. Margaret McKeown, William A. Fletcher, Johnnie B. Rawlinson, Milan D. Smith, Jr.*, N. Randy Smith, Jacqueline H. Nguyen, Paul J. Watford and Michelle T. Friedland, Circuit Judges.

Opinion by Judge McKeown

* Judge Milan D. Smith, Jr. was drawn to replace Judge Alex Kozinski, who retired after oral argument but before this opinion was published.

FTC v. AT&T Mobility, 883 F.3d 848 (9th Cir. 2018) (en banc)

DATA SECURITY and CONSUMER PRIVACY

dish

United States, California, Illinois, North Carolina, and Ohio v. Dish Network, LLC (order for permanent injunction)

District court order imposing $280 million civil penalty

"Dish's denial of responsibility and lack of regard for consumers are deeply disturbing and support the inference that it is reasonably likely that Dish will allow future illegal calls absent government pressure."

United States v. Vtech Electronics Limited (stipulated order)

FTC DATA SECURITY CASES

FTC CONSUMER PRIVACY CASES

FTC and New Jersey v. VIZIO, INC. and VIZIO Inscape Services, LLC (stipulated order)

BLU

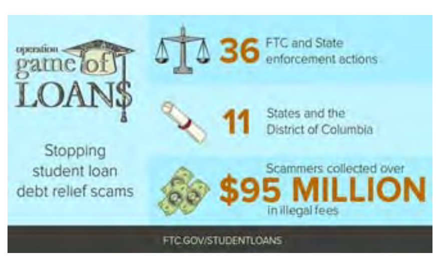
BOLD LIKE US

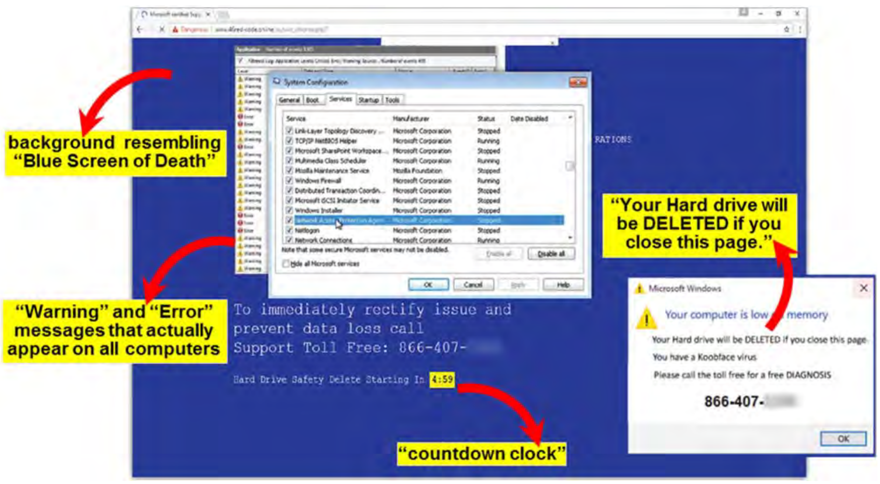
BLU Products, Inc. (consent order)

UBER

In the Matter of Uber Technologies, Inc. (proposed consent order)

FINANCIAL PRACTICES and FINTECH





Operation Tech Trap

Army Enlist: Home
www.armyenlist.com/
Active Duty is a full time commitment. In many ways it is like having a full-time civilian job. A soldier's day is divided into work and off-hours. The length of service ...

Requirements
To enlist in the Army Reserve you must be: Between the...

Reserve
When you join the Army Reserve, you can serve your...

7 Steps to Join
7 Steps to Join. Step 1 – Is The Army Right For Me? Any...

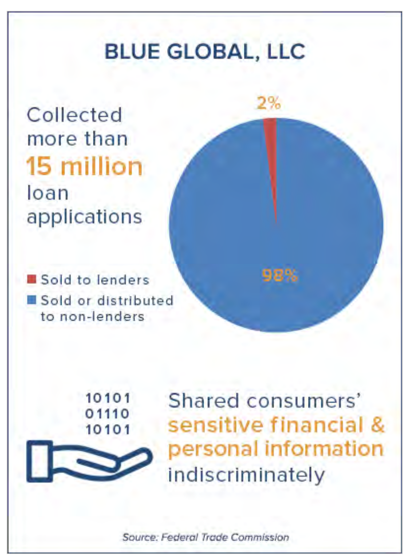
Contact Us
U.S. Army Information: To contact a recruiter Click...

ROTC
Army ROTC (Reserve Officers' Training Corps) is one of...

ASVAB Basics
Prepare for the Career you want, ACE THE ASVAB with...

FTC v. Sun Key Publishing (stipulated order)

FTC v. Sun Key Publishing (stipulated order)



FTC v. Blue Global (stipulated order)

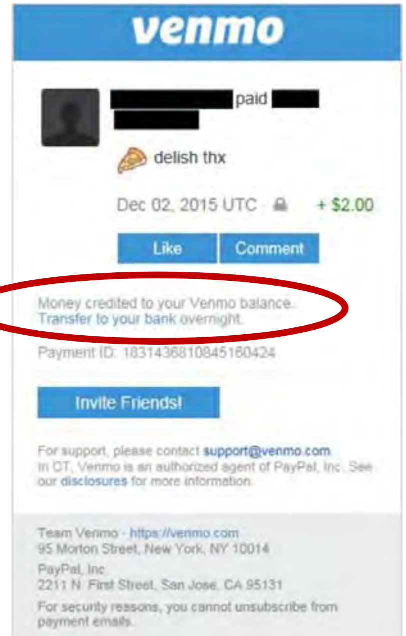
Decrypting Cryptocurrency Scams

FINTECH SERIES
Crowdfunding & Peer-to-Peer Payments

FINTECH SERIES
Marketplace Lending

FINTECH SERIES
Artificial Intelligence and Blockchain

Money credited to your Venmo Balance. Transfer to your bank overnight.

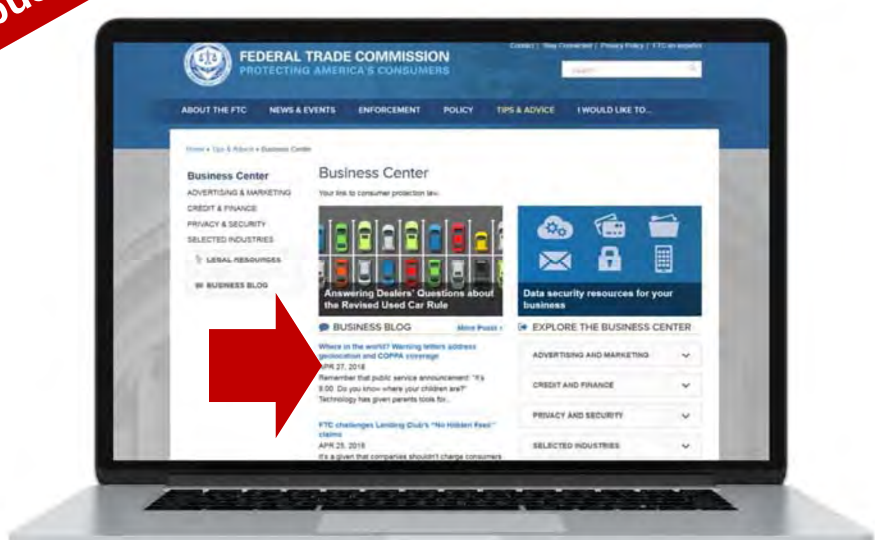


In the Matter of PayPal, Inc. (consent order)

FTC v. LendingClub Corporation (complaint filed)

How can attorneys keep current on FTC enforcement?

business.ftc.gov




OMG.
They let her blog?


Lesley Fair
lfair@ftc.gov
ftc.gov/subscribe

FEDERAL TRADE COMMISSION ADVERTISING ENFORCEMENT

Lesley Fair
Revised July 1, 2018

This document was written by the staff of the Bureau of Consumer Protection and doesn't reflect the opinions of the Bureau or the FTC. This isn't a comprehensive list of all FTC law enforcement actions. For more information, visit ***ftc.gov*** and ***business.ftc.gov.***

I. LEGAL FRAMEWORK

A. Commission's Statutory Authority in Advertising Cases

1. Section 5 of the FTC Act: 15 U.S.C. § 45 gives the Commission broad authority to prohibit "unfair or deceptive acts or practices."

2. Sections 12-15 of the FTC Act: 15 U.S.C. §§ 52-55 prohibits the dissemination of misleading claims for food, drugs, devices, services or cosmetics.

3. Section 13(b) of the FTC Act: 15 U.S.C. § 53 authorizes the FTC to file suit in United States District Court to enjoin an act or practice that is in violation of any provision of law enforced by the FTC.

B. Deception: Deception Policy Statement, appended to Cliffdale Associates, Inc., 103 F.T.C. 110, 174 (1984), cited with approval in Kraft, Inc. v. FTC, 970 F.2d 314 (7th Cir. 1992), cert. denied, 507 U.S. 909 (1993). An advertisement is deceptive if it contains a misrepresentation or omission that is likely to mislead consumers acting reasonably under the circumstances to their detriment. Although deceptive claims are actionable only if they are material to consumers' decisions to buy or use the product, the Commission need not prove actual injury to consumers.

C. Unfairness: Unfairness Policy Statement, appended to International Harvester Co., 104 F.T.C. 949, 1070 (1984). A practice is unfair if it causes or is likely to cause substantial consumer injury that is not reasonably avoidable by consumers themselves and which is not outweighed by countervailing benefits to consumers or competition. "In determining whether an act or practice is unfair, the Commission may consider established public policies as evidence to be considered with all other evidence. Such public policy considerations may not serve as a primary basis for such determination." 15 U.S.C. § 45(n). According to the Conference Report, the definition of "unfair" is derived from the Commission's 1980 Unfairness Policy Statement, the Commission's 1982 letter on the subject, and interpretations and applications in specific proceedings before the Commission. Rep. No. 617, 103d Cong., 2d Sess. (1994), 140 Cong. Rec. H6006 (daily ed. July 21, 1994).

II. REMEDIES FOR VIOLATIONS OF THE LAW

A. Cease and Desist Orders: In advertising cases, the basic administrative remedy is a cease and desist order. The purpose of the order is two-fold: 1) to enjoin the illegal conduct alleged in the complaint; and 2) to prevent future violations of the law. FTC v. Colgate-Palmolive Co., 380 U.S. 374 (1965). The voluntary cessation of an advertising campaign is "neither a defense to liability, nor grounds for omission of an order." Sears, Roebuck & Co., 95 F.T.C. 406, 520 (1980), citing Fedders Corp. v. FTC, 529 F.2d 1398, 1403 (2d Cir. 1976).

B. Fencing-In: "If the Commission is to attain the objectives Congress envisioned, it cannot be required to confine its road block to the narrow lane the transgressor has traveled; it must be allowed effectively to close all roads to the prohibited goal, so that its order may not be by-passed with impunity." FTC v. Ruberoid Co., 343 U.S. 470, 473 (1952). Therefore, "those caught violating the Act must expect some fencing in." FTC v. National Lead Co., 352 U.S. 419 (1957); see FTC v. Universal-Rundle Corp., 387 U.S. 244 (1967). The Supreme Court has afforded the Commission broad discretion in fashioning fencing-in provisions that will not be disturbed except "where the remedy selected has no reasonable relation to the unlawful practices found to exist." Jacob Siegel Co. v. FTC, 327 U.S. 608, 612-13 (1946). Courts have upheld FTC orders encompassing all products the company markets or all products in a broad category, based on violations involving only a single product or group of products. ITT Continental Baking Co. v. FTC, 532 F.2d 207 (2d Cir. 1976). Among the factors the FTC will consider in determining the appropriate remedy are the seriousness of the violation, the violator's record with respect to deceptive practices, and the potential transferability of the illegal practice to other products. Sears, Roebuck & Co. v. FTC, 676 F.2d 385, 391 (9th Cir. 1982). The weight given a particular factor or element will vary. The more egregious the facts with respect to a particular element, the less important it is that another negative factor be present. Id. at 391-92. See also Telebrands Corp. v. FTC, 457 F.3d 354 (4th Cir. 2006).

C. Corrective Advertising: If merely prohibiting future misrepresentations will not dispel misperceptions conveyed through prior misrepresentations, the FTC may order corrective advertising. See Warner-Lambert Co. v. FTC, 562 F.2d 749 (D.C. Cir. 1977) (upholding order enjoining company from representing that Listerine helps prevent colds and sore throats and requiring it for a specific period to state in future advertising "Listerine will not help prevent colds or sore throats or lessen their severity"). Representative corrective advertising cases:

- Novartis Corp. v. FTC, 223 F.3d 783 (D.C. Cir. 2000) (upholding Commission order requiring marketer of Doan's pills to run corrective advertising to remedy deceptive claim that product is superior to other analgesics for treating back pain)

- Unocal Corp., 117 F.T.C. 500 (1994) (consent order) (requiring gasoline company to mail corrective notices to credit card holders who had received ads making unsubstantiated performance claims for higher octane fuels)

- Eggland's Best, Inc., 118 F.T.C. 340 (1994) (consent order) (requiring egg marketer to label packaging for one year with corrective notice regarding product's effect on serum cholesterol)

D. Other Remedies: The FTC may require advertisers to make accurate information available through disclosures, direct notification, or other forms of education or may seek additional remedies to correct deceptive or unfair practices.

1. Representative disclosure cases:

   - FTC v. Western Botanicals, Inc., No. CIV.S-01-1332 DFL GGH (E.D. Cal. July 11, 2001); and FTC v. Christopher Enterprises, Inc., No. 2:01-CV-0505-ST (D. Utah Nov. 29, 2001) (stipulated orders) (prohibiting sale of comfrey without proof of safety and requiring warnings that internal use can cause serious liver damage or death)

   - Panda Herbal Int'l, Inc., 132 F.T.C. 125 (2001), and ForMor, Inc., 132 F.T.C. 72 (2001) (consent orders) (requiring warnings in labeling and advertising that St. John's Wort can have dangerous interactions for patients taking certain prescription drugs and for pregnant women)

   - Aaron Co., 132 F.T.C. 172 (2001) (consent order) (requiring warnings in labeling and advertising that products with ephedra can have dangerous effects, including heart attack, stroke, seizure, and death)

   - FTC v. Met-Rx USA, Inc., No. SAC V-99-1407 (D. Colo. Nov. 15, 1999), and FTC v. AST Nutritional Concepts & Research, No. 99-WI-2197 (C.D. Cal. Nov. 15, 1999) (stipulated orders) (requiring labeling and advertising for supplements containing androgen and other steroid hormones to disclose "**WARNING:** This product contains steroid hormones that may cause breast enlargement, testicle shrinkage, and infertility in males, and increased facial and body hair, voice deepening, and clitoral enlargement in females. Higher doses may increase these risks. If you are at risk for prostate or breast cancer, you should not use this product.")

   - R.J. Reynolds Tobacco Co., 128 F.T.C. 262 (1999) (consent order) (requiring marketer of Winston "no additives" cigarettes to disclose that "No additives in our tobacco does NOT mean a safer cigarette")

- Global World Media Corp., 124 F.T.C. 426 (1997) (consent order) (requiring marketer to disclose "WARNING: This product contains ephedrine which can have dangerous effects on the central nervous system and heart and could result in serious injury. Risk of injury increases with dose.")

- Safe Brands Corp., 121 F.T.C. 379 (1996) (consent order) (requiring marketer of Sierra antifreeze to include a statement on containers warning that product may be harmful if swallowed) practices.

2. Representative disclosure cases:

   - FTC v. Lumos Labs, Inc., No. 3:16-CV-00001 (N.D. Cal. Jan. 5, 2016) (stipulated final judgment) (requiring marketers of Lumosity "brain training" program to notify customers online and via email of one-step mechanism for cancelling product's auto-renewal feature)

   - Oracle Corporation, C-4571 (Dec. 29, 2015) (consent order) (requiring notice to consumers during Java SE update process if they have outdated versions of the software and announcement via social media to inform consumers about deceptive claims regarding security of Java SE)

   - BMW of North America, LLC, C-4555 (Mar. 19, 2015) (consent order) (requiring company to contact affected MINI owners to correct false statement about warranty terms made in violation of the Magnuson-Moss Warranty Act and Section 5)

   - Brake Guard Products, Inc., 125 F.T.C. 138 (1998) (requiring seller of purported after-market braking system to notify distributors and purchasers that FTC has determined ad claims to be deceptive)

   - PhaseOut of America, Inc., 123 F.T.C. 395 (1997) (consent order) (requiring marketer of device advertised to reduce health risks of smoking to notify purchasers that the product has not been proven to reduce the risk of smoking-related diseases)

   - Consumer Direct, Inc., 113 F.T.C. 923 (1990) (consent order) (requiring marketer of Gut Buster exercise device to mail warnings to purchasers regarding serious safety hazard) practices.

3. Representative consumer education cases:

   - FTC v. WebTV Networks, Inc., C-3988 (Dec. 12, 2000) (consent order) (to settle charges that company made deceptive claims about product's capabilities, requiring educational campaign to inform consumers about evaluating internet access devices)

- United States v. Macys.com, Inc., (D. Del. July 26, 2000) (consent decree) (to settle Mail Order Rule violations, civil penalty of $350,000 and requirement that company post ads on search engines to alert consumers about online shopping rights)

- United States v. Bayer Corp., No. CV00-132 (NHP) (D.N.J. Jan. 11, 2000) (consent decree) (to settle charges that company made deceptive claims about use of aspirin to prevent heart attacks and strokes in the general population, requiring campaign about proper use of aspirin therapy and disclosure in ads, "Aspirin is not appropriate for everyone, so be sure to talk with your doctor before beginning an aspirin regimen")

- United States v. Mazda Motor of America, No. SACV- 99-1213 AHS (C.D. Cal. Sept. 30, 1999) (consent decree) (requiring distribution of consumer education materials to settle charges that Mazda failed to make clear and conspicuous disclosures of leasing terms)

- Exxon Corp., 124 F.T.C. 249 (1997) (consent order) (to settle charges that advertiser made misleading claims about gasoline's ability to clean engines and reduce maintenance costs, requiring consumer education campaign, including TV ads and brochure)

- Schering-Plough Healthcare Products, Inc., 123 F.T.C. 1301 (1997) (consent order) (requiring marketer of Coppertone Kids Waterproof Sunblock to distribute educational brochures about sunscreen protection)

- California SunCare, Inc., 123 F.T.C. 332 (1997) (consent order) (requiring prominent cautionary statement about hazards of sun exposure in future advertising for sun tanning products)

- Blenheim Expositions, 120 F.T.C. 1078 (1995) (consent order) (requiring producer of franchise trade shows to distribute copies of FTC's *Consumer's Guide to Buying a Franchise* to attendees)

4. Other conduct-based remedies

- FTC v. v. Herbalife International of America, Inc., No. 2:16-CV-05217 (C.D. Cal. July 15, 2016) (stipulated order) ($200 million redress and requiring multilevel marketing company to restructure U.S. operations to, among other things, eliminate incentives that reward distributors primarily for recruiting, rather than retail sales)

- HTC America, Inc., 155 F.T.C. 1617 (2013) (consent order) (requiring mobile device manufacturer to implement program to install patches to correct security flaws)

- Phusion Projects, LLC, 155 F.T.C. 212 (2013) (consent order) (requiring relabeling and repackaging to settle charges that company made false claims for malt beverage)

- United States v. Telebrands Corp., No. 96-0827-R (W.D. Va. Sept. 2, 1999) (consent decree) (ordering recidivist to pay $800,000 civil penalty and to hire FTC-approved monitor to audit compliance with the Mail Order Rule)

E. Bans and bonds: Courts have banned individuals from certain industries, required them to post bonds before engaging in business, or ordered other remedies to ensure compliance. See, e.g., FTC v. Douglas Gravink and Gary Hewitt, No. 09-CV-4719 (C.D. Cal. Aug. 23, 2012) (final judgment) (lifetime ban from infomercials, telemarketing, or assisting others in those fields). See also Synchronal Corp., 116 F.T.C. 1189 (1993) (consent order). Representative cases:

- FTC v. E.M.A. Nationwide, Inc., 767 F.3d 611 (6th Cir. 2014) (upholding district court order banning telemarketer from pitching mortgage and debt relief programs)

- FTC v. NHS Systems, Inc., No. 08-CV-2215 (E.D. Pa. Apr. 24, 2013) (permanent injunction) (lifetime ban from telemarketing and charging consumers' bank accounts)

- FTC v. Fereidoun "Fred" Khalilian, No. 10-21788-CIV (S.D. Fla. Jan. 10, 2011) (stipulated injunction) (lifetime ban from telemarketing to settle charges of using illegal robocalls to sell auto service contracts)

- FTC v. United Credit Adjusters, Inc., No. 09-798 (JAP) (D.N.J. Apr. 22, 2010) (default order) ($7.5 million judgment and lifetime ban from selling credit repair and mortgage relief services)

- United States v. Global Mortgage Funding, Inc., No. SA CV 07-1275 (C.D. Cal. July 23, 2009) (five-year ban for calling numbers on Do Not Call Registry and failing to transmit accurate caller ID information)

- FTC v. Wintergreen Systems, No. 3:09-CV-00124-EMC (N.D. Cal. Jan. 13, 2009) (stipulated judgment) (lifetime ban from rebate programs)

- FTC v. 7 Day Marketing, Inc., No. CV-08-01094-ER-FFM (C.D. Cal. Feb. 27, 2008) (permanent injunction) (banning individuals who sold "7 Day Miracle Cleanse Program" from marketing via infomercial or marketing any health-related product in any medium)

- FTC v. AmeriDebt, Inc. and Andris Pukke, No. PJM-03-3317 (D. Md. Sept. 13, 2006) (stipulated judgment) ($13 million redress and lifetime ban from credit counseling, debt management, and credit education activities)

- FTC v. International Research and Development Company of Nevada, No.04C 6901 (N.D. Ill. Aug. 22, 2006) (stipulated order)(banning marketers of FuelMAX and SuperFuelMAX for from sale of similar fuel saving or emissions-decreasing products)

- FTC v. Sloniker, No. CIV 02 1256 PHX RCB (D. Ariz. Feb. 6, 2003) (stipulated judgment) (banning principals for life from any future telemarketing activities)

- FTC v. American Urological Corp., No. 98-CVC-2199-JOD (N.D. Ga. Apr. 29, 1999) (permanent injunction) ($6 million bond for marketer of Väegra, a purported impotence treatment)

F. Trade Name Excision: The FTC has authority to forbid the future use of a brand name or trade name when less restrictive remedies, such as affirmative disclosures, would be insufficient to eliminate the deception conveyed by the name or would lead to a confusing contradiction in terms. ABS Tech Sciences, Inc., 126 F.T.C. 229 (1998) (enjoining company from using "ABS" as part its trademark or trade name because consumers would likely confuse it with factory-installed anti-lock braking systems). See also Continental Wax Corp. v. FTC, 330 F.2d 475 (2d Cir. 1964); Thompson Medical Co., 104 F.T.C. at 837-39.

G. Consumer Redress, Disgorgement, and Other Financial Remedies: Pursuant to its inherent equitable powers, a district court may order redress or disgorgement of profits under Section 13(b). See FTC v. Ross, 743 F.3d 886 (4th Cir. 2014); FTC v. Bronson Partners, LLC, 654 F.3d 359 (2d Cir. 2011); FTC v. H.N. Singer, Inc., 668 F.2d 1107 (9th Cir. 1982). In addition, Commission consent orders often include provisions for marketers to pay redress or disgorge profits. The FTC also may seek redress pursuant to Section 19 of the FTC Act, 15 U.S.C. § 57b.

1. Representative Section 13(b) cases:

   - FTC v. Western Union Company, No. 1:17-CV-00110-CCC (M.D. Pa. Jan. 19, 2017) (stipulated order) ($586 million to settle FTC and DOJ charges of consumer fraud and violations of anti-money laundering laws)

   - FTC and 51 State AGs v. Cancer Fund of America, CV15-884 PHX NVW (D. Az. Mar. 30, 2016) (stipulated judgments) (settlement that dissolves network of bogus cancer charities that used only small percentage of $187 million in donations on cancer-related services)

   - FTC v. T-Mobile USA, Inc., 2:14-CV-0097-JLR (W.D. Wash. Dec. 19, 2014) (stipulated order) (at least $90 million redress for mobile cramming, billing consumers for unauthorized third-party charges)

- FTC v. Skechers U.S.A. Inc., No 1:12-CV-01214-JG (N.D. Ohio May 16, 2012) (stipulated judgment) ($40 million redress for deceptive claims that Skechers Shape-ups and other shoes would help people lose weight, and strengthen and tone the buttocks, legs and abdominal muscles)

- FTC v. Reebok International Ltd., No. 1:11-CV-02046-DCN (N.D. Ohio Sept. 28, 2011) (stipulated judgment) ($25 million redress for deceptive claims that Reebok EasyTone and RunTone shoes would provide extra toning and strengthening of leg and buttock muscles)

- FTC v. CompuCredit Corp., No. 1:08-CV-1976-BBM-RGV (N.D. Ga. Dec. 19, 2008) (stipulated order) ($114 million redress in the form of reversed charges for subprime credit card marketer's illegal practices, including undisclosed fees)

- FTC v. The Bear Stearns Companies, No. 4:08-CV-338 (E.D. Tex. Sept. 9, 2008) (stipulated judgment) ($28 million redress for violations of FTC Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, and the Truth-in-Lending Act for unlawful practices related to servicing consumers' mortgages)

- FTC v. International Product Design, No. 1:97-CV-01114-GBL-TCB (E.D. Va. Sept. 6, 2007) (stipulated order) ($60 million redress for customers of purported invention promotion company)

- FTC v. AmeriDebt, Inc., No. PJM-03-3317 (D. Md. Sept. 13, 2006) (stipulated judgment) ($13 million for false claims that company was nonprofit credit counseling organization when, in fact, company funneled money to affiliated for-profit entities and individuals and didn't provide advertised services to consumers)

- FTC v. Rexall Sundown, Inc., No. 00-706-CIV (S.D. Fla. Mar. 11, 2003) (stipulated order) (up to $12 million redress for deceptive claims for purported anti-cellulite product Cellasene)

- FTC v. Smolev and Triad Discount Buying Service, Inc., No. 01-8922- CIV-Zloch (S.D. Fla. Oct. 24, 2001) (stipulated order) (action by FTC and 40 states ordering $9 million redress from buying clubs that misled consumers into accepting trial memberships and obtained consumers' billing information from telemarketers without authorization)

- FTC v. Enforma Natural Products, Inc., No. 04376JSL(CWx) (C.D. Cal. Apr. 26, 2000) (stipulated order) ($10 million redress from marketer of purported weight loss products)

- FTC v. American Urological Corp., No. 98-CVC-2199-JOD (N.D. Ga. Apr. 29, 1999) (permanent injunction) ($18.5 million for deceptive claims for purported impotence treatment Väegra)

- FTC v. SlimAmerica, Inc., No. 97-6072-Civ (S.D. Fla. 1999) (permanent injunction) ($8.3 million redress for false weight loss claims)

- FTC v. Amy Travel Service, Inc., 875 F.2d 564 (7th Cir. 1988) (upholding district court's award of redress under Section 13(b) to victims of fraudulent travel promotion)

- FTC v. International Diamond Corp., No. C-82-078 WAI (JSB) (N.D. Cal. Nov. 8, 1983) (upholding court's authority to order redress under Section 13(b) of the FTC Act)

2. Representative Section 19 cases:

- FTC v. Telebrands Corp., No. 2:07-CV-3525 (D.N.J. Jan. 14, 2009) (stipulated order) ($7 million redress for false weight loss and muscle claims for Ab Force abdominal belt). See also Telebrands Corp. v. FTC, 457 F.3d 354 (4th Cir. 2006), aff'g, 140 F.T.C. 278 (2005).

- FTC v. Figgie, Inc., 994 F.2d 595 (9th Cir. 1993) (upholding award of redress following FTC's finding of Section 5 violation for deceptive safety representations for heat detectors)

3. Representative administrative orders with financial or other remedies:

- Sony Computer Entertainment America LLC, 159 F.T.C. 1128 (2014) (consent order) (requiring company to give consumers choice of $50 merchandise voucher or $25 refund for deceptive claims about capabilities of PS Vita gaming device)

- Beiersdorf, Inc., 152 F.T.C. 414 (2011) (consent order) ($900,000 redress for deceptive claims that Nivea My Silhouette! skin cream can significantly reduce users' body size)

- ValueVision International, Inc., 132 F.T.C. 338 (2001) (consent order) (requiring home shopping company to offer refunds to purchasers of weight loss, cellulite, and baldness products)

- Weider Nutrition International, Inc., C-3983 (Nov. 17, 2000) (consent order) ($400,000 redress for false weight loss claims for PhenCal, marketed as safe alternative to prescription drug combination Phen-Fen)

- Dura Lube, Inc., D-9292 (May 5, 2000) (consent order) ($2 million redress for deceptive claims for engine treatment)

- Apple Computer, Inc., 128 F.T.C. 190 (1999) (consent order) (challenging company's practice of charging owners for technical support despite advertising that services were free and requiring company to honor representation that customers would receive free support for as long as they own the product)

- Apple Computer, Inc., 124 F.T.C. 184 (1997) (consent order) (requiring company to provide computer upgrade kits at reduced cost and to offer rebates to purchasers)

- Azrak-Hamway International, 121 F.T.C. 507 (1996) (consent order) (requiring toymaker to offer refunds to consumers and to notify TV stations that ran ad of Children's Advertising Review Unit's policies)

- L & S Research Corp., 118 F.T.C. 896 (1994) (consent order) ($1.45 million in disgorgement for deceptive claims for Cybergenics bodybuilding products)

H. Civil Penalties for Violations of FTC Orders and Trade Regulation Rules: Section 5(l) of the FTC Act authorizes the Commission to seek civil penalties in federal court for violations of cease and desist orders. Section 5(m) authorizes the Commission to seek civil penalties for violations of trade regulation rules.

1. Representative order violation cases:

- United States v. New World Auto Imports, No. 3:16-CV-2401-K (N.D. Tex. Aug. 18, 2016) (stipulated order) ($85,000 civil penalty for deceptive auto ads, in violation of 2014 FTC order)

- United States v. Billion Auto, No. C14-4118-MWB (N.D. Ia. Dec. 12, 2014) (stipulated order) ($360,000 civil penalty for deceptive auto ads, in violation of 2012 FTC order)

- United States v. ICON Health and Fitness, Inc., No. 1:14-CV-1578 (D.D.C. Sept. 14, 2014) (stipulated order) ($3 million civil penalty for deceptive weight loss and fitness claims for ab GLIDER, in violation of 1997 FTC order)

- FTC v. AJM Packaging Corp., No. 1:13-CV-1510 (D.D.C. Oct. 29, 2013) (stipulated order) ($450,000 civil penalty for violating 1994 FTC order barring deceptive environmental claims)

- United States v. Google Inc., No. 5:12-CV-04177-HRL (N.D. Cal. Aug. 9, 2012) (stipulated order) ($22.5 million civil penalty for misrepresenting privacy assurances to users of Apple's Safari browser, in violation of 2011 FTC order)

- United States v. Bayer Corp., No. 07-01 (HAA) (D.N.J. Jan. 4, 2007) (consent decree) ($3.2 million civil penalty for deceptive weight loss claims for One-A-Day WeightSmart, in violation of 1991 FTC order)

- United States v. NBTY, Inc., No. CV-05-4793 (E.D.N.Y. Oct. 12, 2005) (consent decree) ($2 million civil penalty for violating terms of FTC order by making deceptive health claims for Royal Tongan Limu and Body Success PM Diet Program)

- United States v. ValueVision International, Inc., No. 03-2890 (D. Minn. Apr. 17, 2003) (consent decree) ($215,000 civil penalty for violations of FTC order related to unsubstantiated health claims)

- United States v. Mazda Motor of America, Inc., (C.D. Cal. Sept. 30,1999) (consent decree) ($5.25 million civil penalty for violations of FTC and state orders related to car leasing ads)

- United States v. Nu Skin International, Inc., No. 97-CV-0626G (D. Utah Aug. 6, 1997) (stipulated permanent injunction) ($1.5 million civil penalty against seller of weight loss products for violating FTC order barring deceptive claims)

- United States v. STP Corp., No. 78 Civ. 559 (CBM) (S.D.N.Y. Dec. 1, 1995) (stipulated permanent injunction) ($888,000 civil penalty against motor oil additive manufacturer for violating FTC order barring deceptive claims)

- In re Dahlberg, No. 4-94-CV-165 (D. Minn. Nov. 21, 1995) (stipulated injunction) ($2.75 million civil penalty against hearing aid manufacturer for violating FTC order)

- United States v. General Nutrition Corp., No. 94-686 (W.D. Pa. Apr. 28, 1994) (stipulated permanent injunction) ($2.4 million civil penalty for violating FTC order requiring substantiation for disease, weight loss, and muscle building claims)

2. Representative rule violation cases:

- United States v. Dish Network, 309-CV-03073-JES-CHE (June 6, 2017) (amended order for permanent injunction) ($280 million civil penalty in federal-state action finding Dish Network violated Telemarketing Sales Rule by initiating, or causing others to initiate, calls to numbers on Do Not Call Registry)

- United States v. Sprint Corp., No. 2:15-CV-9340 (D. Kan. Oct. 21, 2015) (stipulated order) ($2.95 million civil penalty for violation of Fair Credit Reporting Act's Risk-Based Pricing Rule)

- United States v. Sumpolec, No. 6:09-CV-00378-CEH-KRS (M.D. Fla. Jan 31, 2013) (judgment and order) ($350,000 civil penalty for R-value Rule violations and deceptive claims about insulation)

- United States v. Prochnow, No. 1 02-CV-917 (N.D. Ga. Sept. 11, 2006) (permanent injunction) ($5.4 million civil penalty and disgorgement of $1.6 million for magazine seller's violations of Telemarketing Sales Rule and 1996 FTC consent order)

- United States v. Scholastic Inc. and Grolier Inc., No.1:05CV01216 (D.D.C. June 21, 2005) (consent decree) ($710,000 civil penalty for book clubs' violations of Negative Option Rule, Unordered Merchandise Statute, Telemarketing Sales Rule, and FTC Act)

- United States v. Igia, No. 04-CV-3038 (S.D.N.Y. Apr. 21, 2004) (consent decree) ($300,000 civil penalty for violations of Mail Order Rule by marketer of Epil-Stop depilatory product)

- United States v. Deer Creek Products, No. 03-61592-CIV (S.D. Fla. Aug. 19, 2003) (consent decree) (suspended $150,000 civil penalty against marketer of Big Mouth Billy Bass for violations of Mail Order Rule)

- United States v. Staples, Inc., No. 03-10958 GAO (D. Mass. May 22, 2003) (consent decree) ($850,000 civil penalty for office supply company's violation of the Mail Order Rule through misleading "real time" inventory availability and delivery claims)

- United States v. Oxmoor House, Inc., No. CV-02-B-2735-S (N.D. Ala. Nov. 7, 2002) (consent decree) ($500,000 civil penalty for publisher's violation of Unordered Merchandise Statute, Negative Option Rule, and Telemarketing Sales Rule for misrepresenting terms of free trial membership in book club)

- United States v. Toysrus.com, (D.N.J.); United States v. Kay-Bee Toy, (D. Minn.); United States v. Macys.com, (D. Del.); United States v. CDnow, (E.D. Pa.); United States v. MiniDiscNow, Inc., (N.D. Cal.); United States v. The Original Honey Baked Ham Company of Georgia, (N.D. Ga.); and United States v. Patriot Computer Corp., (N.D. Tex.) (July 26, 2000) (consent decrees) (total of $1.5 million civil penalties for holiday shipping delays)

- United States v. Iomega Corp., No. 98-CV-00141C (D. Utah Dec. 9, 1998) (consent decree) ($900,000 civil penalty for Mail Order Rule violation)

- United States v. Dell Computer Corp., No. 98-CA-0210 (W.D. Tex. Apr. 2, 1998) (consent decree) ($800,000 civil penalty for Mail Order Rule violation)

I. Contempt Actions for Violations of District Court Orders: Federal district court orders may be enforced through civil or criminal contempt actions. Representative cases:

- FTC v. BlueHippo Funding, LLC, BlueHippo Capital, LLC, and Joseph Rensin, No. 08-CIV-1819 (PAC) (S.D.N.Y. May 2, 2016) (opinion) ($13.4 million compensatory contempt sanction for violations of previous order regarding marketing computers to consumers with poor credit)

- FTC v. LifeLock, Inc., No. 2:10-CV-00530-MHM (D. Ariz. Jan. 5, 2016) (amended order) ($100 million to settle contempt charges that LifeLock violated terms of 2010 court order requiring company to secure consumers' personal information and prohibiting deceptive advertising)

- FTC v. Crystal Ewing, No. 2:07-CV-000479-PMP (GWF) (D. Nev. Feb. 11, 2015) (contempt order) ($9.5 million contempt judgment for violating order banning defendant from prize promotions)

- FTC v. Neovi, Inc., d/b/a Qchex.com, No. 06-CV-1952-JLS (JMA) (S.D. Cal. July 27, 2012) (contempt order) ($100,000 restitution and $10,000 per day fine for Internet-based check creation and delivery service's violations of 2009 court order). See also FTC v. Neovi, Inc., 604 F.3d 1150 (9th Cir. 2010).

- FTC v. EdebitPay, LLC, No. 2:07-CV-04880-ODW-AJW (C.D. Cal. May 25, 2011) (contempt order) (requiring marketer to pay $3.7 million for violating 2008 court order)

- United States v. Ferrara, 334 F.3d 774 (8th Cir. 2003) (upholding 125-month sentence for criminal contempt arising from violation of court order barring violations of the FTC's Franchise Rule)

III. ADVERTISING SUBSTANTIATION

A. ***Advertising Substantiation Policy Statement:*** Appended to Thompson Medical Co., 104 F.T.C. 648, 839 (1984), aff'd, 791 F.2d 189 (D.C. Cir. 1986), cert. denied, 479 U.S. 1086 (1987), the statement sets forth the requirement, articulated in prior Section 5 cases, that advertisers must have a reasonable basis for making objective claims before claims are disseminated. This doctrine was first announced in Pfizer, Inc., 81 F.T.C. 23 (1972). "In reviewing whether there is appropriate scientific substantiation for the claims made," reviewing courts are "mindful of the Commission's special expertise in determining what sort of substantiation is necessary to assure that advertising is not deceptive." POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015).

B. An advertiser must possess at least the level of substantiation expressly or impliedly claimed in the ad. See, e.g., Honeywell, Inc., 126 F.T.C. 202 (1998) (consent order) (requiring claims that imply a level of performance under specific conditions, such as household use, to be substantiated by evidence relating to those conditions).

C. If no specific level of substantiation is claimed, what constitutes a reasonable basis is determined on a case-by-case basis by analyzing six "Pfizer factors":

1. the type of claim;
2. the benefits if the claim is true;
3. the consequences if the claim is false;
4. the ease and cost of developing substantiation for the claim;
5. the type of product; and
6. the level of substantiation experts in the field would agree is reasonable.

D. For health, safety, or efficacy claims, the FTC has generally required that advertisers possess "competent and reliable scientific evidence that is sufficient in quality and quantity based on standards generally accepted in the relevant scientific fields, when considered in light of the entire body of relevant and reliable scientific evidence, to substantiate that the representation is true." FTC orders have typically defined "competent and reliable scientific evidence" to means "tests, analyses, research, or studies that have been conducted and evaluated in an objective manner by qualified persons and that are generally accepted in the profession to yield accurate and reliable results." See, e.g., HealthyLife Sciences LLC, C-4492, and John Matthew Dwyer III, C-4493 (Sept. 11, 2011) (consent orders); Brake Guard Products, Inc., 125 F.T.C. 138 (1998). Depending on the nature of the claim, the Commission has imposed more specific requirements, including randomized clinical trials (RCTs). Representative cases:

- POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015) ("Here, insofar as the Commission's order imposes a general RCT-substantiation requirement for disease claims – i.e., without regard to any particular number of RCTs – the order satisfies the tailoring components of *Central Hudson* review.")

- The Dannon Corp., 151 F.T.C. 62 (2010) (consent order) (requiring two well-designed human clinical studies for certain future health claims made by company under order for deceptive representations for Activia yogurt and DanActive beverage)

- Nestlé Healthcare Nutrition, Inc., 151 F.T.C. 1 (2010) (consent order) (requiring two well-designed human clinical studies for certain future health claims made by company under order for deceptive representations for Boost Kid Essentials)

- Schering Corp., 118 F.T.C. 1030 (1994) (consent order) (requiring that tests and studies relied upon as reasonable basis must employ appropriate methodology and address specific claims made in ad)

- FTC v. Pantron I Corp., 33 F.3d 1088 (9th Cir. 1994) (holding that consumer satisfaction surveys are insufficient to meet "competent and reliable scientific evidence" standard)

- Removatron Int'l Corp., 111 F.T.C. 206 (1988), aff'd, 884 F.2d 1489 (1st Cir. 1989) (requiring "adequate and well-controlled clinical testing" to substantiate claims for hair removal product)

- Thompson Medical Co., 104 F.T.C. 648 (1984), aff'd, 791 F.2d 189 (D.C. Cir. 1986), cert. denied, 479 U.S. 1086 (1987) (requiring two well-controlled clinical studies to substantiate certain drug claims)

IV. LIABILITY FOR FALSE OR UNSUBSTANTIATED CLAIMS

A. Principals: An advertiser is responsible for all claims, express and implied, that are reasonably conveyed by the ad. See Sears, Roebuck & Co., 95 F.T.C. 406, 511 (1980), aff'd, 676 F.2d 385 (9th Cir. 1982). Advertisers are strictly liable for violations of the FTC Act. Neither proof of intent to convey a deceptive claim nor evidence that consumers have actually been misled is required for a finding of liability. Chrysler Corp. v. FTC, 561 F.2d 357, 363 & n.5 (D.C. Cir. 1977); Regina Corp., 322 F.2d 765, 768 (3d Cir. 1963). See also Orkin Exterminating Co. v. FTC, 849 F.2d 1354 (11th Cir. 1988) (holding that company's purported good faith reliance on the advice of counsel is not a defense under Section 5).

B. Individual Liability: Corporate officers may be held individually liable for violations of the FTC Act if the officer "owned, dominated and managed" the company and if naming the officer individually is necessary for the order to be fully effective in preventing the deceptive practices found to exist. FTC v. Standard Education Society, 302 U.S. 112 (1937). See also FTC v. Ross, 743 F.3d 886 (4th Cir. 2014) (holding corporate Vice President jointly and severally liable for $163 million judgment); POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015) (holding former CEO and company president liable for deceptive practices). The Commission is not required to show that defendants intended to defraud consumers in order to hold them personally liable. FTC v. Affordable Media, 179 F.3d 1228 (9th Cir. 1999). See also FTC v. Commerce Planet, Inc., 815 F.3d 593, 601 (9th Cir. 2016) (upholding joint and several liability).

1. Individual liability is justified "where an executive officer of the respondent company is found to have personally participated in or controlled the challenged acts or practices" or if the officer held a "control position" over employees who committed illegal acts. See Rentacolor, Inc., 103 F.T.C. 400 (1984); Thiret v. FTC, 512 F.2d 176 (10th Cir. 1975).

2. Individuals are personally liable for restitution for corporate misconduct if they "had knowledge that the corporation or one of its agents engaged in dishonest or fraudulent conduct, that the misrepresentations were the type upon which a reasonable and prudent person would rely, and that consumer injury resulted." FTC v. Ross, 743 F.3d 886 (4th Cir. 2014). The knowledge requirement can be satisfied by showing the individuals had actual knowledge of a material misrepresentation, were recklessly indifferent to the deception, or were aware of the probability of fraud along with an intentional avoidance of the truth. See FTC v. Affordable Media, 179 F.3d 1228 (9th Cir. 1999); FTC v. Publishing Clearing House, Inc., 104 F.3d 1168, 1171 (9th Cir. 1996).

3. Requisite authority may be inferred from activities that exhibit signs of planning, decision making, and supervision, such as preparing or approving ads containing deceptive representations. See Southwest Sunsites, Inc. v. FTC, 785 F.2d 1431 (9th Cir. 1986).

C. Advertising Agencies: An advertising agency may be liable for a deceptive ad if the agency was an active participant in the preparation of the ad and if it knew or should have known the ad was deceptive. Standard Oil Co., 84 F.T.C. 1401, 1475 (1974), aff'd and modified, 577 F.2d 653 (9th Cir. 1978). An ad agency will be held to know what express or implied claims are conveyed to consumers by it ads. ITT Continental Baking Co., 83 F.T.C. 865, 968 (1973), aff'd as modified, 532 F.2d 207 (2d Cir. 1976). An ad agency does not have to independently substantiate the claims or scientifically re-examine the advertiser's evidence. However, it can't ignore obvious shortcomings or facial flaws. Bristol-Myers Co., 102 F.T.C. 21, 364 (1983). Representative cases:

- FTC and Maine v. Marketing Architects, Inc., No. 2:18-CV-00050 (D. Me. Feb. 6, 2018) (stipulated permanent injunction) ($2 million settlement for ad agency's role in creating and disseminating deceptive ads for weight loss products on behalf of client Direct Alternatives)

- Deutsch LA, Inc., 159 F.T.C. 1164 (2014) (consent order) (alleging that ad agency staff tweeted favorable comments about client Sony's gaming console without disclosing material connection to company)

- TBWA Worldwide, Inc., C-4455 (Jan. 23, 2014) (consent order) (challenging agency's role in deceptive on-camera demonstration of Nissan Frontier truck)

- Campbell Mithun, L.L.C., 133 F.T.C. 702 (2002) (consent order) (challenging agency's role in ads claiming that calcium in Wonder Bread could improve children's brain function and memory)

- Bozell Worldwide, Inc., 127 F.T.C. 1 (1999), and Martin Advertising, Inc., 127 F.T.C. 10 (1999) (consent orders) (challenging agencies' roles in ads containing deceptive representations of car leasing terms)

- Foote, Cone & Belding, Inc., 125 F.T.C. 528 (1998); Grey Advertising, Inc., 125 F.T.C. 548 (1998); and Rubin Postaer and Associates, Inc., 125 F.T.C. 572 (1998) (consent orders) (challenging agencies' roles in ads containing deceptive representations of car leasing terms)

- Grey Advertising, Inc., 122 F.T.C. 343 (1996) (consent orders) (challenging agency's role in advertisements containing deceptive demonstration for Hasbro paint-sprayer toy and deceptive claims for Dannon frozen yogurt)

- Jordan McGrath Case & Taylor, 122 F.T.C. 152 (1996) (consent order) (challenging agency's role in ads containing deceptive claims for Doan's pills)

- Young & Rubicam, Inc., 122 F.T.C. 79 (1996) (consent order) (challenging agency's role in ads containing deceptive claims for Ford's auto air filtration system)

- NW Ayer & Son, Inc., 121 F.T.C. 656 (1996) (consent order) (challenging agency's role in ads containing deceptive claims regarding the effect of Eggland's Best eggs on cholesterol)

- BBDO Worldwide, Inc., 121 F.T.C. 33 (1996) (consent order) (challenging agency's role in ads containing deceptive claims for Häagen-Dazs frozen yogurt)

- Scali, McCabe, Sloves, Inc., 115 F.T.C. 96 (1992) (consent order) (challenging agency's role in ad containing deceptive demonstration of Volvo)

D. Means and Instrumentalities: Companies may be liable if they provide others with the means and instrumentalities for engaging in deceptive conduct. Castrol North America Inc., 128 F.T.C. 682 (1999), and Shell Chemical Co., 128 F.T.C. 749 (1999) (consent orders) (challenging Castrol's role in disseminating deceptive claims for its Syntec fuel additives and Shell's role in providing trade customers, including Castrol, with promotional materials containing deceptive claims for purported active ingredient of Syntec, which Shell developed). See Nice-Pak Products, Inc., C-4556 (May 18, 2015) (consent order); FTC v. Applied Food Sciences, Inc., No. 1-14-CV-00851 (W.D. Tex. Sept. 8, 2014) (stipulated order); Oreck Corp., 151 F.T.C. 289 (2011) (consent order).

E. Liability of Other Parties: The FTC has held other parties, including retailers, catalogs, infomercial producers, home shopping companies, and payment processors, liable for their role in deceptive practices. Representative cases:

- FTC v. PayBasics, Inc., No. 1:15-CV-10963 (N.D. Ill. Dec. 22, 2015) (stipulated order) (suspended $1 million judgment for payment processor's role in illegally providing scammers with access to payment networks)

- FTC v. E.M. Systems & Services, LLC, No. 8:15-CV-01417-SDM-EAJ (M.D. Fla. July 7, 2015) (FTC-Florida AG action challenging role of payment processor in alleged credit card laundering and illegally assisting and facilitating debt relief telemarketing scheme)

- FTC v. Applied Food Sciences, Inc., No. 1-14-CV-00851 (W.D. Tex. Sept. 8, 2014) (stipulated order) ($3.5 million to settle charges that company used flawed study to make baseless weight loss claims about green coffee extract to retailers, who repeated claims in marketing products to consumers)

- Neiman Marcus Group, Inc., 156 F.T.C. 95 (2013); Dr.Jays.com, Inc., 156 F.T.C. 116 (2013); and Eminent, Inc., 156 F.T.C. 132 (2013) (consent orders) (challenging retailers' false claims that products containing real fur were made with faux fur, in violation of FTC Act and Fur Products Labeling Act)

- FTC and Illinois, Iowa, Nevada, North Carolina, North Dakota, Ohio, and Vermont v. Your Money Access, LLC, No. 2:07-CV-OS147-ER (E.D. Pa. Nov. 5, 2010) (order) ($3.6 million judgment against payment processor that debited consumers' accounts illegally on behalf of deceptive telemarketers)

- FTC v. Neovi, Inc., d/b/a Qchex.com, 604 F.3d 1150 (9th Cir. 2010) (upholding that Internet-based check creation and delivery service's actions violated FTC Act)

- United States v. QVC, Inc., No. 04-CV-1276 (E.D. Pa. Mar. 19, 2009) (consent decree) ($6 million redress for deceptive claims for For Women Only weight loss pills, Lite Bites bars, and Bee-Alive Royal Jelly, and $1.5 civil penalty for claims for anti-cellulite lotion, in violation of 2000 FTC order)

- CompUSA Inc., 139 F.T.C. 357 (2005) (consent order) (requiring retailer to pay rebates for bankrupt manufacturer when retailer continued to advertise rebates despite knowing that manufacturer was not fulfilling requests)

- FTC v. Universal Processing, Inc., No. SA CV05-6054FMC (VBKx) (C.D. Cal. Sept. 7, 2005) (stipulated order) (holding payment processor liable for unauthorized debits to consumers' checking accounts made on behalf of company selling allegedly bogus pharmacy discount cards)

- FTC v. Modern Interactive Technology, Inc., No. CV 00–09358 GAF (CWx) (C.D. Cal. Mar. 1, 2005) (stipulated order) (holding infomercial producer and two principals liable for deceptive weight loss claims made for the Enforma system)

- FTC v. First American Payment Processing, Inc., No. CV 04-0074 PHX (D. Az. Nov. 3, 2004) (stipulated permanent injunction) ($1.5 million redress for electronic payment processor's role in assisting fraudulent telemarketers by electronically debiting consumers' bank accounts)

- FTC v. No. 1025798 Ontario, Inc., d/b/a The Fulfillment Solutions Advantage, Inc., No.: 03-CV-910A (W.D.N.Y. Oct. 12, 2004) (stipulated order) (holding fulfillment company liable for role in marketing of deceptively advertised weight loss products)

- ValueVision International, Inc., 132 F.T.C. 338 (2001) (consent order) (holding home shopping company liable for deceptive claims for weight loss, cellulite, and baldness products)

- FTC v. Lane Labs-USA, Inc., No. 00CV3174 (D.N.J. June 28, 2000) (stipulated order) (applying common enterprise theory to hold product manufacturer and company that distributed information about use of product liable for deceptive cancer treatment claims for BeneFin, a shark cartilage product). See also FTC v. Lane Labs-USA, Inc., 624 F.3d 575 (3d Cir. 2010).

- QVC, Inc., C-3955 (June 16, 2000) (consent order) (holding home shopping company liable for its role in making and disseminating deceptive cold prevention claims)

- Home Shopping Network, Inc., 122 F.T.C. 227 (1996) (consent order) (holding home shopping company liable for its role in making and disseminating deceptive claims for vitamin and stop-smoking sprays)

- Sharper Image Corp., 116 F.T.C. 606 (1993) (consent order) (holding catalog company liable for deceptive claims for telephone tap detector, exercise device, and dietary supplement)

- General Nutrition, Inc.,111 F.T.C. 387 (1989) (consent order) (holding retailer liable for deceptive claims for dietary supplements)

- Walgreen Co., 109 F.T.C. 156 (1987) (holding retail drugstore chain liable for deceptive advertising of OTC pain reliever)

V. LIABILITY FOR PARTICULAR KINDS OF CLAIMS

A. Claims Made through Endorsements: False or deceptive endorsements or testimonials violate Section 5. See Guides Concerning Use of Endorsements and Testimonials in Advertising, 16 C.F.R. § 255. The Guides are premised on the principle that because consumers rely on endorser' opinions in making product decisions, endorsements must be non-deceptive. Endorsements "may not contain any representations which would be deceptive or could not be substantiated if made directly by the advertiser." 16 C.F.R. § 255.1(a). In other words, endorsements are not themselves substantiation; rather, they give rise to the need for the advertiser to possess competent and reliable evidence to support the underlying efficacy representations conveyed to consumers. In addition, any material connection between the endorser and the advertiser (i.e., a relationship not reasonably expected by a consumer that might materially affect the weight or credibility of the endorsement) must be disclosed. See Numex Corp., 116 F.T.C. 1078 (1993) (consent order) (challenging endorser's status as corporate officer to be a material connection that must be disclosed); TrendMark Int'l, Inc., 126 F.T.C. 375 (1998) (consent order) (challenging consumer endorsers' status as distributors of weight loss product or their spouses to be a material connection that must be disclosed). In 2009, the FTC issued its revised Endorsement Guides, modifying the standard for typicality claims and adding examples to demonstrate the Guides' applicability in new marketing media, including blogs.

1. Expert Endorsers: An "expert" is defined as "an individual, group, or institution possessing, as a result of experience, study, or training, knowledge of a particular subject, which knowledge is superior to that generally acquired by ordinary individuals." 16 C.F.R. § 255.0(d). Endorsers represented directly or by implication to be experts must have qualifications sufficient to give them the represented expertise. 16 C.F.R. § 255.3(a); see FTC v. Lark Kendall, No. 00-09358-AHM (AIJx) (C.D. Cal. Aug. 31, 2000) (challenging false representation that person touting a weight loss product was a nutritionist) (stipulated order). An expert endorsement must be supported by an examination or testing of the product at least as extensive as experts in the field generally agree would be needed to support the conclusions presented in the endorsement. 16 C.F.R. § 255.3(b). Both the advertiser and the expert endorser may be held liable for deceptive claims made by the endorser. See Synchronal Corp., 116 F.T.C. 1189 (1993) (consent order) (holding advertiser and expert endorsers liable for deceptive claims for a purported baldness remedy and cellulite treatment). Representative cases:

- Moonlight Slumber, LLC, C-4634 (Sept. 28, 2017) (consent order) (challenging company's claim that baby mattresses had earned the "Green Safety Shield" while failing to disclose that shield was the company's own designation and not a third-party certification)

- Benjamin Moore & Co., Inc., C-4646, and ICP Construction, Inc., C-4648 (July 11, 2017) (consent orders) (challenging paint companies' use of environmental seals that falsely conveyed that products had been endorsed or certified by independent third party when companies had actually awarded seals to their own products)

- FTC v. Supple LLC, 1:16-CV-1325 (E.D. Wis. Oct. 5, 2016) (stipulated judgment) (challenging inadequate disclosure of material connection between company selling glucosamine and chondroitin liquid supplement and doctor recommending it)

- FTC v. Your Baby Can, LLC, Hugh Penton, Jr., and Robert Titzer, Ph.D., No. 12CV2114 (S.D. Cal. Aug. 22, 2014 and Aug. 28, 2012) (stipulated judgments) (challenging claims for Your Baby Can Read, including deceptive expert endorsement)

- ADT, LLC, C-4460 (Mar. 6, 2014) (consent order) (alleging that on Today Show and in other media, home security company misrepresented that paid endorsements from safety and technology experts were independent reviews)

- FTC v. Sensa Products, LLC, No. 11CV72 (N.D. Ill. Jan. 7, 2014) (stipulated judgment) (challenging deceptive expert endorsements for Sensa weight loss product)

- EcoBaby Organics, Inc., C-4416 (July 25, 2013) (consent order) (challenging false claim that National Association of Organic Mattress Industry was independent third-party certifier with expertise)

- FTC v. Terrill Mark Wright, M.D., No. 1:04-CV-3294 (N.D. Ga. Jan. 15, 2009) ($15,454 redress for doctor's deceptive endorsement of Thermalean weight loss product)

- Robert M. Currier, D.O., 134 F.T.C. 672 (2002) (consent order) (challenging deceptive representations made by eye doctor for Snorenz, a purported anti-snoring treatment)

- Gerber Products Co., 123 F.T.C. 1365 (1997) (consent order) (challenging deceptive claim regarding pediatricians' endorsement of baby food in survey)

- The Eskimo Pie Corp., 120 F.T.C. 312 (1995) (consent order) (challenging deceptive claim that line of frozen desserts was approved or endorsed by American Diabetes Association)

- Third Option Laboratories, Inc., 120 F.T.C. 973 (1995) (consent order) ($480,000 redress for deceptive claim that Jogging in a Jug cider beverage was approved by the Department of Agriculture)

- James McElhaney, M.D., 116 F.T.C. 1137 (1993) (consent order) (challenging deceptive representations made by a physician for a purported pain relief and arthritis treatment device)

- Steven Victor, M.D., 116 F.T.C. 1189 (1993), and Patricia Wexler, M.D., 115 F.T.C. 849 (1992) (consent orders) (challenging deceptive claims by dermatologists for a purported baldness remedy)

- Black & Decker (U.S.) Inc., 113 F.T.C. 63 (1990) (consent order) (challenging deceptive claim that iron received endorsement of the National Fire Safety Council because the group did not have expertise to evaluate appliance safety)

2. Consumer Endorsers: Anecdotal evidence, such as consumer testimonials, is generally inadequate to substantiate efficacy claims. See, e.g., Removatron, 111 F.T.C. at 302; Original Marketing, Inc., 120 F.T.C. 278 (1995) (consent order) (challenging use of testimonials that didn't represent typical experience of consumers who used weight loss ear clip). Consumer testimonials may not contain claims that could not be substantiated if the advertiser made them directly. An ad using consumer endorsements will generally be interpreted to convey that the endorser's experience is representative of what consumers will typically achieve with the product in actual use. 16 C.F.R. § 255.2(a); see Cliffdale Associates, 103 F.T.C. 110, 173 (1984). If the advertiser doesn't have substantiation that the endorser's experience is representative of what consumers will generally achieve, the ad should clearly and conspicuously disclose the generally expected performance in those circumstances, and the advertiser must have adequate substantiation for that claim. 16 C.F.R. § 255.2(b). Statements like "Your results may vary" or "Not all consumers will get this result" are insufficient. 16 C.F.R. § 255.2(b). A material connection between an endorser and an advertiser, i.e., a relationship not reasonably expected by a consumer that might materially affect the weight or credibility of the endorsement, must be disclosed. 16 C.F.R. § 255.5. Representative cases:

   - Mikey & Momo, Inc., File No. 162-3234 (May 3, 2018) (proposed consent order published for public comment) (alleging that corporate officers' relatives posted favorable online reviews of Aromaflage anti-mosquito perfume and candles without disclosing material connection)

   - CSGOLotto, Trevor Martin, and Thomas Cassell, C-4632 (Sept. 13, 2017) (consent order) (alleging that social media influencers endorsed online gaming site while failing to disclose that they owned the company)

- Son Le and Bao Le, C-4619 (May 31, 2017) (consent order) (alleging respondents directed consumers to trampoline review sites that falsely claimed to be independent and posted online endorsements without disclosing financial interest in sale of product)

- FTC v. Aura Labs, Inc., 8:16-CV-02147-DOC-KES (C.D. Cal. Dec. 12, 2016) (stipulated injunction) (alleging CEO of blood pressure app company posted anonymous review of his own product in app store and used testimonial from business partner's family members without disclosing material connection)

- FTC v. Universal City Nissan, Inc., No. 2:16-CV-07329 (C.D. Cal. Mar. 22, 2017) (stipulated order) (challenging practice of employees and affiliates of auto dealer of posting favorable reviews on consumer sites without disclosing their material connection to the company)

- Warner Bros. Home Entertainment, Inc., C-4595 (July 8, 2016) (consent order) (challenging practice of paying online influencers to post videos endorsing company's videogame without adequately disclosing material connection)

- Lord & Taylor, LLC, C-4573 (Mar. 15, 2016) (consent order) (alleging that company deceived consumers by not disclosing payments for article in online fashion magazine and Instagram posts for fashion influencers)

- FTC v. Lumos Labs, Inc., No. 3:16-CV-00001 (N.D. Cal. Jan. 5, 2016) (stipulated judgment) (challenging company's practice of publishing testimonials without disclosing they were solicited through contests where consumers received significant prizes)

- FTC v. Roca Labs, Inc., No. 8:15-CV-02231-MSS-TBM (M.D. Fla. Sept. 29, 2015) (complaint filed) (challenging allegedly deceptive weight loss claims and endorsements)

- Machinima, Inc., C-4569 (Sept. 2, 2015) (consent order) (challenging online entertainment network's failure to disclose that it paid influencers to post YouTube videos endorsing client Microsoft's Xbox One system and game titles)

- AmeriFreight, Inc., 159 F.T.C. 1627 (2015) (consent order) (challenging company's practice of touting online customer reviews, while failing to disclose that reviewers were compensated with discounts and incentives)

- Deutsch LA, Inc., 159 F.T.C. 1164 (2014) (consent order) (alleging that ad agency staff tweeted favorable comments about client Sony's gaming console from their personal accounts without disclosing material connection to the company)

- FTC v. Sensa Products, LLC, No. 11CV72 (N.D. Ill. Jan. 7, 2014) (stipulated judgment) (challenging weight loss company's failure to disclose compensation of consumer endorsers)

- United States v. Spokeo, Inc., No. CV12-05001 (C.D. Cal. June 12, 2012) (consent decree) (alleging that company deceptively posted endorsements of its own services on news and tech sites)

- FTC and State of Colorado v. Marsha Kellogg, No. 1:11-CV-01396- CMA-KLM (D. Colo. May 31, 2011) (stipulated order) (holding consumer endorser liable for overstating the amount she earned with a purported money-making program)

- Legacy Learning Systems, Inc., 151 F.T.C. 383 (2011) (consent order) ($250,000 to settle charges that company deceptively advertised its products through online affiliate marketers who falsely posed as ordinary consumers or independent reviewers)

- Reverb Communications, Inc., 150 F.T.C. 782 (2010) (consent order) (challenging that public relations agency hired by videogame developers engaged in deceptive practices by having employees pose as consumers and post reviews on iTunes store site without disclosing that the reviews came from employees working on behalf of the developers)

3. Celebrity Endorsers: Celebrity endorsements must reflect the celebrity's "honest opinions, findings, beliefs, or experience." Advertisers must substantiate the accuracy of claims made by the celebrity and any efficacy claims conveyed. 16 C.F.R. § 255.1(a). A celebrity represented to use the product must be a *bona fide* user. See generally FTC v. Garvey, 383 F.3d 891 (9th Cir. 2004) (holding that celebrity endorser possessed requisite level of substantiation). Advertisers may use an endorsement only as long as they have reason to believe the endorser continues to subscribe to the views presented. The FTC has challenged ads in which defendants falsely claimed a celebrity endorsed the product. See FTC v. Central Coast Nutraceuticals, Inc., No. 10C4931 (N.D. Ill. Jan. 9, 2012) (stipulated order) ($1.5 million redress for false claim that products were endorsed by Oprah Winfrey and Rachael Ray). In April 2017, FTC staff sent letters to more than 90 celebrities, athletes, and marketers reminding them that influencers should clearly disclose their relationship to brands when promoting or endorsing products through social media.

B. Consumer Reviews: The FTC has alleged that it is an unfair trade practice to use threats, intimidation, or non-disparagement clauses in an effort to prohibit consumers from speaking or publishing truthful or non-defamatory comments or reviews about companies, their employees, or their products. See FTC v. World Patent Marketing Inc., No. 1:17-CV-20848 (S.D. Fla. May 16, 2018) (stipulated order for permanent injunction). In 2016, Congress passed the Consumer Review Fairness Act, which – among other things – makes it illegal for companies to include standardized provisions that threaten or penalize people for posting honest reviews.

C. Claims Made Through Demonstrations: Product demonstrations must accurately depict how the product will perform under normal consumer use. See FTC v. Colgate-Palmolive Co., 380 U.S. 374 (1965). Representative cases:

- Nissan North America, Inc., C-4454, and TBWA Worldwide, Inc., C-4455 (Jan. 23, 2014) (consent orders) (challenging car company's and ad agency's role in deceptive representation of Nissan Frontier truck pushing a dune buggy up a sand dune)

- United States v. Goodtimes Entertainment, Ltd., No. 03 CV 6037 (S.D.N.Y. Aug. 11, 2003) (consent decree) (challenging deceptive before-and-after photos for Copa hair straightening product)

- Arak-Hamway International, Inc., 121 F.T.C. 507 (1996) (consent order) (challenging company's use of deceptive off-camera techniques to depict performance of toy cars)

- National Media Corp., 116 F.T.C. 549 (1993) (consent order) (challenging deceptive demonstration of kitchen mixer "whipping" skim milk and "pureeing" fresh pineapple)

- Hasbro, Inc., 116 F.T.C. 657 (1993) (consent order) (challenging deceptive use of wire to show G.I. Joe helicopter flying)

- Volvo North America Corp., 115 F.T.C. 87 (1992), and Scali, McCabe, Sloves, Inc., 115 F.T.C. 96 (1992) (consent orders) (challenging deceptive demonstration depicting monster truck driving over row of cars because Volvo had been reinforced and roof supports of other cars had been severed)

D. Comparative Advertising: Commission policy encourages truthful references to competitors or competing products, but requires clarity and, if necessary, appropriate disclosures to avoid deception. Statement of Policy Regarding Comparative Advertising, 16 C.F.R. § 14.15. Representative cases:

- KFC Corp., 138 F.T.C. 442 (2004) (consent order) (challenging deceptive claims about relative nutritional value and healthiness of company's fried chicken compared to a Burger King Whopper)

- Novartis Corp. v. FTC, 223 F.3d 783 (D.C. Cir. 2000) (upholding FTC ruling that marketer of Doan's pills misrepresented that product is superior to other analgesics for treating back pain)

- London International Group, 125 F.T.C. 726 (1998) (consent order) (challenging claims that Ramses condoms are "30% stronger" than competing products)

- Kraft, Inc., 114 F.T.C. 40 (1991), aff'd, 970 F.2d 311 (7th Cir. 1992), cert. denied, 507 U.S. 909 (1993) (holding ads for Kraft Singles cheese slices deceptive because ads falsely implied that product contained more calcium than imitation cheese slices)

E. Safety and Risk-Reduction Claims: Advertisers must have reliable substantiation to support safety-related or risk reduction claims and must carefully qualify claims to indicate the level of safety or significant risks. Representative cases:

- CarMax, Inc., C-4605, Asbury Automotive Group, Inc., C-4606, and West-Herr Automotive Group, Inc., C-4607 (Dec. 16, 2016) (consent orders) (challenging companies' practice of touting inspection procedures for used cars while failing to disclose some were subject to unrepaired safety recalls)

- General Motors LLC, C-4596, Lithia Motors, C-4597, and Jim Koons Management Company, C-4598 (Dec. 16, 2016) (consent orders) (challenging practice of touting inspection procedures for used cars while failing to disclose some were subject to unrepaired safety recalls)

- Brain-Pad, Inc., C-4375 (Aug. 16, 2012) (consent order) (challenging unsubstantiated claims that company's mouth guards reduced the risk of sports-related concussions)

- Prince Lionheart, Inc., 138 F.T.C. 403 (2004) (consent order) (challenging claims for the Love Bug, a device designed to clip onto a baby stroller and advertised to repel mosquitos and protect children from the West Nile Virus)

- FTC v. Vital Living Products, Inc., No. 3:02CV74-MU (W.D.N.C. Feb. 27, 2002) (stipulated order) (challenging deceptive efficacy claims for a do-it-yourself test kit represented to detect anthrax bacteria and spores)

- Kris A. Pletschke d/b/a Raw Health, 133 F.T.C. 574 (2002) (consent order) (challenging deceptive claims that colloidal silver product could treat 650 diseases, eliminate all pathogens in the body, and kill anthrax, Ebola virus, and flesh-eating bacteria)

- FTC v. Tecnozone International, L.L.C., No. 03 CV 9000 (S.D.N.Y. Nov. 14, 2003); FTC v. Safety Cell, Inc., No. CV 03-3851 (E.D.N.Y. Aug. 6, 2003); FTC v. Rhino International, Inc., No. CV 03-3850 (E.D.N.Y. Aug. 6, 2003); FTC v. Comstar Communications, Inc., No. 02-CV-003483 (E.D. Cal. May 7, 2003); and FTC v. Interact Communications, Inc., No. 02-CV-80131 (S.D. Fla. Dec. 1, 2003) (stipulated orders) (challenging deceptive safety and efficacy claims for cell phone shields)

- FTC v. Western Botanicals, Inc., No. CIV.S-01-1332 DFL GGH (E.D. Cal. July 11, 2001); FTC v. Christopher Enterprises, Inc., No. 2:01 CV-0505 ST (D. Utah Dec. 6. 2001) (stipulated orders); Panda Herbal Int'l, Inc., 132 F.T.C. 125 (2001); ForMor, Inc., 132 F.T.C. 72 (2001), and Aaron Co., 132 F.T.C. 174 (2001) (consent orders) (requiring warnings in labeling and ads about health risks of improper use of comfrey, St. John's Wort, and ephedra)

- FTC v. Medimax, Inc., No. 99-1485-CIV (M.D. Fla. Mar. 22, 2000), and FTC v. Cyberlinx Marketing, No. CV-S-99-1564-PMP (D. Nev. Nov. 8, 1999) (stipulated orders) (challenging false claim that home test kits could accurately detect HIV)

- FTC v. Met-Rx USA, Inc., No. SAC V-99-1407 (D. Colo. Nov. 15, 1999), and FTC v. AST Nutritional Concepts & Research, Inc., No. 99-WI-2197 (C.D. Cal. Nov. 15, 1999) (stipulated orders) (challenging deceptive safety claims for body building supplements containing androgen and other steroid hormones)

- Conopco, Inc. (Unilever Home and Personal Care), C-3914 (Jan. 7, 2000) (consent order) (challenging antimicrobial and disease prevention claims for Vaseline Intensive Care Anti-Bacterial Hand Lotion)

- Safe Brands Corp., 121 F.T.C. 379 (1996) (consent order) (challenging comparative safety claims for Sierra antifreeze)

F. Made in USA Claims: On December 1, 1997, the FTC issued an Enforcement Policy Statement retaining the "all or virtually all standard" for merchandise advertised and labeled as "Made in USA." The FTC issued ***Complying with the Made in USA Standard***, a guide for businesses making country-of-origin claims. Representative cases:

- Nectar Brand LLC, FTC File No. 182-3038 (Mar. 20, 2018) (consent order published for public comment) (alleging company made deceptive "Assembled in the USA" claims for Chinese-made mattresses)

- Bollman Hat Bollman Hat Company, FTC File No. 172-3197 (Jan. 23, 2018) (consent order published for public comment) (alleging company made deceptive Made in USA claims for its own products and deceptive claims about its "American Made Matters" certification program)

- Block Division, Inc., C-4613 (Mar. 6, 2017) (consent order) (challenging deceptive "Made in USA" claims for block pulleys and other products)

- iSpring Water Systems, LLC, C-4611 (Feb. 1, 2017) (consent order) (challenging deceptive "Built in USA" claims for water filtration devices)

- FTC v. Chemence, Inc., No. 1:16-CV-00228 (N.D. Ohio Oct. 19, 2016) (stipulated order) ($220,000 judgment to settle charges that company made deceptive Made in USA claims for cyanoacrylate glues)

- Made in the USA Brand, LLC, C-4497 (July 22, 2014) (consent order) (challenging company's misleading issuance of Made in USA certification seals)

- E.K. Ekcessories, Inc., 156 F.T.C. 442 (2013) (consent order) (challenging deceptive Made in USA claims on packages and website for outdoor accessories)

- United States v. The Stanley Works, No. 3:06CV883(JBA) (D. Conn. June 9, 2006) (stipulated order) ($205,000 civil penalty to settle charges that company falsely claimed ratchets were Made in USA)

- Leiner Health Products, Inc.,133 F.T.C. 485 (2002); A&S Pharmaceutical Corp., 133 F.T.C. 501 (2002); LNK Int'l, Inc., 133 F.T.C. 518 (2002); Pharmaceutical Formulations, Inc., 133 F.T.C. 537 (2002); Perrigo Company, 133 F.T.C. 559 (2002) (consent orders) (challenging deceptive Made in USA label claims for private brand OTC analgesics)

- Jore Corp., 131 F.T.C. 585 (2001) (consent order) (challenging deceptive Made in USA claims for power tool accessories)

- Black & Decker Corp., 131 F.T.C. 439 (2001) (consent order) (challenging deceptive Made in USA claims for Kwikset locks)

- Physicians Formula Cosmetics, Inc., 128 F.T.C. 676 (1999) (consent order) (challenging deceptive Made in USA claims for Physicians Formula skincare products and cosmetics)

- The Stanley Works, 127 F.T.C. 897 (1999) (consent order) (challenging deceptive Made in USA claims for mechanics tools)

- American Honda Motor Co., Inc., 127 F.T.C. 461 (1999) (consent order) (challenging deceptive Made in USA claims for lawn mowers)

G. Rebates, "Free" Offers, Continuity Plans, Gift Cards, Etc.: Deceptive or unfair practices related to rebates, free offers, continuity plans, gift cards, etc., are actionable under the FTC Act. Marketers also may be subject to the Restore Online Shoppers' Confidence Act (ROSCA), Mail Order Rule, the Telemarketing Sales Rule, the Negative Option Rule, and the Unordered Merchandise Statute.

1. **Rebates.** On April 27, 2007, the FTC sponsored *The Rebate Debate*, a national workshop on complying with Section 5 and other laws and rules when advertising the availability of rebates. Representative cases:

- American Telecom Services, Inc., C-4256 (Mar. 11, 2009) (consent order) (challenging telephone seller's failure to pay timely rebates)

- FTC v. Wintergreen Systems, No. 3:09-CV-00124-EMC (N.D. Cal. Jan. 13, 2009) (stipulated judgment) (challenging company's failure to pay advertised rebates and banning defendants for life from involvement in rebate programs)

- Soyo, Inc., 143 F.T.C. 717 (2007) (consent order) (challenging company's practice of delaying rebates for purchasers of computer motherboards and other products despite representation that company would mail rebate checks within "10 to 12 weeks")

- InPhonic, 143 F.T.C. 687 (2007) (consent order) (challenging mobile phone retailer's failure to disclose adequately before purchase that consumers would have to wait at least three months to submit rebate requests and at least six months after purchase to get their rebate)

- CompUSA Inc., 139 F.T.C. 357 (2005), and Priti Sharma and Rajeev Sharma, 139 F.T.C. 343 (2005) (consent orders) (alleging retailer and manufacturer failed to pay timely rebates and requiring retailer to pay rebates for bankrupt manufacturer when retailer continued to advertise rebates despite knowing that manufacturer was not fulfilling requests)

- FTC v. Cyberrebate.com, Inc., No. 04-3616 (E.D.N.Y. Aug. 24, 2004) (stipulated order) (challenging company's practice of failing to honor rebate promises)

- Philips Electronics North America Corp., 134 F.T.C. 532 (2002), and OKie Corp., 134 F.T.C. 511 (2002) (consent orders) (challenging misrepresentations about rebate delivery time and modification of terms of rebate programs after they had begun)

- America Online, Inc. and Compuserve Interactive Services, Inc., 137 F.T.C. 117 (2004) (consent order) (challenging companies' failure to deliver timely $400 rebates to eligible consumers)

- FTC and New York v. UrbanQ, No. CV-0333147 (E.D.N.Y. June 26, 2003) (stipulated injunction) ($600,000 in refunds for failure to provide advertised rebates and related deceptive representations)

- Memtek Products, Inc., C-3927 (Feb. 17, 2000) (consent order) (challenging delays in issuing advertised rebates and gift checks to purchasers of Memorex diskettes and tapes)

- UMAX Technologies, Inc., C-3928 (Feb. 17, 2000) (consent order) (challenging delays in issuing rebates)

- United States v. Iomega Corp., No. 1:98CV00141C (D. Utah Dec. 9, 1998) (imposing $900,000 civil penalty for failure to fulfill rebate and premium requests in violation of the Mail Order Rule)

2. **"Free" offers and continuity plans.** On February 9, 2009, the FTC issued *Negative Options*, a staff report outlining principles for avoiding deception in negative option offers, including disclosing material terms in an understandable manner, making disclosures clear and conspicuous, disclosing material terms before consumers incur a financial obligation, getting affirmative consent, and honoring cancellation requests. On April 2, 2010, a rule took effective requiring clear and conspicuous disclosures on websites and other advertisements that market credit reports as "free." See 16 C.F.R. § 610. Congress passed the Restore Online Shoppers' Confidence Act (ROSCA) in 2010, requiring online marketers offering negative options to: 1) clearly and conspicuously disclose material terms before obtaining a consumer's billing information; 2) get consumer's express informed consent before making the charge; and 3) provide a simple mechanism for stopping recurring charges. Representative cases:

- FTC v. AdoreMe, Inc., No. 1:17-CV-09083 (S.D.N.Y. Nov. 21, 2017) (stipulated order) ($1.3 million in refunds to settle charges that online lingerie marketer deceived consumers about the terms of a negative option membership program and made it difficult for them to cancel their memberships)

- FTC v. RevMountain LLC, No. 2:17-CV-02000-APG-GWF (D. Nev. Aug 7, 2017) (complaint filed) (alleging that companies violated FTC Act and ROSCA by making deceptive claims about online negative option programs for tooth whiteners and other products)

- FTC v. BunZai Media Group, Inc., No. CV15-04527-GW(PLAx) (C.D. Cal. Oct. 13, 2016) (stipulated orders) (partially suspended $72 million judgment to settle charges that defendants made bogus "risk free trial" claims for skincare products)

- FTC v. NutriClick Media LLC, No. 2:16-CV-06819-DMG (C.D. Cal. Sept. 22, 2016) ($350,000 redress to settle charges that marketer violated FTC Act and ROSCA by advertising "free" samples of products and then charging unauthorized monthly fee)

- FTC v. iWorks, Inc., No. 2:10-CV-02203 (D. Nev. Aug. 29, 2016) (stipulated order) (partially suspended $281 million judgment to settle charges that enterprise illegally lured consumers into "trial" memberships for bogus government-grant and money-making schemes, and charged monthly fees without authorization)

- FTC v. Commerce Planet, Inc., 815 F.3d 593 (9th Cir. 2016) (upholding redress and individual liability and ruling that defendants' failure to adequately disclose negative options related to purported online auction businesses violated the FTC Act)

- FTC v. Allstar Marketing Group, LLC, No. 1:15-cv-01945 (N.D. Ill. Mar. 5, 2015) (total of $8 million to settle FTC and New York AG charges that marketer of "as seen on TV" products such as the Snuggie made deceptive buy-one-get-one-free promotions)

- FTC v. One Technologies, LP, No. 3:14-cv-05066 (N.D. Cal. Nov. 19, 2014) (stipulated order) (with Ohio and Illinois AGs, $22 million redress for deceptive "free" credit score claims, in violation of FTC Act and ROSCA)

- FTC v. Health Formulas, LLC, No. 2: 14-CV-01649-JAD-GWF (D. Nev. Oct. 20, 2014) (complaint filed) (first FTC case alleging violations of ROSCA for deceptive practices related to negative option marketing of dietary supplements)

- FTC v. Willms, No. 2:11-CV-00828 (W.D. Wash. Feb. 23, 2012) (final judgment) (challenging deceptive practice of charging consumers without authorization for "free" or "risk-free" offers and banning defendants from negative option promotions)

- FTC v. Moneymaker, No. 2:11-CV-00461-JCM-RJJ (D. Nev. Feb. 1, 2012) (stipulated order) ($9.9 million redress to settle charges that as part of a payday lending promotion, defendants enrolled consumers without their permission in continuity programs, illegally billed them, and failed to provide promised refunds)

- FTC v. Central Coast Nutraceuticals, Inc., No. 10C4931 (N.D. Ill. Jan. 9, 2012) (stipulated order) ($1.5 million redress for deceptive claims that acai berry supplements and "colon cleansers" could cause weight loss and prevent cancer, falsely claiming products were endorsed by Oprah Winfrey and Rachael Ray, and making unauthorized charges to consumers' credit cards for "free" or "risk free" trial offers)

- FTC v. Commerce Planet, Inc., No. 09-CV-01324 (C.D. Cal. Nov. 19, 2009) (stipulated judgment as to certain defendants) ($19.7 million suspended judgment and up to $1 million redress for deceptive "free" claims for internet auction kits and unauthorized monthly charges)

- FTC v. NextClick Media, LLC, No. C08-1718 VRW (D. Del. Nov. 9, 2009) (stipulated order) ($3.4 million suspended judgment and $315,000 redress for deceptive "free trial" of bogus smoking cessation patches and debiting consumers' bank accounts without consent)

- FTC and Kentucky v. Direct Connection Consulting, Inc., No. 1-08-CV-1739 (N.D. Ga. Apr. 1, 2009) (final judgment) ($5 million bond for deceptive "free" offers in which defendants misled consumers into thinking they were calling from a major retailer or from consumer's credit card company and didn't deliver "free" goods as promised)

- FTC v. JAB Ventures, No. 2:08-CV-04648-SVW-RZ (C.D. Cal. Feb. 9, 2009) (stipulated order) (partially suspended $7.8 million judgment for deceptive weight loss claims for hoodia products and bogus "free" sample offers in which consumers were charged for products without their consent)

- FTC v. Complete Weightloss Center, Inc., No. 1:08-CV-00053-DLH- CSM (D.N.D. Feb. 9, 2009) (partially suspended $2.5 million judgment for deceptive diet claims and bogus "free" offers for which consumers were charged without their consent)

- FTC v. PureHealth Laboratories, No.: 2:08-CV-07655-DSF-PJW (C.D. Cal. Dec. 3, 2008) (stipulated order) (partially suspended $9.9 million judgment for offering "free" sample of purported weight loss product and then enrolling consumers in a continuity plan and billing their credit cards without consent)

- FTC v. Think All Publishing, No.: 4:07-CV-11 (E.D. Tex. June 11, 2008) (stipulated judgment) ($2 million redress for company's deceptive practice of advertising "free" software CDs but billing consumers' credit cards without authorization based on a statement buried in computer software licensing agreement)

- United States v. ValueClick, Inc., No. CV08-01711 MMM (Rzx) (C.D. Cal. Mar. 17, 2008) ($2.9 million civil penalty for violations of CAN-SPAM Act related to deceptive e-mails, banner ads, and pop-ups deceptively claiming that consumers were eligible for "free" gifts)

- United States v. Member Source Media, Inc., No.: CV-08 0642 (N.D. Cal. Jan. 30, 2008) ($200,000 civil penalty for CAN-SPAM violations and deceptive claim that recipient of spam had won "free" prizes)

- United States v. Adteractive, Inc., No. CV-07-5940 SI (N.D. Cal. Nov. 28, 2007) (stipulated judgment) ($650,000 civil penalty for violation of CAN-SPAM Act and failure to disclose that consumers have to spend money to receive "free" gifts)

- FTC v. Consumerinfo.com., Inc. d/b/a Experian Consumer Direct, No. CV-SACV05-801 AHS (MLGx) (C.D. Cal. Feb. 21, 2007) (supplemental stipulated judgment) ($300,000 for violating FTC order regarding disclosures about "free" credit reports); and (C.D. Cal. Aug. 16, 2005) (stipulated judgment) ($950,000 payment and refunds for deceptive marketing of "free" credit reports without disclosing that consumers would be charged annually for monitoring service)

- FTC v. Berkeley Premium Nutraceuticals, Inc., No. 1:06-CV-51 (S.D. Ohio July 22, 2009) (stipulated judgment) (charging that marketers offered "free" supplements only to enroll consumers in automatic shipment program and bill them without authorization)

- United States v. Scholastic Inc. and Grolier Incorporated, No. 1:05CV01216 (D.D.C. June 21, 2005) (consent decree) ($710,000 civil penalty for book clubs' violations of Negative Option Rule, Unordered Merchandise Statute, Telemarketing Sales Rule, and Section 5)

- FTC v. Conversion Marketing, Inc., No. SACV 04-1264 (C.D. Cal. Jan. 17, 2006) (stipulated order) ($474,000 in redress and civil penalties for offering "free samples" of diet and tooth-whitening products and then debited consumer's accounts and enrolled them in automatic shipment programs without consent)

- United States v. Mantra Films, Inc., No. CV-03-9184 RSWL (C.D. Cal. July 30, 2004) (stipulated order) ($1.1 million civil penalty and redress in settlement of charges that marketers of "Girls Gone Wild" videos violated Section 5, the Electronic Fund Transfer Act, and the Unordered Merchandise Statute by billing consumers for products without their express consent)

- United States v. Micro Star Software, Inc., (S.D. Cal. May 22, 2002) (consent decree) ($90,000 civil penalty for failure to disclose adequately that 30-day "no risk" trial offer obligated consumers to continuous unordered shipments of software and a $49.95 non-refundable membership fee)

- FTC v. Smolev and Triad Discount Buying Service, Inc., No. 01-8922- CIV-Zloch (S. D. Fla. Oct. 24, 2001) (stipulated order) ($9 million redress from buying clubs that misled consumers into accepting trial memberships and obtained consumers' billing information from telemarketers without authorization)

- FTC v. Creative Publishing International, Inc., (D. Minn. May 30, 2001) (consent decree) (ordering $200,000 civil penalty for publisher's failure to disclose adequately that acceptance of "free trial" offer unknowingly enrolled consumers in book club)

- Value America, Inc., C-3976, Office Depot, Inc., C-3977, and BUY.COM, Inc., C-3978 (Sept. 8, 2000) (consent orders) (challenging claims for "free" and "low-cost" computers that failed to disclose true costs and important restrictions, including that consumers had to agree to a three-year ISP contract)

4. **Gift cards and stored value cards**. On August 22, 2010, new Federal Reserve Board rules went into effect that restrict the fees and expiration dates that may apply to gift cards and require that gift card terms and conditions be clearly stated. Representative FTC cases:

   - FTC v. EdebitPay, LLC, No. CV-07-4880 ODW (AJWx) (C.D. Cal. May 25, 2011) (order holding defendants in contempt) (challenging marketers of stored value cards from making unauthorized debits from consumers' bank accounts)

   - Darden Restaurants, 143 F.T.C. 610 (2007) (consent order) (challenging company's failure to clearly and conspicuously disclose dormancy fees for non-use of Olive Garden, Red Lobster, Bahama Breeze, and Smokey Bones gift cards)

   - Kmart Corp., 144 F.T.C. 539 (2007) (consent order) (challenging company's failure to clearly disclose dormancy fees for non-use of gift card and falsely claims that cards would never expire)

5. **Pricing claims, financing claims, and other forms of promotion**. Representative cases:

   - Cowboy AG LLC, C-4639 (Dec. 1, 2017) (consent order) (alleging that car dealership deceptively advertised loan and leasing terms in Spanish-language ads)

   - FTC v. Universal City Nissan, Inc., No. 2:16-CV-07329 (C.D. Cal. Mar. 22, 2017) (stipulated order) ($3.625 million to settle charges that dealerships engaged in yo-yo financing, deceptive advertising, and other deceptive and unfair practices)

- Progressive Chevrolet Company and Progressive Motors, Inc., C-4578 (Nov. 24, 2015) (consent order) (challenging auto dealers' deceptive advertising of low monthly lease payments without clearly disclosing key terms)

- FTC v. Ramey Motors, No. 1:14-CV-29603 (S.D.W.V. Sept. 18, 2015) (stipulated order) ($80,000 civil penalty for violations of 2012 FTC consent order related to auto financing)

- TC Dealership, L.P., (Planet Hyundai), C-4536 (June 29, 2015), JS Autoworld, Inc. (Planet Nissan), C-4535 (June 29, 2015) (consent orders) (alleging that auto dealers made deceptive pricing and financing claims)

- ***Operation Ruse Control***. On March 26, 2015, the FTC and 32 law enforcement partners announced a nationwide and cross-border crackdown on deception in auto advertising and financing. The sweep included 252 actions, including seven FTC cases.

- United States v. Billion Auto, No. No. C14-4118-MWB (N.D. Ia. Dec. 12, 2014) (stipulated order) ($360,000 civil penalty for violations of 2012 FTC consent order related to auto financing)

- TXVT Limited Partnership (Trophy Nissan), 159 F.T.C. 726 (2014) (consent order) (challenging deceptive advertising claims for auto financing)

- Courtesy Auto Group, Inc., D-9359 (consent order) (Mar. 21, 2014) (challenging deceptive lease advertising by Massachusetts auto dealer)

- Norm Reeves Honda Superstore, Rainbow Auto Sales, Casino Auto Sales, New World Auto Imports (Southwest Kia), Infiniti of Clarendon Hills, Nissan of South Atlanta, Fowlerville Ford, Inc., Paramount Kia of Hickory, and Honda of Hollywood, (Jan. 9, 2014) (consent orders) (as part of Operation Steer Clear, challenging deceptive claims by auto dealers about sale, financing, and leasing of motor vehicles). See also United v. New World Auto Imports, No. 3:16-CV-2401-K (N.D. Tex. Aug. 18, 2016) (stipulated order) ($85,000 civil penalty for deceptive auto ads, in violation of 2014 FTC order).

- Ganley Ford West, Inc., C-4428, and Timonium Chrysler, Inc., C-4429 (Sept. 2, 2013) (consent orders) (challenging deceptive representations about automobile pricing)

- CVS Caremark Corp., C-4357 (Jan. 12, 2012) (consent order) ($5 million to settle charges that company misrepresented prices of certain Medicare Part D drugs at CVS and Walgreens pharmacies)

- Bumble Bee Seafoods, Inc., C-3954 (June 16, 2000) (consent order) (challenging "75¢ off next purchase" promotion that did not adequately disclose coupon required purchase of five cans of tuna)

- Benckiser Consumer Products, Inc., 121 F.T.C. 644 (1996) (consent order) (challenging deceptive cause-related marketing campaign in which advertiser falsely claimed a portion of proceeds from EarthRite products would be donated to non-profit environmental groups)

H. Unauthorized Billing: Companies need consumers' express authorization to bill them or place charges on their credit cards. The FTC has used Section 5 and other statutes to challenge unauthorized billing as unfair or deceptive. Representative cases:

- FTC v. Amazon.com, Inc., No. 2:14-CV-01038 (W.D. Wash. Apr. 27, 2016) (order granting motion for summary judgment) (finding Amazon liable for billing consumers for unauthorized in-app charges incurred by children, resulting in consumers' eligibility for more than $70 million in refunds)

- FTC v. T-Mobile USA, Inc., (W.D. Wash. Dec. 19, 2014) (stipulated order) (at least $90 million redress for mobile cramming, unlawfully billing consumers for unauthorized third-party charges)

- FTC v. AT&T Mobility, LLC, No. 1:14-CV-3227-HLM (N.D. Ga. Oct. 8, 2014) (stipulated order) ($80 million redress for mobile cramming, unlawfully billing consumers for unauthorized third-party charges)

- Google, Inc., C-4499 (Sept. 4, 2014) (consent order) (at least $19 million to settle allegations that company charged for children's in-app purchases without account holders' authorization)

- Apple, Inc., C-4444 (Jan. 15, 2014) (consent order) (at least $32.5 million to settle allegations that company charged for children's in-app purchases without account holders' authorization)

- FTC v. Tatto, Inc., No. 2:13-CV-08912-DSF-FFM (C.D. Cal. August 5, 2014 and June 3, 2014) (stipulated orders) ($11 million redress for cramming unauthorized charges on consumers' mobile phone bills)

I. <u>Earnings Claims</u>: The FTC has used Section 5 to challenge false and deceptive business opportunity and earnings representations. In addition, the FTC enforces the Franchise Rule and the Business Opportunity Rule, 16 C.F.R. §§ 436-437, which require that consumers receive certain disclosures before investing. Representative cases:

- FTC v. Uber Technologies, No. 3:17-CV-00261 (N.D. Cal. Jan. 19, 2017) ($20 million redress for deceptive earnings and auto financing claims)

- FTC v. Vemma Nutrition Co., No. CV-15-01578-PHX-JJT (D. Az. Dec. 15, 2017) (stipulated order) (partially suspended $238 million judgment to settle charges that multilevel marketing company acted as an illegal pyramid scheme)

- FTC v. Herbalife International of America, Inc., No. 2:16-CV-05217 (C.D. Cal. July 15, 2016) (stipulated order) ($200 million redress and business restructuring to settle claims that company deceived consumers into believing they could earn substantial money selling products as part of multilevel marketing program)

- FTC v. BurnLounge, Inc., 753 F.3d 878 (9th Cir. 2014) (upholding $16.2 million judgment for operating a pyramid scheme)

- FTC v. John Beck Amazing Profits, LLC, No. 09-CV-4719 (C.D. Cal. Aug. 23, 2013) (order) ($478 million judgment for false and deceptive money-making claims)

- FTC and State of Colorado v. Dalbey, No. 1:11-CV-01396-RBJ-KLM (D. Colo. July 31, 2013) (stipulated order) (partially suspended $330 million judgment for deceptive “wealth-building” claims)

J. <u>Educational Claims</u>: The FTC has used Section 5 to challenge false and deceptive claims about educational opportunities. Representative cases:

- FTC v. Capitol Network Distance Learning Programs, No. 2:16-CV-00350-DJH (D. Ariz. Feb. 13, 2017) (stipulated order) (challenging claims for purported “online high school”)

- FTC v. Stepping Stonez Development, No. 2:16-CV-00351-SPL (D. Ariz. Feb. 10, 2017) (stipulated order) (challenging claims for purported “online high school”)

- FTC v. Stratford Career Institute, No. 1:16-CV-00371 (N.D. Ohio Feb. 3, 2017) (stipulated order) (partially suspended $6.5 million judgment for deceptive claims about company’s high school equivalency program)

- FTC v. DeVry Educational Group, No. X160022 (C.D. Cal. Jan. 27, 2016) (stipulated order) ($100 million redress for deceptive claims about likelihood students would find jobs in their fields and would earn more than students graduating from other colleges)

- FTC v. Professional Career Development Institute, LLC d/b/a Ashworth College, No. 1:15-MI-99999-UNA (N.D. Ga. May 26, 2015) (challenging misrepresentations that students would get training and credentials needed to get jobs and that course credits would transfer)

K. Advertising and Marketing Directed to Spanish-Speaking Consumers: On May 12, 2004, the FTC hosted a workshop to explore strategies for effective education and law enforcement to protect Hispanic consumers from fraud and deception and followed up with a series of regional events. Representative cases:

- Cowboy AG LLC, C-4639 (Dec. 1, 2017) (consent order) (alleging that car dealership deceptively advertised loan and leasing terms in Spanish-language ads)

- FTC v. Hispanic Global Way Corp., No. 14-22018 CIV-Altonaga (S.D. Fla. Mar. 2, 2015) (stipulated order) (partially suspended $50 million judgment and ban from telemarketing and sale of weight loss products for company's practice of sending unordered or defective products in response to Spanish-language ads)

- FTC v. Oro Marketing, No. 2:13-CV-08843 (C.D. Cal. Jan. 15, 2015) (final order) (partially suspended $5.1 million judgment and lifetime ban from telemarketing for bogus money-making claims targeting Spanish-speaking women)

- FTC v. Del Sol LLC, No. CV-05-3013 GAF(RCx) (C.D. Cal. Dec. 14, 2006) ($235,000 redress and $1.6 million suspended judgment for Do Not Call violations and deceptive Spanish-language telemarketing of bogus "prizes")

- FTC v. Unicyber Technology, No. CV-04-1569 LGB (MANx) (C.D. Cal. Mar. 25, 2005) (stipulated judgment) (partially suspended $4.6 million judgment for deceptive claims about computers advertised on Spanish-language television)

- FTC v. Crediamerica Group d/b/a Latin Shopping Network, No. 05-20504-CIV-Martinez (S.D. Fla. Feb. 24, 2005) (stipulated judgment) (partially suspended $2.9 million judgment for deceptive claims about availability and quality of computers)

- FTC v. Alternative Medical Technologies, Inc., (S.D. Fla. Apr. 27, 2004) (stipulated order) (challenging deceptive diet and smoking cessation claims in Spanish-language media)

- FTC v. Latin Hut, Inc., No. 04-CV-0830- BTM (RBB) (S.D. Fla. Apr. 22, 2004) (stipulated order) ($149,425 redress for deceptive claims for purported weight loss products and breast augmentation supplement)

L. Advertising and Marketing Related to Mortgages, Credit, and Consumers in Economic Distress: Although banks, thrifts, credit unions, and others in the financial sector are exempt from FTC jurisdiction, see 15 U.S.C. 45(a)(2), unfair or deceptive practices by certain other entities are within Section 5's purview. The FTC has challenges deceptive claims by companies promising to "rescue" homeowners from foreclosure or modify mortgage or debt terms. The FTC also enforces the Mortgage Assistance Relief Services (MARS) Rule and the debt relief services amendments to the Telemarketing Sales Rule, which ban upfront fees. On November 19, 2012, the FTC and CFPB announced warning letters to more than 30 companies for possible violations of the Mortgage Acts and Practices (MAP) Advertising Rule, now Regulation N. Representative cases:

- ***Operation Game of Loans.*** On October 13, 2017, the FTC and 12 state Attorney General announced Operation Game of Loans, a total of 36 law enforcement actions targeting allegedly deceptive claims of student loan debt relief.

- ***Operation Collection Protection.*** On November 25, 2015, the FTC announced the first coordinated federal-state enforcement initiative targeting deceptive and abusive debt collection practices.

- FTC and CFPB v. Green Tree Servicing, LLC, No. 15-2064 (D. Minn. Apr. 21, 2015) ($63 million to settle charges that mortgage servicer engaged in illegal servicing and debt collection practices)

- FTC v. AMG Services, Inc., No. 212-CV-00536 (D. Nev. Oct. 4, 2016) (order) (record $1.3 billion judgment against defendants behind payday lending scheme). See also FTC v. AMG Services, Inc., No. 212-CV-00536 (D. Nev. June 4, 2014) (order) (adopting Magistrate Judge's recommendation that FTC has authority to regulate arms of Indian tribes and their employees and contractors, and that defendants engaged in deceptive payday lending practices)

- FTC v. FMC Counseling Services, Inc., No. 0:14-cv-61545-WJZ (S.D. Fla. Dec. 15, 2014) (stipulated order) ($815,865 redress and lifetime ban from debt relief for misleading mortgage relief claims and deceptive use of FDIC logo and name "Federal Debt Commission")

- FTC v. E.M.A. Nationwide, Inc., 767 F.3d 611 (6th Cir. 2014) (upholding district court order awarding $5.7 million consumer redress and permanently barring telemarketer from pitching mortgage and debt relief programs)

- United States v. Intermundo Media, LLC, No. 1:14-CV-2529-WYD (D. Colo. Sept. 12, 2014) (stipulated order) ($500,000 to settle charges that mortgage lead generator deceptively advertised mortgage refinancing)

- United States v. Heritage Homes Group, Inc., No. 2:14-CV-03173-EL (E.D. Pa. June 10, 2014) (stipulated order) (suspended $650,000 civil penalty for home seller's deceptive advertising of low-cost mortgages, in violation of MAP Rule and Section 5)

- United States v. GoLoansOnline.com, No. 4:14-CV-1262 (S.D. Tex. May 8, 2014) (stipulated order) ($225,000 civil penalty for lead generator's role in violating MAP Rule and FTC Act)

- FTC v. Payday Financial, LLC; Great Sky Finance, LLC; Western Sky Financial, LLC; Martin Webb et al., No. 3:11-CV-03017-RAL (D.S.D. Apr. 11, 2014) (stipulated order) ($967,740 redress from payday lenders that used tribal affiliation to illegally garnish wages)

- FTC v. Direct Benefits Group, LLC, No. 6:11-CV-01186-JA-GJK (M.D. Fla. Aug. 12, 2013) (final judgment) ($9.5 million redress for unauthorized debits from consumers' bank accounts when consumers visited websites seeking payday loans)

- FTC v. American Tax Relief LLC, No. 1:10-CV-06123 (N.D. Ill. Feb. 5, 2013) (final order) ($15 million to settle charges that company made deceptive claims that it could reduce consumers' tax obligations)

- FTC v. Broadway Global Master, Inc., No. 2:12-CV-00855-JAM- GGH (E.D. Cal. Apr. 11, 2012) (temporary restraining order) (challenging allegedly deceptive acts of "phantom debt collector" that collected debts consumers didn't owe or didn't owe them)

- Key Hyundai of Manchester, LLC, C-4358, Frank Myers AutoMaxx, LLC, C-4353, Ramey Motors, Inc., C-4354, and Billion Auto, Inc., C-4356 (Mar. 14, 2012) (consent orders) (challenging dealerships' practice of deceptively advertising they would pay off consumers' trade-in)

- FTC v. U.S. Mortgage Funding, Inc., No. 11-CIV-80155 (S.D. Fla. Feb. 14, 2012) (stipulated judgment) (alleging that defendants' charged illegal upfront fees, falsely promising consumers they would get loan modifications or fully refund their money if they failed)

- FTC v. Flora, No. SACV11-00299-AG-(JEMx) (C.D. Cal. Sept. 29, 2011) (stipulated permanent injunction) (challenging marketer's practice of sending out 5.5 million text messages pitching deceptive mortgage modification site)

- FTC v. Truman Foreclosure Assistance, LLC, No. 09-CV-23543 (S.D. Fla. Aug. 25, 2011) (stipulated order) ($1.8 million redress and lifetime ban from mortgage relief business for deceptive claims that company would negotiate to stop foreclosures)

- FTC v. Cantkier, No. 09-CV-00894 (D.D.C.. Aug. 25, 2011) (stipulated order) ($710,000 suspended judgment for marketing bogus mortgage relief services and impersonating government website that helps eligible homeowners modify mortgages)

- FTC v. Dominant Leads, LLC, No. 1:10-CV-00997 (D.D.C. Aug. 25, 2011) (stipulated order) ($1 million suspended judgment for marketing bogus mortgage relief services with false claim of government affiliation)

- FTC v. First Universal Lending, LLC, No. 09-CV-82322 (S.D. Fla. June 21, 2011) (stipulated order) ($18 million redress and lifetime ban from mortgage modification for deceptive claims that company would negotiate with lenders to modify mortgages)

- FTC v. Kirkland Young LLC, No. 09-CV-23507 (S.D. Fla. April 11, 2011) ($2.2 million redress and lifetime ban from mortgage relief services for falsely promising modifications to consumers' mortgages)

- ***Operation Empty Promises:*** On March 2, 2011, the FTC announced an initiative involving more than 90 law enforcement actions – including developments in 10 FTC cases, 48 Department of Justice criminal actions, 7 actions by the Postal Inspection Service, and 28 actions by state law enforcers – related to practices targeting consumers in financial distress.

- FTC v. Media Innovations, LLC, Hermosa Group, LLC, Financial Future Network, LLC, and Jonathan Greenberg, No. 8:11-CV-00164-RWT (D. Md. Jan. 20, 2011) ($500,000 redress and $8.5 million suspended judgment for deceptive debt relief services)

- FTC v. Federal Housing Modification Department, No. 09-CV-01753 (D.D.C. Nov. 19, 2010) (stipulated order against certain defendants) ($900,000 suspended judgments for false promise of loan modifications and bogus claims of government affiliation)

- FTC v. Golden Empire Mortgage, No. CV09-03227 (Shx) (C.D. Cal. Sept. 20, 2010) (stipulated judgment) ($1.5 million to settle charges that mortgage company charged Hispanic consumers higher prices for mortgages than other consumers)

- FTC v. New Hope Property LLC, No. 1:09-CV-01203-JBS-JS, and FTC v. Hope Now Modifications, LLC, No. 1:09-CV-01204-JBS-JS (D.N.J. June 17, 2010) (stipulated orders) (challenging false claims that companies were part of a government-endorsed mortgage assistance network and could modify most mortgages)

- FTC v. Countrywide Home Loans, Inc., No. CV-10-4193 (C.D. Cal. June 7, 2010) (consent judgment) ($108 million to settle charges that mortgage servicers collected excessive fees from borrowers). See also FTC v. Countrywide Home Loans, Inc. and BAC Home Loans Servicing, LP (C.D. Cal. Feb. 9, 2012) (supplemental consent order) ($36 million to settle charges that company illegally assessed fees against struggling homeowners, in violation of earlier FTC settlement)

- FTC v. Home Assure LLC, No. 8:09-CV-547-T-23TBM (M.D. Fla. July 29, 2010) (stipulated judgment) ($2.4 million redress for deceptive claims about mortgage foreclosure "rescue" services)

- FTC v. National Foreclosure Relief, Inc., No. SA-CV-09-117-DOC (C.D. Cal. Apr. 29, 2010) (stipulated order) (challenging foreclosure "rescue" company's false claims it would stop foreclosure and banning individuals from the mortgage modification business)

- ***Operation Stolen Hope.*** On November 24, 2009, the FTC announced Operation Stolen Hope involving 118 cases by 26 agencies as part of ongoing crackdown on mortgage foreclosure rescue and loan modification scams.

- FTC v. Lucas Law Center, No. 09-CV-770 (C.D. Cal. Sept. 17, 2009) (preliminary injunction) (challenging practices of using an attorney to circumvent state prohibitions against receiving a fee before providing any purported services and advising clients to stop paying their mortgages in order to pay fees of up to $3,995)

- FTC v. United Home Savers, LLP, No. 8:08-CV-01735-VMC-TBM (M.D. Fla. Aug. 24, 2009) (stipulated permanent injunction) (challenging company's deceptive claims that it could prevent homes from being foreclosed)

- FTC v. Freedom Foreclosure Prevention Services LLC, No. CV-09-1167-PHX-FJM (D. Az. Nov. 24, 2009) (stipulated permanent injunction) ($5 million suspended judgment for deceptive claims alleging that company could prevent foreclosure in 97% of cases)

- FTC v. Mortgage Foreclosure Solutions, Inc., No. 8:08-CV-00388- SDM-EAJ (M.D. Fla. Jan. 8, 2009) (stipulated judgment) (challenging deceptive claims that company would stop foreclosure for a $1,200 fee)

- Good Life Funding, C-4248; American Nationwide Mortgage Company, Inc., C-4249; and Shiva Venture Group, C-4250 (Jan. 8, 2009) (consent orders) (challenging companies' deceptive advertising of low monthly payments and low rates without fully disclosing loan terms, in violation of Section 5, Truth in Lending Act, and Regulation Z)

- FTC v. The Bear Stearns Companies, No. 4:08-CV-338 (E.D. Tex. Sept. 9, 2008) ($28 million redress for violations of FTC Act, Fair Debt Collection Practices Act, Fair Credit Reporting Act, and Reg Z for practices related to servicing mortgage loans, including misrepresenting amounts owed, charging unauthorized fees, and engaging in abusive collection practices)

- FTC v. Capital City Mortgage Corp., No. 1:98-CV-00237 (D.D.C. Feb. 24, 2005) (consent decree) ($750,000 redress for companies' practice of including phony charges in monthly statements, foreclosing on borrowers who were in compliance, and failing to release liens on homes after loans were paid off)

- United States v. Fairbanks Capital Corp., No. 03-12219-DPW (D. Mass. Nov. 12, 2003 and Aug. 2, 2007) (stipulated judgments) ($40 million redress for deceptive mortgage practices, including charging consumers illegal late fees and other unauthorized fees and failing to post mortgage payments on time)

- FTC v. The Associates and Citigroup, Inc., No. 1:01-CV-00606-JTC (N.D. Ga. Sept. 29, 2002) (stipulated settlement) ($215 million redress for deceptive practices that induced consumers to refinance existing debts into home loans with high interest rates and fees, and to purchase high-cost credit insurance)

- FTC v. First Alliance Mortgage Co., No. SACV 00-964 DOC (C.D. Cal. Mar. 22, 2002) (stipulated settlement) ($74 million redress for deceptive mortgage practices in case brought in cooperation with states and consumer groups)

M. Deceptive Format. The FTC has alleged that the deceptive format of advertising – for example, ads that mimic the appearance of news, entertainment programming, or other independent content – violate Section 5. In 2013, the agency sponsored *Blurred Lines*, a workshop on native advertising, the practice of blending ads with other content, especially in digital media. On December 22, 2015, the FTC issued an Enforcement Policy Statement on Deceptively Formatted Advertisements, including online native advertising. Representative cases:

- Lord & Taylor, LLC, C-4573 (Mar. 15, 2016) (consent order) (alleging that company deceived consumers by not disclosing payment for native advertising in online fashion magazine)

- ADT, LLC, C-4460 (Mar. 6, 2014) (consent order) (alleging that on Today Show and in other media, home security company misrepresented that paid endorsements from safety and technology experts were independent reviews)

- Clickbooth.com, LLC, No. 1:12-CV-09087 (N.D. Ill. Nov. 14, 2012) ($2 million redress to settle charges that company's affiliate marketers deceived consumers through bogus weight loss claims on fake news sites about acai berry supplements and "colon cleansers")

- FTC v. IMM Interactive, Inc. d/b/a COPEAC and Intermark Media, No. 1:11-CV-02484 (N.D. Ill. Mar. 21, 2012); FTC v. Coulomb Media, No. 2:11-CV-11618-RHC-LJM (E.D. Mich. Mar. 21, 2012); FTC v. DLXM LLC, No. CV 11-1889 (E.D.N.Y. Jan. 25, 2012); FTC v. Vaughn, No. 2:11-CV-00630-RAJ (W.D. Wash. Jan. 25, 2011); FTC v. Dunlevy, No. 1:11-CV-01226-TWT (N.D. Ga. Jan. 25, 2012); FTC v. Labra, No. 1:11-CV- 02485 (N.D. Ill. Jan. 25, 2012); FTC v. Ambervine Marketing, No. 1:11-CV-02487 (N.D. Ill. Jan. 25, 2012); and FTC v. Circa Direct, No. 1:11-CV-02172-RMB- AMD (D.N.J. Oct. 19, 2012) (stipulated judgments) (challenging affiliate marketers' practice of using fake news websites to market acai berry diet products)

- FTC v. Great American Products, Inc., No. 3:05-CV-00170-RV-MD (N.D. Fla. May 20, 2005), aff'd, 200 Fed. Appx. 897 (4th Cir. 2006) (challenging deceptive format for radio and TV infomercials for dietary supplements)

- Vital Basics, Inc., 137 F.T.C. 254 (2004) (consent order) (challenging deceptive format for radio infomercials for dietary supplements)

- Georgetown Publishing, 122 F.T.C. 391 (1996) (consent order) (challenging the format of a direct mail promotion for a book that appeared to be an independent review from a magazine sent with a handwritten note, "[Recipient's name], Try this. It works! J.")

- JS&A Group, Inc., 111 F.T.C. 522 (1989) (consent order) (challenging as deceptive the format of a program-length advertisement for BlueBlocker sunglasses that appeared to be an investigative news program)

VI. DETERMINING AD MEANING

A. Express Claims: Because express claims unequivocally state the representation, the representation itself establishes the meaning of the claim. No further proof about the meaning of the claim is necessary. Deception Policy Statement, 103 F.T.C. at 176; Thompson Medical Co., 104 F.T.C. at 788.

B. Implied Claims: Implied claims are any claims that are not express and range on a continuum from language virtually synonymous with an express claim to language that literally says one thing but strongly suggests something else to language that relatively few consumers would interpret as making the claim. See Kraft, Inc., 114 F.T.C. 40, 120 (1991), aff'd, 970 F.2d 311 (7th Cir. 1992), cert. denied, 507 U.S. 909 (1993); Thompson Medical Co., 104 F.T.C. at 789. When the language or depictions in an ad are clear enough to permit the FTC to conclude with confidence that an implied claim is conveyed to consumers acting reasonably under the circumstances, no extrinsic evidence is necessary to determine that an ad makes an implied claim. Kraft, 114 F.T.C. at 121. In determining if reasonable consumers are likely to take an implied claim, the FTC examines the net impression created by the ad, looking at "the entire mosaic, rather than each tile separately." Deception Policy Statement, 103 F.T.C. at 179 & n. 32; Stouffer Foods Corp., 118 F.T.C. 746, 799 (1994); FTC v. Sterling Drug, 317 F.2d 669, 674 (2d Cir. 1963).

C. Extrinsic Evidence: Courts give FTC determinations of ad meaning substantial deference. "The Kraft court further noted that deferential review is particularly appropriate when the FTC is the factfinder, given the Commission's expertise in the field of deceptive advertising and the often exceedingly complex and technical factual issues that the Commission resolves on a nationwide basis." POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015) (citations omitted). When an implied claim is not clear enough to permit the Commission to determine its existence by examining the ad alone, extrinsic evidence may be required. Stouffer Foods Corp., 118 F.T.C. at 798-99. In all cases, if extrinsic evidence is available, the Commission will consider it, taking into account its relative quality and reliability. Kraft, 114 F.T.C. at 121.

1. Copy tests are one form of extrinsic evidence used to establish that an implied claim is conveyed. To be reliable, the copy test must be methodologically sound. Kraft, 114 F.T.C. at 121; Thompson Medical Co., 104 F.T.C. at 790; Stouffer Foods Corp., 118 F.T.C. at 807 ("Perfection is not the prevailing standard for determining whether a copy test may be given any weight. The appropriate standard is whether the evidence is reliable and probative."). The FTC has issued the results of copy tests that examine consumer perception of certain kinds of claims. For example, on in 2012, the FTC published results of a study evaluating how consumers interpret "up to" claims in ads for replacement windows.

2. Other forms of extrinsic evidence include testimony by marketing experts regarding principles derived from marketing research showing how consumers generally respond to ads presented in a particular way, and evidence of the advertiser's intent. Kraft, Inc., 114 F.T.C. at 121-22; Thompson Medical Co., 104 F.T.C. at 790.

D. Disclosures in Ads: Advertisements often contain fine-print footnotes or video superscripts that attempt to disclaim, limit, or modify claims made elsewhere in the ad. Advertisers cannot use fine print to contradict other statements in an ad or to clear up misimpressions the ad would otherwise leave. Deception Policy Statement, 103 F.T.C. at 180-81. Similarly, accurate information in a footnote or text will likely not remedy a false headline because reasonable consumers may glance only at the headline. Id. See *.com Disclosures, How to Make Effective Disclosures in Digital Advertising* (Mar. 12, 2013).

1. To be effective, disclosures must be clear and conspicuous. E.g., Thompson Medical Co., 104 F.T.C. 648, 842-43 (1984), aff'd, 791 F.2d 189 (D.C. Cir. 1986) (requiring simultaneous audio and visual disclosure of certain information). See also FTC v. Cyberspace.com, 453 F.3d 1196 (9th Cir. 2006) (holding that fine-print statement on purported rebate check was insufficient to disclose that cashing the check would prompt monthly charges for internet services); United States v. Bayer Corp., No. CV 00-132 (NHP) (D.N.J. Jan. 11, 2000) (consent decree) (requiring audio and visual disclosure of information when ads make certain representations about the benefits of aspirin in the prevention of heart attacks).

2. In evaluating the effectiveness of disclosures, the FTC considers factors like:

   - **Prominence:** whether the qualifying information is prominent enough for consumers to notice and read (or hear)

   - **Presentation:** whether the qualifying information is presented in easy-to-understand language that does not contradict other things said in the ad and is presented at a time when consumers' attention is not distracted elsewhere

   - **Placement:** whether the qualifying information is located in a place and conveyed in a format that consumers will read (or hear)

   - **Proximity:** whether the qualifying information is located in close proximity to the claim being qualified.

3. The FTC has convened workshops, issued policy statements, and sent warning letters to reiterate disclosure requirements and the "clear and conspicuous" standard. See, e.g., *Disclosure Exposure: An FTC-NAD Workshop on Effective Disclosures in Advertising* (May 22, 2001); *Dot Com Disclosures: Information about Online Advertising* (May 3, 2000); *Joint FTC-FCC Policy Statement on the Advertising of Dial-Around and Other Long-Distance Services to Consumers* (Mar. 1, 2000); *Improving Consumer Mortgage Disclosures: An Empirical Assessment of Current and Prototype Disclosure Forms: A Bureau of Economics Staff Report* (June 13, 2007). On May 26, 2011, FTC staff announced that it was seeking input on revisions to *Dot Com Disclosures* and followed up with a national workshop in 2012. The revised staff guidance document, *.com Disclosures, How to Make Effective Disclosures in Digital Advertising*, was issued on March 12, 2013. On September 23, 2014, the FTC staff announced that as part of Operation Full Disclosure, more than 60 national advertisers received letters warning about the possible failure to make adequate disclosures in television and print ads.

4. In addition to Section 5, other federal laws mandate that information about certain products and services be clearly and conspicuously disclosed. See, e.g., Trade Regulation Rule Pursuant to the Telephone Disclosure and Dispute Resolution Act of 1992, 16 C.F.R. § 308; Dell Computer Corp., 128 F.T.C. 151 (1999) (consent order); Micron Electronics, Inc., 128 F.T.C. 137 (1999) (consent order) (challenging under Section 5 and Consumer Leasing Act ads for consumer leases that placed material cost information in inconspicuous fine print). On September 11, 2007, the FTC sent more than 200 warning to mortgage brokers and lenders – and media outlets carrying those ads – that ads may violate FTC Act and Truth in Lending Act by touting low monthly payments or rates, without adequate disclosure of other important loan terms. On January 9, 2014, the FTC announced *Operation Steer Clear*, settlements with nine auto dealers focusing on deceptive claims about the sale, financing, and leasing of motor vehicles.

5. Print disclosures: In print ads and point-of-sale materials, the FTC has found fine-print footnotes or blocks of text to be inadequate to disclaim or modify a claim made elsewhere in the ad. Representative cases:

- Budget Rent-A-Car Systems, Inc., 145 F.T.C. 1 (2008) (consent order) (challenging car rental company's failure adequately to disclose fuel fees automatically charged to customers who drove fewer than 75 miles)

- Palm, Inc., 133 F.T.C. 715 (2002) (consent order) (challenging ads for personal digital assistants that represented that products came with built-in wireless access and email while revealing in fine print down the side of the ad "Application software and hardware add-ons may be optional and sold separately. Applications may not be available on all Palm handhelds")

- Gateway Corp., 131 F.T.C. 1208 (2001) (consent order) (challenging ads for "free" or flat-fee internet services that disclosed in a fine-print footnote that many consumers would incur significant additional telephone charges)

- Hewlett-Packard Co., 131 F.T.C. 1086 (2001), and Microsoft Corp., 131 F.T.C. 1113 (2001) (consent orders) (challenging ads for personal digital assistants that represented that products came with built-in wireless access and email while revealing in fine print "Modem required. Sold separately.")

- Value America, Inc., C-3976, Office Depot, Inc., C-3977, and BUY.COM, Inc., C-3978 (Sept. 8, 2000) (consent orders) (challenging promotions for low-cost computer systems that disclosed true costs of the offer and important restrictions in fine-print footnotes)

- Häagen-Dazs Co., 119 F.T.C. 762 (1995) (consent order) (challenging effectiveness of fine-print footnote modifying claim that frozen yogurt was "98% fat free")

- Stouffer Food Corp., 118 F.T.C. 746 (1994) (holding that sodium content claims for Lean Cuisine products were false and unsubstantiated and not cured by fine-print footnote)

5. Television disclosures: Visual superscripts that are difficult to understand, superimposed over distracting backgrounds, compete with audio elements, or are placed in parts of the ad less likely to be remembered have been found to be ineffective in modifying a claim made in the body of the ad. Thompson Medical Co., 104 F.T.C. at 797-98. Representative cases:

   - TXVT Limited Partnership (Trophy Nissan), C-4508 (Dec. 23, 2014) (consent order) (charging that car dealership used deceptive fine print disclosures to bury key financing terms and conditions)

   - United States v. Mazda Motor of America, Inc., (C.D. Cal. Sept. 30, 1999) (consent decree) ($5.25 million penalty for violating FTC and state orders related to disclosures in car leasing ads)

   - General Motors Corp., 123 F.T.C. 241 (1997); American Honda Motor Co., 123 F.T.C. 262 (1997); American Isuzu Motor Co., 123 F.T.C. 275 (1997); Mitsubishi Motor Sales of America, Inc., 123 F.T.C. 288 (1997); Mazda Motor of America, Inc., 123 F.T.C. 312 (1997); Toyota Motor Sales, U.S.A., Inc., 125 F.T.C. 39 (1998); and Volkswagen of America, Inc., 125 F.T.C. 74 (1998) (consent orders) (requiring clear and conspicuous disclosure of terms in ads for car leases, defined as "readable [or audible] and understandable to a reasonable consumer")

   - Frank Bommarito Oldsmobile, 125 F.T.C. 1 (1998); Beuckman Ford, 125 F.T.C. 59 (1998); Suntrup Buick-Pontiac-GMC Truck, 125 F.T.C. 91 (1998); and Lou Fusz Automotive Network, 125 F.T.C. 111 (1998) (consent orders) (requiring clear and conspicuous disclosure of car lease terms in TV ads, defined as "readable [or audible] and understandable to a reasonable consumer")

   - Foote, Cone & Belding, Inc., 125 F.T.C. 528 (1998); Grey Advertising, Inc., 125 F.T.C. 548 (1998); Rubin Postaer and Associates, Inc., 125 F.T.C. 572 (1998); Bozell Worldwide, Inc., 127 F.T.C. 1 (1999); and Martin Advertising, Inc., 127 F.T.C. 10 (1999) (consent orders) (challenging advertising agencies' roles in ads containing deceptive representations of car leasing terms)

- Kraft, Inc., 114 F.T.C. at 124 (Initial Decision) (holding that complicated superscript – "one ¾ ounce slice has 70% of the calcium of five ounces of milk" – didn't cure deceptive calcium content claim for cheese slices)

6. Internet disclosures: On May 3, 2000, staff issued *Dot Com Disclosures: Information about Online Advertising*, examining how disclosures required by FTC rules and guides apply to online advertising and sales. The FTC issued revised staff guidance on March 13, 2013, *.com Disclosures, How to Make Effective Disclosures in Digital Advertising*. FTC staff sent letters to search engines on June 27, 2002, regarding the clear and conspicuous disclosure of paid placements. See Letter to Gary Ruskin, Executive Director of Commercial Alert. On June 25, 2013, staff sent letters updating that guidance on distinguishing paid search results and other forms of advertising from natural search results. The staff sent letters to 22 hotel operators on November 28, 2012, warning that online price quotes that excluded "resort fees" and other mandatory charges may be deceptive. The FTC also has brought numerous cases challenging online promotions that failed to meet the "clear and conspicuous" standard. Representative cases:

   - Network Solutions, LLC, 159 F.T.C. 1859 (2015) (consent order) (alleging that company failed to clearly disclose materials limitations on advertised "30 Day Money Back Guarantee")

   - FTC v. One Technologies, No. 3:14-CV-05066 (N.D. Cal. Nov. 19, 2014) (stipulated order) ($22 million redress for deceptive online "free" credit score claims and inadequately disclosed negative option, in violation of FTC Act and Restore Online Shoppers' Confidence Act).

VII. FOOD ADVERTISING

A. FTC-FDA Liaison Agreement: Under a longstanding agreement between the Commission and the Food and Drug Administration, the FTC has primary responsibility for food advertising, while the FDA has primary responsibility for food labeling. See Working Agreement Between the FTC and FDA, 3 Trade Reg. Rep. ¶ 9851 (CCH) (1971).

B. Nutrition Labeling and Education Act (NLEA), 21 U.S.C. § 343(I), (q), and (r). The NLEA and FDA's implementing regulations effected broad changes in the regulation of nutrition information on food labels. Under the NLEA, only FDA-approved nutrient content and health claims may appear on labels.

C. Enforcement Policy Statement on Food Advertising, 59 Fed. Reg. 28388 (June 1, 1994). The FTC issued its Enforcement Policy Statement to provide guidance regarding the use of nutrient content and health claims in food advertising, in light of the NLEA and FDA's regulations. The Statement clarifies how the FTC's deception and substantiation standards apply. Issues addressed by the Enforcement Policy Statement include:

1. **Absolute nutrient content claims**: The Commission will apply FDA's definitions for terms such as low fat and high fiber.

2. **Serving size**: The Commission will use FDA's serving sizes in analyzing nutrient content claims.

3. **Relative or comparative nutrient content claims**: Unqualified comparative claims must meet FDA's minimum percentage difference requirements, although other comparative claims that are accurately qualified to identify the nature of the increase or reduction in a nutrient and to eliminate misleading implications may also comply with Section 5, even if increase or reduction does not meet FDA's prescribed levels.

4. **Synonyms**: Claims that characterize the level of a nutrient, including those using synonyms not provided for in FDA regulations, must be consistent with FDA definitions.

5. **Health Claims**: The FTC will use FDA's "significant scientific agreement" standard as its principal guide in determining whether unqualified health claims are substantiated. Health claims that are not yet FDA-approved must be adequately qualified so that consumers understand both the extent of the support for the claim and any significant contrary evidence in the scientific community. In many cases, the presence and significance of risk-increasing nutrients must be disclosed to prevent a health claim from being deceptive

D. Representative health benefits cases:

- POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015) (upholding FTC ruling that advertisers made false and unsubstantiated claims for POM Wonderful 100% Pomegranate Juice and POMx supplements)

- FTC v. Gerber Products Co. d/b/a Nestlé Nutrition, No. 2:33-AV-00001 (D.N.J. Oct. 30, 2014) (complaint filed) (alleging that Gerber deceptively advertised that Good Start Gentle formula would prevent or reduce risk of allergies in babies with a family history of allergies and that product had FDA approval)

- The Dannon Company, Inc., 151 F.T.C. 62 (2010) (consent order) (challenging deceptive health claims for Activia yogurt and DanActive dairy drink)

- Nestlé HealthCare Nutrition, Inc., 151 F.T.C. 1 (2010) (consent order) (challenging deceptive claims that Boost Kid Essentials prevents upper respiratory infections in children, protects against colds and flu, and reduces absences from daycare or school)

- Kellogg Co., C-4262 (2009) (consent order) (challenging false claims touting Frosted Mini-Wheats as "clinically shown to improve kids' attentiveness by nearly 20%"). See also Kellogg Co., C-4262 (June 3, 2010) (order modification) (modifying order to resolve FTC investigation into questionable immunity-related claims for Rice Krispies)

- Tropicana Products, Inc., 140 F.T.C. 176 (2005) (consent order) (challenging unsubstantiated claims that drinking 2-3 glasses a day of "Healthy Heart" orange juice would produce dramatic effects on blood pressure, cholesterol, and homocysteine levels, thereby reducing risk of heart disease and stroke)

- KFC Corp., 138 F.T.C. 422 (2004) (consent order) (challenging deceptive claims about relative nutritional value and healthiness of fried chicken)

- Unither Pharma, Inc., and United Therapeutics Corp., 136 F.T.C. 145 (2003) (consent order) (challenging claims that bar containing amino acid reduces the risk of heart disease and reverses damage to the heart)

- Interstate Bakeries Corp., 133 F.T.C. 687 (2002) (consent order) (challenging claims that calcium in Wonder Bread could improve children's brain function and memory)

- Conopco, Inc., 123 F.T.C. 131 (1997) (consent order) (challenging heart-health claims for Promise margarine)

- United States v. Eggland's Best, Inc., No. 96 CV-1983 (E.D. Pa. Mar. 12, 1996) (stipulated permanent injunction) ($100,000 civil penalty for violation of previous order challenging claims about product's effect on cholesterol)

- The Isaly Klondike Co., 116 F.T.C. 74 (1993) (consent order) (challenging claims about effect of Klondike Lite frozen dessert bars on consumers' serum cholesterol levels)

- Bertolli USA, Inc., 115 F.T.C. 774 (1992) (consent order) (challenging claims that olive oil had been medically proven to reduce cholesterol, blood pressure, and blood sugar)

- Campbell Soup Co., 115 F.T.C. 788 (1991) (consent order) (challenging heart-health claims for soups that are high in sodium)

- CPC International, Inc., 114 F.T.C. 1 (1991) (consent order) (challenging claims about the effect of Mazola Corn Oil and Mazola Margarine on cholesterol levels)

E. Representative nutrient content claim cases:

- Pizzeria Uno Corp., 123 F.T.C. 1038 (1997) (consent order) (challenging misleading low-fat representations for Thinzetta pizzas)

- Mrs. Fields Cookies, Inc., 121 F.T.C. 599 (1996) (consent order) (challenging low-fat claims for cookies)

- The Dannon Co., 121 F.T.C. 136 (1996) (consent order) (challenging low-fat, low-calorie, and lower in fat than ice cream claims for Pure Indulgence frozen yogurt)

- Häagen-Dazs Co., 119 F.T.C. 762 (1995) (consent order) (challenging low-fat representations for Häagen-Dazs frozen yogurt)

- The Eskimo Pie Corp., 120 F.T.C. 312 (1995) (consent order) (challenging low-calorie claims for Sugar Freedom products)

- Stouffer Food Corp., 118 F.T.C. 746 (1994) (holding that sodium content claims for Lean Cuisine products were deceptive)

- Kraft, Inc., 114 F.T.C. 40 (1991), aff'd, 970 F.2d 311 (7th Cir. 1992), cert. denied, 507 U.S. 909 (1993) (holding that calcium content claims for Kraft Singles cheese slices were deceptive)

F. Food and Beverage Marketing to Children: On July 14, 2005, the FTC and HHS sponsored *Perspectives on Marketing, Self-Regulation, and Childhood Obesity*, to discuss self-regulation in the marketing of food and beverages to children. The agencies issue a report on May 2, 2006. On June 1, 2007, the FTC's Bureau of Economics issued a report, *Children's Exposure to Television Advertising in 1977 and 2004: Information for the Obesity Debate*. On July 18, 2007, the agencies sponsored *Weighing In: A Check-Up on Marketing, Self-Regulation, and Childhood Obesity*. On July 29, 2008, the FTC *Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-Regulation*, reporting that 44 major food and beverage marketers spent $1.6 billion in 2006 to promote their products to children and adolescents in the U.S. The report called for companies "to adopt and adhere to meaningful, nutrition-based standards for marketing their products to children under 12." On December 15, 2009, the FTC hosted a public forum, *Sizing Up Food Marketing and Childhood Obesity*. On April 28, 2011, the Interagency Working Group on Food Marketed to Children – made up of representatives of the FTC, FDA, USDA, and CDC – issued for comment proposed voluntary principles designed to encourage more effective industry self-regulation. On December 22, 2012, the FTC issued *A Review of Food Marketing to Children and Adolescents: Follow-Up Report*, which announced the results of a study of food and beverage industry marketing expenditures and activities directed to children and teens.

VIII. OVER-THE-COUNTER DRUGS AND TREATMENTS, DIETARY SUPPLEMENTS, WEIGHT LOSS PRODUCTS, AND OTHER HEALTH-RELATED PROMOTIONS

A. Pursuant to the FTC-FDA Liaison Agreement, the FTC has primary responsibility for over-the-counter (OTC) drug advertising, while the FDA has primary responsibility for OTC drug labeling, prescription drug labeling, and prescription drug advertising. See Working Agreement Between the FTC and FDA, 3 Trade Reg. Rep. ¶ 9851 (CCH) (1971).

B. OTC Drugs: Section 15 of the FTC Act defines the terms "drug" to include articles intended "for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" or intended "to affect the structure or any function of the body." Representative drug cases:

- United States v. Bayer Corp., No. CV 00-132 (NHP) (D.N.J. Jan. 11, 2000) (consent decree) (challenging unsubstantiated claims that regular use of aspirin is appropriate therapy for the prevention of heart attacks and strokes in the general population)

- Novartis Corp. v. FTC, 223 F.3d 783 (D.C. Cir. 2000) (upholding Commission finding that marketer of Doan's pills misrepresented that product is superior to other analgesics for treating back pain)

- Pfizer, Inc., 126 F.T.C. 847 (1998); Del Pharmaceuticals, Inc., 126 F.T.C. 775 (1998); and Care Technologies, Inc., 126 F.T.C. 830 (1998) (consent orders) (challenging claims for anti-lice shampoos)

- Johnson & Johnson Consumer Products, 121 F.T.C. 22 (1996) (consent order) (challenging sexually-transmitted disease prevention claims for K-Y Plus Spermicidal Lubricant)

- United States v. Sterling Drug, Inc., No. CA90-1352 (D.D.C. June 12, 1990) (consent decree) ($375,000 civil penalty for unsubstantiated claims for Midol, in violation of previous order)

C. Devices, Cosmetics, Treatments, and Other Health-Related Claims or Promotions: Section 15 of the FTC Act defines "device" to include "instruments, apparatus, and contrivances" intended "for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" or intended "to affect the structure or any function of the body." That section defines "cosmetic" to include "articles to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body or any part thereof intended for cleansing, beautifying, promoting attractiveness, or altering the appearance." In addition, the FTC enforces the Contact Lens Rule, 16 C.F.R. § 31, which mandates procedures for prescribers and sellers to release and verify prescriptions. After a September 21, 2015, conference, the FTC issued an Enforcement Policy Statement regarding marketing claims for OTC homeopathic drugs. Representative cases dealing with health-related products and services:

- FTC v. Global Concepts Limited, Inc., No. 0:18-CV-60990 (S.D. Fla. May 2, 2018) (stipulated order for permanent injunction) (partially suspended $47 million judgment for deceptive hearing claims for MSA 30X sound amplifier)

- Mikey & Momo, Inc., File No. 162-3234 (May 3, 2018) (proposed consent order published for public comment) (challenging allegedly deceptive mosquito-repellent and anti-Zika claims for Aromaflage perfume and candles)

- FTC v. Aura Labs, Inc., 8:16-CV-02147-DOC-KES (C.D. Cal. Dec. 12, 2016) (stipulated permanent injunction) (challenging accuracy claims for mobile app advertised to measure blood pressure)

- Mars Petcare US, Inc., C-4599 (Aug. 4, 2016) (consent order) (challenging misleading longevity claims for Eukanuba dog food)

- FTC v. Viatek Consumer Products Group, No. 1:15-cv-33 (E.D. Tenn. Feb. 20, 2015) (stipulated order) ($300,000 to settle charges that company made deceptive claims for mosquito repellent wristbands, in violation of 2003 FTC order)

- FTC v. v. LearningRx Franchise Corp., No. 1:16-CV-01159-RM (D. Colo. May 18, 2016) (stipulated order for permanent injunction) ($200,000 redress for deceptive claims that learning programs were clinically proven to permanently improve conditions like ADHD, autism, dementia, Alzheimer's disease, strokes, and concussions and would substantially improve grades, test scores, and job and athletic performance)

- FTC v. Mercola.com LLC, No. 16CV4282 (N.D. Ill. Apr. 14, 2016) (stipulated order) (refunds for consumers for deceptive "safe" tanning claims and anti-aging claims for tanning beds)

- FTC v. Lumos Labs, Inc., No. 3:16-CV-00001 (N.D. Cal. Jan. 5, 2016) (stipulated final judgment) ($2 million to settle charges that company made deceptive claims about Lumosity "brain training" program)

- FTC v. Tommie Copper, Inc., No. 7:15-CV-09304-VB (S.D.N.Y. Dec. 2, 2015) (stipulated judgment) ($1.35 million to settle charges that company's copper-infused clothing relieved pain and inflammation caused by arthritis and other diseases)

- Carrot Neurotechnology, Inc., C-4567 (Sept. 17, 2015) (consent order) ($150,000 disgorgement to settle allegations that company made deceptive vision improvement claims for Ultimeyes app)

- FTC v. Zadro Health Solutions, Inc., No. 8:15-CV-1314 DOC (C.D. Cal. Aug. 20, 2015) (stipulated order) (partially suspended $629,359 judgment for deceptive disinfectant claims for Nano-UV devices)

- FTC v. Angel Sales, No. 1:15-cv-06542 (N.D. Ill. Aug. 20, 2015) (stipulated order) (suspended $656,423 judgment for deceptive disinfectant claims for shUVee devices)

- FTC v. New Consumer Solutions LLC, No. 1:15-cv-01614 (N.D. Ill. Feb 25, 2015) (stipulated judgment) (challenging claim that Mole Detector app could detect symptoms of melanoma)

- Health Discovery Corporation, C-4516 (consent order) (Feb. 25, 2015) (challenging claim that MelApp mobile app could detect symptoms of melanoma)

- Focus Education, LLC, 159 F.T.C. 1345 (2015) (consent order) (challenging claims that computer game would improve the focus, memory, behavior, and school performance of children, including those with ADHD)

- FTC v. DERMAdoctor, Inc., No. 14-01129-CV-W-BP (W.D. Mo. Dec. 23, 2014) (stipulated order) (challenging deceptive claims for Photodynamic Therapy Liquid Red Light Anti-Aging Lotion)

- FTC v. Solace International, No. 3:14-cv-00638-MMD-WGC (D. Nev. Dec. 23, 2014) (stipulated injunction) (challenging deceptive claims that DermaTend was a safe at-home way to remove moles and genital warts)

- L'Oreal USA, Inc., C-4489 (June 30, 2014) (consent order) (challenging false and unsubstantiated claims that Génifique and Youth Code products provided anti-aging benefits by targeting users' genes)

- Lornamead, Inc., C-4488 (May 28, 2014) (consent order) ($500,000 redress for deceptive efficacy claims for Lice Shield line of lice prevention products)

- FTC v. Springtech 77376, LLC d/b/a Cedarcide.com, No. CV12-4631 JCS (N.D. Cal. July 18, 2013) (stipulated order) ($4.8 million suspended judgment for deceptive claims for anti-lice and bedbug products)

- FTC v. RMB Group, LLC, No. CV12-4632 EDL (N.D. Cal. Sept. 10, 2012) (stipulated order) (challenging deceptive claims for Rest Easy anti-bedbug product)

- Brain-Pad, Inc., C-4375 (Aug. 16, 2012) (consent order) (challenging unsubstantiated claims that company's mouth guards reduced the risk of sports-related concussions)

- FTC and Florida AG v. Alcoholism Cure Corp., No. 3:10-CV-266-F-34TEM (M.D. Fla. July 19, 2012) (judgment) ($700,000 redress for company's deceptive claims about alcohol treatment program and practice of responding to consumers' attempts to cancel by threatening to publicly revealing their alcohol dependence)

- United States v. Thy Xuan Ho d/b/a MyCuteLens.com, No. 1:11-CV-03419- JRT-LIB (D. Minn. Nov. 28, 2011); United States v. Gene Kim d/b/a BuyExclusive.net, No. 1:11-CV-05723-DLI-RER (E.D.N.Y. Nov. 28, 2011); United States v. Royal Tronics, Inc. d/b/a MyCandyEyes.com, No. 0:11-CV-62491-DMM (S.D. Fla. Nov. 28, 2011) (consent decrees) ($97,000 in civil penalties from companies selling cosmetic contacts without a prescription)

- Dermapps, Koby Brown, and Gregory Pearson, 152 F.T.C. 466 (2011), and Andrew N. Finkel, 152 F.T.C. 490 (2011) (consent orders) ($15,000 total redress from marketers of two mobile apps that claimed to emit lights that treated acne)

- United States v. Jokeshop USA, LLC, No. 1:11-CV-11221-MLW (D, Mass. July 20, 2011) (consent decree) ($200,000 civil penalty for selling contact lenses to consumers without a prescription)

- Oreck Corp., 151 F.T.C. 289 (2011) (consent order) ($750,000 redress to settle charges that company made false and unproven claims that Oreck Halo vacuum cleaner and Oreck ProShield Plus air cleaner can reduce risk of flu and other illnesses and eliminate virtually all common germs and allergens)

- United States v. Gothic Lenses LLC, No. 1:11-CV-0159 (N.D. Ga. Jan. 26, 2011) (consent decree) ($50,000 civil penalty for selling contact lenses to consumers without a prescription)

- FTC v. Xacta 3000, Inc., No. 3:09-CV-00399-JAP-TJB (D.N.J. Nov. 4, 2010) (stipulated order) (suspended $14.5 million judgment for deceptive claims that Kinoki Foot Pads would remove toxins, treat high blood pressure and depression, and cause weight loss)

- ***Operation Health Care Hustle:*** On August 11, 2010, the FTC and 24 state agencies charged companies with falsely marketing "medical discount plans" as health insurance. See, e.g., FTC and Tennessee v. United States Benefits, LLC, No. 3:10-0733 (M.D. Tenn. Nov. 7, 2011).

- Indoor Tanning Association, C-4290 (May 19, 2010) (consent order) (challenging trade association's deceptive health and safety claims about indoor tanning)

- FTC v. Roex, Inc., No. SA-CV-090266 (C.D. Cal. Mar. 6, 2009) (final order) ($3 million redress for deceptive claims disseminated through a call-in radio program for device sold to treat cancer and supplements advertised to treat or prevent cancer, AIDS, diabetes, Alzheimer's disease, Parkinson's disease, and other conditions)

- United States v. See Right Vision and Vision Contact Lenses, No. 08- CIV-11793 (D. Mass. Dec. 11, 2008) (consent decree) ($27,000 civil penalty for selling cosmetic contact lenses without a prescription)

- United States v. Contact Lens Heaven, Inc., No. 08CV61713 (S.D. Fla. Dec. 11, 2008) (consent decree) (partially suspended $233,498 civil penalty for selling cosmetic contact lenses without a prescription)

- FTC v. Myfreemedicine.com, LLC, No. CV5 1607 (W.D. Wash. Mar. 15, 2007) (stipulated permanent injunction) (challenging deceptive practice of representing that consumers who paid company $199 could get free prescription medicine)

- FTC v. Q-Ray Company, No. 03C 3578 (N.D. Ill. Sept. 20, 2006), aff'd, 512 F.3d 858 (7th Cir. 2008) ($16 million redress for deceptive pain relief claims for metal bracelet)

- United States v. Walsh Optical, Inc., No.: 06-3591 (D.N.J. Aug. 7, 2006) ($40,000 civil penalty for failing to verify consumers' contact lens prescriptions, in violation of the Contact Lens Rule)

- FTC v. Media Maverick, Inc., No. 04-3395-SVW (CWx) (C.D. Cal. Oct. 25, 2004) (stipulated order) ($400,000 redress for deceptive pain relief claims for the Balance Bracelet)

- FTC v. Smart Inventions, Inc., No. CV 04-4431 Mm(ex) (C.D. Cal. Sept. 18, 2007) (stipulated order for permanent injunction) (up to $2.5 million redress for deceptive claims for Biotape, adhesive strips advertised to relieve pain)

- FTC v. Pharmacycards.com, No. CV-S-04-0712-RCJ-RJJ (D. Nev. July 19, 2005) (default judgment and order) (challenging practice of making unauthorized withdrawals from consumers' checking accounts for unordered "discount pharmacy cards")

- FTC v. Seville Marketing, Ltd., No. C04-1181L (W.D. Wash. May 19, 2005) (stipulated final judgment) (challenging efficacy claims for at- home HIV test kits advertised as 99.4% accurate, but with error rates of 59.3%)

- Laser Vision Institute, 136 F.T.C. 1 (2003); and LCA-Vision, Inc. d/b/a LasikPlus, 136 F.T.C. 41 (2003) (consent orders) (challenging claims that LASIK would eliminate the need for glasses, contact lenses, reading glasses, and bifocals and would eliminate the risk of haloing and glare)

- FTC v. CSCT, Inc., No. 03 C 00880 (N.D. Ill. Feb. 17, 2004) (stipulated judgment) (in conjunction with Canadian and Mexican authorities, challenging anti-cancer claims by Canadian company for electromagnetic treatments in Tijuana clinic)

- FTC v. Dr. Clark Research Ass'n, No. 1:03CV0054 (N.D. Ohio Dec. 3, 2004) (stipulated judgment) (ordering refunds for deceptive anti-cancer claims for devices and dietary supplements)

- FTC v. Walker, No. C02-5169 RJB (W.D. Wash. Oct. 28, 2002) (stipulated judgment) (challenging efficacy claims for purported cancer treatments)

- FTC v. Sani-Pure Food Laboratories, No. 02-CV-4608 (D.N.J. Oct. 4, 2002) (final order) (challenging role of testing laboratory in providing false test results for a purported do-it-yourself home anthrax test)

- FTC v. BioPulse International, Inc., No. C023511 (N.D. Cal. July 23, 2002) (stipulated judgment) (challenging deceptive cancer treatment claims made by California company for insulin-induced hypoglycemic sleep therapy and acoustic light wave therapy offered in its Tijuana, Mexico, clinic)

- FTC v. Vital Living Products, Inc., No. 3:02CV74-MU (W.D.N.C. Feb. 27, 2002) (stipulated order) (challenging deceptive efficacy claims for a purported do-it-yourself test kit represented to detect the presence of anthrax bacteria and spores)

- FTC v. Western Dietary Products Co., No. C01-0818R (W.D. Wash. June 14, 2001) (permanent injunction), and Jaguar Enterprises, 132 F.T.C. 229 (2001) (consent order) (as part of Operation Cure.All, challenging deceptive representations that electronic devices could treat AIDS, Alzheimer's disease, cancer, and other serious conditions)

- FTC v. Medimax, Inc., No. 99-1485-CIV (M.D. Fla. Mar. 22, 2000), and FTC v. Cyberlinx Marketing, No. V-S-99-1564-PMP-LRL (D. Nev. Nov. 8, 1999) (stipulated orders) (holding that marketers falsely represented that home test kits could accurately detect HIV, ordering full restitution, and imposing bond and lifetime ban on sale of unapproved devices)

- Magnetic Therapeutic Technologies, Inc., 128 F.T.C. 380 (1999) (consent order) (challenging claims that purported magnetic therapy devices could treat a multitude of diseases, including cancer, high blood pressure, HIV, multiple sclerosis, and diabetic neuropathy)

- American College for Advancement in Medicine, 127 F.T.C. 890 (1999) (consent order) (challenging representations that chelation therapy is an effective treatment for arteriosclerosis)

- London International Group, 125 F.T.C. 726 (1998) (consent order) (challenging comparative efficacy claims for Ramses condoms)

- Natural Innovations, Inc., 123 F.T.C. 698 (1997) (consent order) (challenging pain relief claims for the Stimulator, a device emitting a purported acupressure-like electrical charge)

- Zygon International, Inc., 122 F.T.C. 195 (1996) (consent order) ($195,000 redress for deceptive claims for The Learning Machine, a device purported to enable users to lose weight, quit smoking, increase IQ, and learn foreign languages overnight)

- Numex Corp., 116 F.T.C. 1078 (1993) (consent order) (challenging arthritis treatment and pain relief claims for roller device)

- Viral Response Systems, Inc., 115 F.T.C. 676 (1992) (consent order) (challenging claims that inhaler device can remedy colds)

D. Dietary Supplements, Herbal Products, and Related Advertising Claims: The FTC has challenged deceptive claims for dietary supplements through law enforcement, industry outreach, and education. The Commission issued ***Dietary Supplements: An Advertising Guide for Industry***, describing how the basic principles of advertising law apply to the marketing of dietary supplements. Representative cases:

- FTC v. CellMark BioPharma, No. 2:18-CV-00014-JES-CM (M.D. Fla. Jan. 11, 2018) (stipulated order) (challenging claims that powdered drink was effective for "chemo fog" and malnutrition experienced by some cancer patients)

- FTC v. NextGen Nutritionals, LLC, No. 8:17-CV-2807-T-36AEP (M.D. Fla. Nov. 20, 2017) (stipulated order) (partially suspended $1.3 million judgment for deceptive treatment claims for HIV, MS, high blood pressure, and other serious conditions; false weight loss claims; and use of fake testimonials and certification seals)

- FTC and Maine v. Health Research Laboratories, LLC, No. 2:17-CV-00467-JDL (D. Me. Nov. 30, 2017) (partially suspended $3.7 million judgment for deceptive claims that supplements could treat liver disease, Alzheimer's disease, dementia, and other serious conditions and for deceptive "risk free" trial offer)

- FTC v. Catlin Enterprises, No. 1:17-CV-403 (W.D. Tex. May 4, 2017) (stipulated final judgment) ($6.6 million suspended judgment for false and deceptive opiate withdrawal claims for dietary supplements Withdrawal Ease and Recovery Ease)

- FTC v. Supple LLC, No. 1:16-CV-1325 (E.D. Wis. Oct. 5, 2016) (stipulated judgment) (partially suspended $150 million judgment for deceptive joint pain relief claims for glucosamine and chondroitin liquid supplement)

- FTC v. COORGA Nutraceuticals Corp., No. 15-CV-72-S (D. Wyo. Sept. 23, 2016) (order for summary judgment) (ruling that company made misleading claims that “Grey Defence” would reverse or prevent gray hair)

- FTC v. Sunrise Nutraceuticals, LLC, No. 9:15-CV-81567 (S.D. Fla. July 6, 2016) (stipulated judgment) ($235,000 redress for false and deceptive claims that dietary supplement Elimidrol could treat opiate withdrawal)

- FTC v. Brain Research Labs, LLC, No. 8:15-cv-01047 (C.D. Cal. July 8, 2015) (stipulated judgment) ($1.4 million to settle charges that marketers of made false and unsubstantiated claims that Procera AVH was clinically proven to improve memory and cognitive function)

- POM Wonderful LLC v. FTC, 777 F.3d 478 (D.C. Cir. 2015) (upholding FTC ruling that advertisers made false and unsubstantiated heart disease, cancer, and erectile dysfunction claims for POM Wonderful 100% Pomegranate Juice and POMx supplements)

- FTC v. NourishLife LLC, No. 1:15-cv-00093 (N.D. Ill. Jan. 9. 2015) (stipulated order) (partially suspended $3.68 million judgment for deceptive claims that dietary supplements were proven to treat childhood speech disorders, including those associated with autism)

- FTC v. TriVita, Inc., No. 2:14-CV-01557-DLR (D. Az. Jul 15, 2014) ($3.5 million redress for deceptive claims that cactus-based Nopalea beverage relieves pain, reduces joint and muscle swelling, alleviates respiratory problems, and relieves skin conditions)

- i-Health, Inc., and Martek Biosciences Corp., C-4486 (June 9, 2014) (consent order) (challenging deceptive claims that BrainStrong Adult will improve adult memory and prevent cognitive decline)

- FTC v. Wellness Support Network, Inc., No. 10-CV-4879 (N.D. Cal. Mar. 7, 2014) (final judgment) ($2.2 million redress for deceptive diabetes prevention and treatment claims made by marketer of Diabetic Pack and Insulin Resistance Pack)

- Foru International Corp., C-4457, and Genelink, Inc., C-4456 (Jan. 7, 2014) (consent orders) (challenging deceptive claims about supplements and skincare products advertised as genetically customized)

- FTC v. Central Coast Nutraceuticals, No. 10C4931 (N.D. Ill. Jan. 9, 2012) (stipulated order) ($1.5 million redress for deceptive claims that acai berry supplements and "colon cleansers" could cause weight loss and prevent cancer, falsely claiming products were endorsed by Oprah Winfrey and Rachael Ray, and making unauthorized charges to consumers' credit cards for "free" or "risk free" trial offers)

- NBTY, Inc., 151 F.T.C. 201 (2010) (consent order) ($2.1 million redress for deceptive brain and eye development claims for Disney- and Marvel Heroes-licensed children's multivitamins)

- Mark Dreher, C-4306 (Nov. 16, 2010) (consent order) (challenging role of then-Vice President of Science and Regulatory Affairs of POM Wonderful LLC in making false and unsubstantiated claims that POM Wonderful 100% Pomegranate Juice and POMx supplements could prevent or treat heart disease and prostate cancer)

- FTC v. Direct Marketing Concepts, Inc., 624 F.2d 1 (1st Cir. 2010) (upholding $48.2 million judgment against marketers of Supreme Greens and Coral Calcium dietary supplements)

- FTC v. Iovate Health Sciences USA, Inc., No. 10-CV-587 (W.D.N.Y. July 29, 2010) (stipulated judgment) ($5.5 million redress for deceptive health claims for Accelis, nanoSLIM, Cold MD, Germ MD, and Allergy MD)

- FTC v. Walgreens Co., No.1:10-CV-01813 (N.D. Ill. Mar. 23, 2010) (stipulated order) ($6 million redress for deceptive claims that Wal-Born product could prevent and treat colds and flu)

- ***Omega-3 Fatty Acid Supplements:*** On February 16, 2010, the FTC sent warning letters to 11 companies that promote Omega-3 fatty acid supplements, telling them to review their product packaging and labeling to make sure they do not violate federal law by making baseless claims about how the supplements benefit children's brain and vision function and development.

- FTC v. National Urological Group, Inc., No. 1:04-CV-3294-CAP (N.D. Ga. Jan. 15, 2009) (final judgment) ($15.8 million redress for deceptive claims for purported weight loss and erectile dysfunction products). See also FTC v. National Urological Group, Inc., (N.D. Ga. Aug. 20, 2014 and Sept. 8, 2014) (contempt order) ($40 million contempt order against defendants found to be in violation of earlier order and order jailing corporate officers for failure to comply with terms of earlier ruling)

- FTC v. CVS Pharmacy, Inc., No. CA-09-420 (D.R.I. Sept. 8, 2009) (stipulated order) ($2.8 redress for deceptive claims that AirShield product could prevent and treat colds and flu)

- Daniel Chapter One, D-9329 (Dec. 24, 2009) (Commission Decision) (holding company and corporate officer liable for deceptive claims that shark cartilage and herbal formulations would prevent, treat, and cure cancer, and heal effects of chemotherapy and radiation), aff'd, 405 Fed. Appx. 505 (D.C. 2010). See also United States v. Daniel Chapter One, No. 10-1362 (D.D.C. May 9, 2012) (order holding Daniel Chapter One, James Feijo and Patricia Feijo in civil contempt)

- FTC v. Rite Aid Corp., No. 1:09-CV-01333-JEJ (M.D. Pa. July 13, 2009) (stipulated order) ($500,000 redress for deceptive claims that Germ Defense could prevent and treat colds and flu)

- United States v. QVC, Inc., No. 04-CV-1276 (E.D. Pa. Mar. 19, 2009) (consent decree) ($6 million redress for deceptive claims for For Women Only weight loss pills, Lite Bites bars and shakes, and Bee-Alive Royal Jelly energy supplements, and $1.5 civil penalty for deceptive claims for Lipofactor Cellulite Target Lotion, in violation of 2000 FTC order)

- ***CURE-ious Cancer Cure Sweep:*** Herbs for Cancer, D-9331 (Apr. 3, 2009) (Decision) (challenging deceptive cancer claims for herbal teas); FTC v. Westberry Enterprises, (W.D. La. Sept. 18, 2008) (stipulated order) ($15,000 for deceptive cancer claims for herbal tea containing burdock root, sheep sorrel, cat's claw, slippery elm bark, and other ingredients); FTC v. Clark, (W.D. Ky. Sept. 18, 2008) (stipulated order) ($25,000 for deceptive cancer claims for products containing laetrile, apricot seeds, okra-pepsin-E3, and coral calcium); FTC v. Nu-Gen Nutrition, Inc., No.1:08-CV-05309 (N.D. Ill. Sept. 18, 2008) (stipulated order) ($246,000 redress for deceptive cancer claims for products containing cantron, apricot seeds, and laetrile; Bioque Technologies, Inc., C-4237 (Oct. 24, 2008) (challenging deceptive melanoma treatment claims for Serum GV) Native Essence Herb Co., D-9328 (Apr. 3, 2009) (challenging deceptive cancer prevention and cure claims for essiac tea and cat's claw products); Cleansing Time Pro, C-4238 (Oct. 24, 2008) (challenging deceptive claims that products containing black salve could treat cancer, HIV, SARS, and Avian Flu); Premium Essiac Tea 4less, C-4239 (Sept. 18, 2008) (challenging deceptive claims that products containing essiac teas could treat cancer, AIDS, ulcers, and hepatitis C) (consent orders).

- FTC v. Airborne, Inc., No. CV-08-05300 (C.D. Cal. Aug. 14, 2008) (stipulated judgment) (total of up to $30 million in redress to settle FTC and class actions alleging false and unsubstantiated cold prevention and germ-fighting claims for Airborne)

- FTC v. North American Herb and Spice Co., No. 08 CV 3169 (N.D. Ill. Aug. 12, 2008) (stipulated judgment) ($2.5 million redress for deceptive claims that oregano-based dietary supplements are scientifically proven to prevent or treat colds and flu, boost the immune system, and kill avian bird flu virus, hepatitis C, staph, and other pathogens)

- Springboard and Pro Health Labs, 144 F.T.C. 893 (2007); Elation Therapy, Inc., C-4204; Women's Menopause Health Center, 144 F.T.C. 1141 (2007); The Green Willow Tree LLC, 144 F.T.C. 963 (2007); Health Science International, Inc., 144 F.T.C. 1029 (2007); Progesterone Advocates Network, 144 F.T.C. 1087 (2007); and Herbs Nutrition Corporation, 145 F.T.C. 83 (2008) (consent orders) (challenging deceptive claims for alternative hormone replacement therapy products)

- FTC v. Pacific Herbal Sciences, Inc., (C.D. Cal. May 29, 2007) (stipulated judgment) ($172,500 redress for deceptive weight loss, anti-aging, and disease treatment claims for oral sprays sold via spam that claimed to contain human growth hormone)

- FTC v. Sunny Health Nutrition Technology & Products, No. 8:06-CV-2193-T-24EAJ (M.D. Fla. Apr. 24, 2007 and Nov. 28, 2006) (stipulated order) ($1.9 million redress for deceptive claims for HeightMax, dietary supplement purporting to make teens and young adults taller)

- FTC v. Seasilver USA, Inc., No. CV-S-03-0676-RLH (LRL) (D. Nev. July 24, 2006), aff'd, No. 06-16373 (9th Cir. 2008) ($120 million order for company's failure to comply with $3 million redress order). See FTC v. Seasilver USA, Inc., No. CV-S-03-0676-RLH (D. Nev. June 19, 2003) (stipulated judgment) (challenging deceptive claims for Seasilver, a dietary supplement advertised to treat serious diseases, including AIDS and cancer)

- FTC v. Berkeley Premium Nutraceuticals, Inc., No. 1:06-CV-51 (S.D. Ohio July 22, 2009) (stipulated judgment) (alleging that marketers made deceptive claims for Avlimil, purported treatment for female sexual dysfunction, and Rogisen, purported treatment for night vision problems)

- United States v. NBTY, Inc., No. CV-05-4793 (E.D.N.Y. Oct. 12, 2005) ($2 million civil penalty against company formerly known as Nature's Bounty for violating terms of FTC order by making deceptive claims that Royal Tongan Limu was clinically proven to treat diabetes, Alzheimer's disease, and cancer and that Body Success PM Diet Program increases metabolism and causes weight loss, even during sleep)

- FTC v. Direct Marketing Concepts, Inc., 624 F.2d 1 (1st Cir. 2010) (upholding $48.2 million judgment against marketers of Supreme Greens and Coral Calcium dietary supplements for deceptive claims that products could prevent or treat serious conditions such as cancer)

- FTC v. Emerson Direct, Inc., No 2-05-CV-377-AM-33 (M.D. Fla. Aug. 23, 2005) (stipulated order) ($1.3 million redress for deceptive claims that Smoke Away would allow smokers to quit smoking quickly and without cravings and for deceptive use of purported expert endorsements)

- FTC v. Harry, No. 04C-4790 (N.D. Ill. June 15, 2005) (stipulated order) ($485,000 redress and $5.9 million suspended judgment for unsubstantiated anti-aging claims for purported human growth hormone product and violations of CAN-SPAM Act)

- FTC v. Braswell, No. CV 03-3700 DT (PJWx) (C.D. Cal. 2005 and 2006) (stipulated judgments) ($5 million redress, lifetime ban, and $30 million suspended judgment from multiple individual and corporate defendants for deceptive claims that products could treat asthma, diabetes, Alzheimer's disease, overweight, and sexual dysfunction)

- FTC v. Great American Products, Inc., No. 3:05-CV-00170-RV-MD (N.D. Fla. May 20, 2005), aff'd, 200 Fed. Appx. 897 (4th Cir. 2006) (up to $20 million redress for deceptive anti-aging claims for purported human growth hormone product, deceptive format for radio and TV infomercials, and violations of the Telemarketing Sales Rule)

- United States v. Body Wise International, Inc., No. SACV-05-43 (DOC) (Anx) (C.D. Cal. Jan. 18, 2005) (stipulated order) ($3.5 million civil penalty to FTC and California for deceptive representations that AG-Immune dietary supplement treats numerous diseases, including cancer, HIV/AIDS and asthma, in violation of a 1995 FTC order)

- FTC v. Sagee U.S.A. Group, Inc., No.CV04 10560 GPS (CWx) (C.D. Cal. Aug. 10, 2006) (stipulated judgment) ($10,396 redress and lifetime ban from selling health-related products for violation of an FTC order). See also FTC v. Sagee U.S.A. Group, Inc. (C.D. Cal. Jan. 5, 2005) (stipulated judgment) (challenging claims in Chinese-language ads that sagee could treat epilepsy, Alzheimer's disease, Parkinson's disease, stroke, and other conditions)

- FTC v. VisionTel Communications LLC, No. 1:04CV01412 (D.D.C. Aug. 26, 2004) (stipulated judgment) ($750,000 redress for deceptive efficacy and safety claims for Impulse Female Herbal Blend and Maximus Male Herbal Blend, dietary supplements advertised to treat sexual dysfunction)

- FTC v. Hitech Marketing, Scientific Life Nutrition, and Rejuvenation Health Corp., No. 04C-4790 (N.D. Ill. July 27, 2004) (temporary restraining order) (challenging claims for Supreme Formula HGH and Youthful Vigor HGH, allegedly bogus human growth hormone products sold via spam)

- Nutramax Laboratories, Inc., 138 F.T.C. 380 (2004) (consent order) (challenging deceptive claims that Senior Moment could prevent memory loss and restore memory function)

- Dynamic Health Of Florida, LLC, D-9317 (June 16, 2004) (consent order) (challenging deceptive libido-enhancement representations for Fabulously Feminine, a dietary supplement containing L-arginine, ginseng, damiana leaf, gingko biloba leaf, and horny goat weed)

- Vital Basics, Inc., 137 F.T.C. 254, and Creative Health Institute, Inc., 137 F.T.C. 350 (2004) (consent orders) ($1 million redress for deceptive claims that Focus Factor could improve focus, concentration, or memory in children, adults, and older persons, and for deceptive sexual performance claims for V-Factor)

- United States v. Estate of Michael Levey, No. CV 03-4670 GAF (AJWx) (C.D. Cal. Mar. 9, 2004) (consent decree) ($2.2 million redress for deceptive weight loss and arthritis cure claims for dietary supplements)

- Unither Pharma, Inc., and United Therapeutics Corp., 136 F.T.C. 145 (2003) (consent order) (challenging claims that bar containing amino acid reduces the risk of heart disease and reverses damage to the heart)

- FTC v. Kevin Trudeau, No. 98C0168 and No. 03C904 (N.D. Ill. Sept. 4, 2004) (stipulated order) ($2 million redress for deceptive claims that Coral Calcium Supreme can treat cancer, multiple sclerosis, heart disease, and other serious diseases); FTC v. Robert Barefoot, No. 03C904 (N.D. Ill. Jan. 22, 2004) (stipulated order) (challenging deceptive claims that Coral Calcium Supreme can treat cancer, multiple sclerosis, heart disease, and other diseases). See also FTC v. Trudeau, 662 F.3d 947 (7th Cir. 2011) (upholding $37 million redress order).

- United States v. ValueVision International, Inc., No. 03-2890 (D. Minn. Apr. 17, 2003) (consent decree) ($215,000 civil penalty for violations of FTC order related to unsubstantiated health claims for dietary supplement)

- Snore Formula, Inc., 136 F.T.C. 214 (2003) (consent order) (challenging unsubstantiated claims about product's efficacy in preventing sleep apnea and significantly reducing snoring)

- FTC v. Vital Dynamics, Inc., No. 029816FMC(MBX) (C.D. Cal. Dec. 26, 2002), and FTC v. Ernest, No. 03-437RSWL (SHSx) (C.D. Cal. Jan. 17, 2003) (stipulated orders) (challenging deceptive breast enlargement representations for Isis System)

- FTC v. Blue Stuff, Inc., No. Civ-02-1631W (W.D. Okla. Nov. 18, 2002) (stipulated order) ($3 million redress for deceptive claims for Blue Stuff pain reliever and two dietary supplements advertised to reduce cholesterol and reverse bone loss)

- Kris A. Pletschke d/b/a Raw Health, 133 F.T.C. 574 (2002) (consent order) (challenging deceptive claims that colloidal silver product could treat 650 diseases, eliminate pathogens, and is proven to kill anthrax, Ebola virus, and flesh-eating bacteria)

- Natural Organics, Inc., 132 F.T.C. 589 (2001) (consent order), Efamol Nutraceuticals, Inc., C-3958 (May 23, 2000) (consent order), and New Vision International, Inc., 127 F.T.C. 278 (1999) (consent orders) (challenging efficacy claims for dietary supplements marketed to treat ADD and hyperactivity)

- FTC v. Liverite Products, Inc., No. SA 01-778 AHS (ANx) (S.D. Cal. Aug. 21, 2001) (stipulated order) (challenging deceptive claims that dietary supplement was effective in treating hepatitis C, cirrhosis, and hang-overs and could prevent liver damage and side effects from use of drugs for HIV and hepatitis C, chemotherapy, and anabolic steroids)

- FTC v. Western Botanicals, Inc., No. CIV.S-01-1332 DFL GGH (E.D. Cal. July 11, 2001); and FTC v. Christopher Enterprises, Inc., No. 2:01 CV-0505 ST (D. Utah Dec. 6, 2001) (stipulated orders) (prohibiting sale of comfrey for internal use without proof of safety and requiring warnings on labels and ads that internal use can cause serious liver damage or death)

- Panda Herbal Int'l, Inc., 132 F.T.C. 125 (2001) (consent order) (challenging claims that St. John's Wort product could safely treat AIDS, tuberculosis, hepatitis B, and other serious conditions and requiring warning that St. John's Wort can have dangerous interactions for pregnant women and patients taking certain prescription drugs)

- ForMor, Inc., 132 F.T.C. 72 (2001) (consent order) (challenging claims that products containing St. John's Wort, colloidal silver, and shark cartilage could safely treat AIDS, tuberculosis, cancer, dysentery, and other conditions and requiring warning that St. John's Wort can have dangerous interactions for patients taking certain prescription drugs and for pregnant women)

- Aaron Co., 132 F.T.C. 174 (2001) (consent order) (challenging claims that products containing colloidal silver could treat cancer, multiple sclerosis, and AIDS, that products containing chitin could cause weight loss without diet and exercise, and requiring safety warnings on promotional materials for ephedra products)

- MaxCell BioScience, Inc., 132 F.T.C. 1 (2001) (consent order) (challenging claims that products containing DHEA could reverse the aging process and treat or prevent age-related diseases such as atherosclerosis, arthritis, high blood pressure, and elevated cholesterol and ordering $150,000 redress)

- Tru-Vantage International, LLC, 133 F.T.C. 229 (2002) (consent order) (challenging deceptive anti-snoring and sleep apnea claims for Snor-enz, a supplement containing oils and vitamins)

- SmartScience Laboratories, Inc., C-3980 (Nov. 7, 2000) (challenging pain relief claims for Joint Flex, a topically applied cream containing glucosamine and chondroitin sulfate)

- FTC v. Rexall Sundown, Inc., No. 00-706-CIV (S.D. Fla. Mar. 11, 2003) (stipulated order) (up to $12 million redress for deceptive efficacy representations by the marketers of Cellasene, a purported anti-cellulite dietary supplement)

- FTC v. Lane Labs-USA, Inc., No. 00 CV 3174 (D.N.J. June 28, 2000) (stipulated order) ($1 million judgment for unsubstantiated cancer treatment claims for BeneFin shark cartilage product, and SkinAnswer anti-skin cancer cream). See also FTC v. Lane Labs-USA, Inc., 624 F.3d 575 (3d Cir. 2010).

- Natural Heritage Enterprises, C-3941 (May 23, 2000) (consent order) (challenging claims that essiac tea, a mixture of burdock and rhubarb root, sheep sorrel, and slippery elm bark, was effective in curing cancer, diabetes, AIDS, and feline leukemia)

- CMO Distribution Centers of America, Inc., C-3942 (May 23, 2000) (consent order) (challenging claims that product containing cetylmyristoleate could treat arthritis and other conditions and had been proven through clinical testing and recognized by the medical community to be a breakthrough in arthritis treatment)

- EHP Products, Inc., C-3940 (May 23, 2000) (consent order) challenging claims that product containing cetylmyristoleate could prevent and treat rheumatoid arthritis, osteoarthritis, and other conditions, and that scientific studies and the issuance of patents proved effectiveness of product)

- J & R Research, Inc., C-3961 (July 25, 2000) (consent order) (challenging claims that supplement containing pycnogenol was effective in treating ADD, cancer, heart disease, arthritis, diabetes, and multiple sclerosis)

- FTC v. Rose Creek Health Products, Inc., No. CS-99-0063-EFS (E.D. Wash. May 1, 2000) (consent decree) ($375,000 redress for deceptive claims that Vitamin O could prevent cancer, pulmonary disease, and other conditions by providing oxygen to the body)

- Quigley Corp., C-3926 (Feb. 10, 2000) (consent order), and QVC, Inc., C-3955 (June 16, 2000) (consent order) (challenging unsubstantiated claims that Cold-Eeze zinc supplement would prevent colds, relieve allergy symptoms, and reduce the severity of cold symptoms in children)

- FTC v. Met-Rx USA, No. SAC V-99-1407 (D. Colo. Nov. 15, 1999), and FTC v. AST Nutritional Concepts & Research, No. 99-WI-2197 (C.D. Cal. Nov. 15, 1999) (stipulated orders) (challenging unsubstantiated safety claims for purported body building supplements containing androgen and other steroid hormones and requiring disclosures in labeling and ads of the risks of breast enlargement, testicle shrinkage, and infertility in males, and increased facial and body hair, voice deepening, and clitoral enlargement in females)

- Body Systems Technology, Inc., 128 F.T.C. 299 (1999) (as part of first phase of Operation Cure.All, challenging deceptive claims about effectiveness of shark cartilage in preventing or treating cancer and effectiveness of uña de gato, or Cat's Claw, in the treatment of cancer, HIV/AIDS, and arthritis.)

- FTC v. American Urological Corp., No. 98-CVC-2199-JOD (N.D. Ga. Apr. 29, 1999) (permanent injunction) ($18.5 million judgment against marketers of Väegra, a purported impotence treatment)

- Bogdana Corp., 126 F.T.C. 37 (1998) (consent order) (challenging claims that Cholestaway and Flora Source could lower blood pressure, reduce cholesterol, and treat AIDS and chronic fatigue syndrome)

- Nutrivida, Inc., 126 F.T.C. 339 (1998) (consent order) (challenging claims for shark cartilage product purported to treat cancer, arthritis, diabetes, and other serious conditions)

- Venegas, Inc., 125 F.T.C. 266 (1998) (consent order) (challenging deceptive claims that product containing wheat germ, bran, soybean extract, and seaweed could treat diabetes, anemia, high blood pressure, and other serious conditions)

- Global World Media Corp., 124 F.T.C. 426 (1997) (consent order) (challenging safety claims and requiring safety disclosures in ads for Herbal Ecstasy, ephedra-based product advertising as a natural high)

- Home Shopping Network, Inc., 122 F.T.C. 227 (1996) (consent order) (challenging unsubstantiated claims for vitamin and stop-smoking sprays); and United States v. Home Shopping Network, Inc., No. 99-897-CIV-T-25C (M.D. Fla. Apr. 15, 1999) (consent decree) ($1.1 million civil penalty for violating FTC order barring false and unsubstantiated claims for skin care, weight-loss, and PMS and menopause products)

- FTC v. Redhead, No. 93-1232-JO (D. Ore. June 20, 1994) (stipulated permanent injunction) (challenging deceptive claims that algae-based product could treat AIDS)

- United States v. General Nutrition Corp., No. 94-686 (W.D. Pa. Apr. 28, 1994) (stipulated permanent injunction) ($2.4 million civil penalty for unsubstantiated disease prevention, weight loss, and muscle building claims for dietary supplements)

E. Weight Loss and Fitness: The FTC has challenged deceptive weight loss claims for products, services, and exercise devices through traditional law enforcement actions and industry outreach and education.

1. Industry Guidance. In September 2002, FTC staff issued *Report on Weight Loss Advertising: An Analysis of Current Trends*, a study of deceptive themes found in diet ads. The FTC held a workshop in November 2002 to consider efforts to combat fraud in weight loss advertising and issued a follow-up report, *Deception in Weight Loss Advertising: Seizing Opportunities and Building Partnerships to Stop Weight Loss Fraud*, in December 2003. The agency published *Red Flags: A Reference Guide for Media on Bogus Weight Loss Claim Detection*, revising that guidance in a 2014 publication, *Gut Check*. In April 2005, the FTC released a report studying industry compliance with calls for more effective self-regulation. According to *2004 Weight-Loss Advertising Survey: A Report From the Staff of the Federal Trade Commission*, the percentage of ads for weight loss products that contain claims that the FTC considers to be patently false dropped from almost 50% in 2001 to 15% in 2004.

2. Representative weight loss and fitness cases:

- FTC v. NutriMost LLC, No. 2:17-CV-00509-NBF (W.D. Pa. Apr. 21, 2017) (stipulated final judgment) ($2 million redress for deceptive claims that weight loss product would help consumers permanently lose "20 to 40+ pounds in 40 days" without significantly cutting calories)

- FTC v. NPB Advertising, Inc., No. 8:14-CV-0155-SDM-TGW (M.D. Fla. Nov. 14, 2016) (order) ($30 million judgment against Pure Green Coffee pitchman, who used false diet claims, testimonials, and news websites). See also FTC v. NPB Advertising, Inc., No. 8:14-CV-0155-SDM-TGW (M.D. Fla. Nov. 17, 2015) (stipulated order) (partially suspended $30 million judgment for deceptive weight loss claims for dietary supplement containing green coffee bean extract promoted, among other places, on The Dr. Oz Show)

- FTC v. Lunada Biomedical, Inc., No 2:15-CV-03380-MWF (PLAx) (C.D. Cal. May 20, 2016) (stipulated order) ($40 million partially suspended judgment for deceptive claims that Amberen causes weight loss, fat loss, and increased metabolism in women over 40)

- FTC v. HCG Diet Direct, LLC, No. 2:14-CV-00015-NVW (D. Az. Feb. 25, 2016) (order) (lifting suspension of $3.2 million judgment for weight loss claims for product marketed as homeopathic HCG drops based on defendants' untruthful financial information)

- FTC v. Sale Slash, LLC, No. CV15-03107 (C.D. Cal. Feb. 8, 2016) (stipulated order) ($10 million judgment for false weight loss claims, unauthorized celebrity endorsements, use of bogus news sites, and violations of the CAN-SPAM Rule)

- FTC v. Original Organics LLC, No. 2:16-DC-00023-GZS (D. Me. Feb. 5, 2016) (partially suspended $16 million judgment to settle FTC-Maine AG action challenging illegal billing practices and deceptive diet claims for AF Plus and Final Trim)

- Crystal Ewing, Classic Productions, Inc., and Ricki Black, (D. Nev. Nov. 17, 2015) (stipulated order) ($2.7 judgment against Ewing and corporate defendant and partially suspended $1.6 million judgment against Black for deceptive weight loss claims for W8-B-Gone, CITRI-SLIM 4, and Quick & Easy)

- FTC v. Roca Labs, Inc., No. 8:15-cv-02231-MSS-TBM (M.D. Fla. Sept. 29, 2015) (complaint filed) (challenging allegedly deceptive weight loss claims and endorsements and defendants' alleged use of gag clauses to stop consumers from posting negative online reviews)

- FTC v. Genesis Today, Pure Health, and Lindsey Duncan, No. 1:15-cv-62 (W.D. Tex. Jan. 26, 2015) ($9 million redress for deceptive weight loss claims for green coffee bean extract made through campaign that included appearances on Dr. Oz Show)

- FTC v. DERMAdoctor, Inc., No. 14-01129-CV-W-BP (W.D. Mo. Dec. 23, 2014) (stipulated order) (challenging deceptive reduction claims for Shrinking Beauty)

- FTC v. Solace International, Inc., No. 3:14-cv-00638-MMD-WGC (D. Nev. Dec. 23, 2014) (stipulated permanent injunction) (challenging deceptive weight loss claims for Lipydryl)

- FTC v. HCG Platinum, LLC, No. 2:13-CV-02215-HRH (D. Az. Oct. 30, 2013) (Dec. 11, 2014) (stipulated judgment) (partially suspended $10 million judgment for deceptive claims for HCG Platinum line of purported weight loss products)

- Wacoal America, Inc., C-4496 (Sept. 29, 2014) (consent order) ($1.3 million for deceptive reduction claims for caffeine-infused shapewear)

- Norm Thompson Outfitters, Inc.,C-4495 (Sept. 29, 2014) (consent order) ($230,000 redress for deceptive reduction claims for caffeine-infused shapewear and false claim that products were endorsed by Dr. Oz)

- United States v. ICON Health and Fitness, Inc., No. 1:14-CV-1578 (D.D.C. Sept. 14, 2014) (stipulated order) ($3 million civil penalty for deceptive weight loss and fitness claims for ab GLIDER, in violation of 1997 FTC order)

- HealthyLife Sciences LLC, C-4492, and John Matthew Dwyer III, C-4493 (Sept. 11, 2011) (consent orders) (challenging false and deceptive claims that Healthe Trim would cause substantial weight loss and banning officer from weight loss industry)

- FTC v. Applied Food Sciences, Inc., No. 1-14-CV-00851 (W.D. Tex. Sept. 8, 2014) (stipulated order) ($3.5 million to settle charges that company used flawed study results to make baseless weight loss claims about green coffee extract to retailers, who repeated claims to consumers)

- FTC v. 7734956 Canada Inc., No. 1:14-CV-02267-CCB (D. Md. July 25, 2014) (stipulated order) ($500,000 redress for deceptive weight loss claims for Double Shot Weight Regulator)

- FTC v. Sensa Products, LLC, No. 11CV72 (N.D. Ill. Jan. 7, 2014) (stipulated judgment) ($26.5 million redress for deceptive weight loss claims and misleading endorsements for Sensa)

- L'Occitane, Inc. C-4445 (Jan. 7, 2014) (consent order) ($450,000 redress for deceptive slimming claims for Almond Beautiful Shape and Almond Shaping Delight skin creams)

- FTC v. Clickbooth.com, LLC, No. 1:12-CV-09087 (N.D. Ill. Nov. 14, 2012) ($2 million redress to settle charges that company's affiliate marketers deceived consumers through bogus weight loss claims on fake news sites about acai berry supplements and "colon cleansers")

- United States v. Jason Pharmaceuticals, Inc., No. 1:12-CV-01476 (D.D.C. Sept. 10, 2012) (consent decree) ($3.7 million civil penalty from subsidiary of Medifast for violations of FTC order)

- FTC v. Fitness Brands, No. 1:12-CV-23065-CMA (S.D. Fla. Aug. 23, 2012) (stipulated judgment) ($15 -$25 million redress for deceptive weight loss and fitness claims for Ab Circle Pro)

- FTC v. Skechers U.S.A. Inc., No 1:12-CV-01214-JG (N.D. Ohio May 16, 2012) (stipulated judgment) ($40 million redress for deceptive claims that Skechers Shape-ups and other shoes would help people lose weight, and strengthen and tone their buttocks, legs and abdominal muscles)

- FTC v. IMM Interactive, Inc. d/b/a COPEAC and Intermark Media, No. 1:11-CV-02484 (N.D. Ill. Mar. 21, 2012); FTC v. Coulomb Media, Inc., No. 2:11-CV-11618-RHC-LJM (E.D. Mich. Mar. 21, 2012); FTC v. DLXM LLC, No. CV 11-1889 (E.D.N.Y. Jan. 25, 2012); FTC v. Vaughn, No. 2:11-CV-00630-RAJ (W.D. Wash. Jan. 25, 2011); FTC v. Dunlevy, No. 1:11-CV-01226-TWT (N.D. Ga. Jan. 25, 2012); FTC v. Labra, No. 1:11-CV-02485 (N.D. Ill. Jan. 25, 2012); and FTC v. Ambervine Marketing LLC, No. 1:11-CV-02487 (N.D. Ill. Jan. 25, 2012); and FTC v. Circa Direct LLC, No. 1:11-CV-02172-RMB-AMD (D.N.J. Oct. 19, 2012) (stipulated judgments) (challenging affiliate marketers' practice of using fake news websites to market acai berry diet products)

- FTC v. Central Coast Nutraceuticals, Inc., No. 10C4931 (N.D. Ill. Jan. 9, 2012) (stipulated order) ($1.5 million redress for deceptive claims that acai supplements and "colon cleansers" could cause weight loss and prevent cancer, falsely claiming that products were endorsed by Oprah Winfrey and Rachael Ray, and making unauthorized charges to consumers' credit cards for "free" or "risk free" trial offers)

- FTC v. Stella Labs, LLC, No. 2:09-CV-01262-WJM-CCC (D.N.J. Nov. 3, 2011) (stipulated judgment) ($22.5 million judgment against defendants that sold ingredient purporting to be hoodia to others that marketed weight loss products)

- FTC v. Reebok International Ltd., No. 1:11-CV-02046-DCN (N.D. Ohio Sept. 28, 2011) (stipulated judgment) ($25 million redress for deceptive claims regarding the ability of Reebok EasyTone and RunTone shoes to provide extra toning and strengthening of leg and buttock muscles)

- Beiersdorf, Inc., 152 F.T.C. 414 (2011) (consent order) ($900,000 redress for deceptive claims that Nivea My Silhouette! skin cream can significantly reduce users' body size)

- FTC v. Bronson Partners, LLC, 654 F.3d 359 (2d Cir. 2011) (affirming $1.9 million redress for deceptive claims for Chinese Diet Tea and Bio-Slim Patch)

- United States v. QVC, Inc., No. 04-CV-1276 (E.D. Pa. Mar. 19, 2009) (consent decree) ($6 million redress for deceptive claims for For Women Only weight loss pills, Lite Bites weight loss bars and shakes, and Bee-Alive Royal Jelly energy supplements, and $1.5 civil penalty for deceptive claims for Lipofactor Cellulite Target Lotion, in violation of 2000 FTC order)

- FTC v. Telebrands Corp., No. 2:07CV3525 (D.N.J. Jan. 14, 2009) (stipulated final order) ($7 million redress for false weight loss and muscle development claims for Ab Force electronic abdominal belt). See also Telebrands Corp. v. FTC, 457 F.3d 354 (4th Cir. 2006), aff'g, 140 F.T.C. 278 (2005).

- FTC v. Spear Systems, Inc., No. 07C-5597 (N.D. Ill. July 15, 2008) (stipulated judgment against certain defendants) ($29,000 disgorgement from international marketers who used illegal spam to drive traffic to their websites where they sold hoodia products deceptively advertised to cause rapid, substantial weight loss)

- FTC v. Sili Neutraceuticals, LLC, No. 07C 4541 (N.D. Ill. Feb. 4, 2008) (permanent injunction) ($2.5 million redress for using illegal email to disseminate deceptive claims for hoodia weight-loss products and human growth hormone anti-aging products)

- FTC v. Centro Natural Services, Inc., No. SACV06-989 JVS (RNBx) (C.D. Cal. Jan. 30, 2008) (stipulated order) ($2.3 million suspended judgment for deceptive weight loss claims for Centro Natural de Salud Obesity Treatment)

- FTC v. Diet Coffee, Inc., No. 1:08-CV-0094-JSR-DCF (S.D.N.Y. Jan. 15, 2008) (stipulated order) ($923,910 suspended judgment for deceptive weight loss claims for "diet coffee" containing hoodia)

- United States v. Bayer Corp., No. 07-01(HAA) (D.N.J. Jan. 4, 2007) (consent decree) ($3.2 million civil penalty for deceptive weight loss claims for One-A-Day WeightSmart, disseminated in violation of an earlier FTC order)

- FTC v. Chinery, No. 05-3460 (GEB) (D.N.J. Jan. 4, 2007) (stipulated order) (at least $8 million redress for deceptive weight loss claims for Xenadrine EFX, deceptive testimonials, and failure to disclose material connection between advertiser and endorsers); Cytodyne, LLC, 140 F.T.C. 191 (2005) (consent order) ($100,000 redress for deceptive claims for Xenadrine EFX)

- FTC v. Window Rock Enterprises, Inc., No.: CV04-8190 DSF (JTLx) (C.D. Cal. Jan. 4, 2007 and Sept. 21, 2005) (stipulated orders) ($12 million in cash and assets for deceptive claims that CortiSlim and CortiStress can cause weight loss and reduce the risk of, or prevent, serious health conditions)

- TrimSpa, Inc., 143 F.T.C. 269 (2007) (consent order) ($1.5 million redress for deceptive claims for that one of TrimSpa's ingredients, *hoodia gordonii*, enables users to lose weight by suppressing the appetite)

- Basic Research, D-9318 (May 11, 2006) (consent order) ($3 million redress for deceptive representations for Leptoprin, Anorex, Dermalin, and other purported weight loss products and PediaLean, a purported weight loss product for children)

- FTC v. Kingstown Associates, Ltd., No.: 03-CV-910A (W.D.N.Y. Sept. 15, 2005) (stipulated order) ($150,000 redress for deceptive claims for Hydro-Gel Slim Patch and Slenderstrip and order banning UK defendants from advertising or selling supplement, food, drug, or weight loss products)

- FTC v. FiberThin LLC, (S.D. Cal. June 14, 2005) (stipulated order) ($1.5 million redress and $41 million suspended judgment for deceptive weight loss and metabolism enhancement claims for FiberThin, Propolene, Excelerene, and MetaboUp)

- FTC v. SG Institute of Health & Education, Inc., No. 04-61627 (S.D. Fla. Dec. 15, 2004) (stipulated order), and FTC v. Transdermal Products Int'l Marketing Corp., No. 04-CV-5794 (E.D. Pa. Aug. 20, 2007) (order) ($180,000 redress for role of manufacturer and retailer in making deceptive claims for purported weight loss patches)

- FTC v. National Institute for Clinical Weight Loss, Inc., No. 1:04-CV-3294 (N.D. Ga. Jan. 15, 2009) (final judgment) ($15 million redress for deceptive claims for Thermalean, Lipodrene, and Spontane-ES)

- ***Operation Big Fat Lie:*** FTC v. AVC Marketing, Inc., No. 04C 6915 (N.D. Ill. June 20, 2005) (stipulated judgment) ($400,000 redress for deceptive weight loss claims for Himalayan Diet Breakthrough);FTC v. Iworx, No. 2:04-CV-00241-GPS (D. Me. May 19, 2005) (stipulated judgment) (partially suspended $20 million judgment from marketer of UltraLipoLean); FTC v. CHK Trading Corp., No. 04-CV-8686 (S.D.N.Y. July 26, 2005) (stipulated judgment); FTC v. Femina, Inc., No. 04-61467 (S.D. Fla. May 17, 2005) (stipulated judgment) (suspended $43,000 judgment for deceptive weight loss claims for 1-2-3 Reduce Fat, Siluette Patch, and Fat Seltzer Reduce)

- FTC v. Harry Siskind, No. SA02CA1151EP (W.D. Tex. Oct. 22, 2004) (stipulated order) ($155 million judgment for falsifying financial statement to hide assets from the FTC)

- FTC v. Slim Down Solution, LLC, No. 03-80051 (S.D. Fla. Oct. 19, 2004) (modified order) (challenging deceptive claims that Slim Down Solution and ingredient D-glucosamine could block fat absorption and cause consumers to lose weight without dieting)

- FTC v. Pinnacle Marketing, No. 04-CV-185-PC (D. Maine Aug. 26, 2004) (stipulated judgment) ($212,000 redress for deceptive claims for Ultra Carb weight loss product)

- FTC v. VisionTel Communications LLC, No. 1:04CV01412 (D.D.C. Aug. 26, 2004) (stipulated judgment) ($750,000 redress for deceptive claims for Chito Trim and Turbo Tone diet products and two supplements advertised to treat sexual dysfunction)

- FTC v. Kamarfu Enterprises, Inc., No. 04-21280 (S.D. Fla. June 17, 2004) (stipulated order) ($30,000 redress for deceptive claims for 1-2-3 Diet Kit, weight loss product advertised in Spanish-language media)

- Dynamic Health of Florida, LLC, 141 F.T.C. 287 (2006), and Jonathan Barasch, 138 F.T.C. 355 (2004) (consent orders) (challenging deceptive representations for Pedia Loss, a purported weight loss product for children)

- FTC v. Advanced Patch Technologies, Inc., No, 1:04-CV-0670 (N.D. Ga. Mar. 9, 2004) (stipulated judgment) (more than $1 million redress for false weight loss claims for Peel Away the Pounds diet patch); and (N.D. Ga. Sept. 30, 2008) ($$110,539 for violating 2004 orders by continuing to make false claims that product causes substantial weight loss)

- FTC v. The Fountain of Youth Group, No. 3:04-CV-47-J-99HTS (M.D. Fla. Jan. 28, 2004) (stipulated order) ($6 million suspended judgment for deceptive weight loss claims for Skinny Pills, Skinny Pills for Kids, and other diet products)

- FTC v. Universal Nutrition Corp., No. 1-03-CV-3822 (N.D. Ga. Dec. 9, 2003) (stipulated judgment) ($1 million redress for deceptive weight loss claims for ThermoSlim, a purported diet product containing ephedra and other ingredients)

- FTC v. Beauty Visions Worldwide, No. 03 CV 0910 (SC) (W.D.N.Y. Oct. 12, 2004) (stipulated order) (partially suspended $1.4 million judgment for fulfillment house's role in marketing Hydro-Gel Slim Patch and Slenderstrip, seaweed-based patches advertised to cause weight loss without diet or exercise)

- FTC v. Savvier, Inc., No. LACV 03-8159 FMC (C.D. Cal. Sept. 1, 2004) (stipulated judgment) ($2.6 million redress for deceptive weight loss representations for BodyFlex products, including claim that users will lose 4 to 14 inches in the first seven days)

- FTC v. No. 9068-8425 Quebec, Inc., No. 1:02:CV-1128 (N.D.N.Y. July 10, 2003) (stipulated order) (partially suspended $12 million judgment for deceptive diet claims for Quick Slim Fat Blocker and Cellu-Fight)

- United States v. Estate of Michael Levey, No. CV-03-4670 GAF (AJWx) (C.D. Cal. July 1, 2003) ($2.2 million redress for deceptive safety and efficacy claims for ephedra-based weight loss products)

- FTC v. USA Pharmacal Sales, Inc., (M.D. Fla. July 1, 2003) (stipulated judgment) ($175,000 redress for deceptive safety and efficacy claims for ephedra-based weight loss products)

- FTC v. Health Laboratories of North America, Inc., (D.D.C. July 1, 2003) (stipulated judgment) ($195,000 redress for deceptive safety and efficacy claims for ephedra weight loss products)

- FTC v. Mark Nutritionals, Inc., No. SA02CA1151EP (W.D. Tex. Dec. 8, 2003) (stipulated order) ($1 million redress in state and federal actions and $1 million bond for deceptive claims for Body Solutions, marketed through endorsements by radio personalities)

- FTC v. United Fitness of America, No. CVS 020648-KJD (D. Nev. July 21, 2003) (stipulated judgment) ($5 million redress for deceptive fat loss and muscle building claims for Fast Abs belt); FTC v. Hudson Berkley Corp., No. CVS 020649-PMP (D. Nev. July 1, 2003) (permanent injunction) (holding defendants liable for $83 million redress for deceptive fat loss and muscle building claims for Abtronic belt); FTC v. AbFlex USA, Inc. and Ab Energizer, L.L.C., No. 02CV888H-AJB (S.D. Cal. Apr. 22, 2005) (stipulated order) ($1.4 redress for deceptive fat loss and muscle building claims for abdominal belt)

- Weider Nutrition International, Inc., C-3983 (Nov. 17, 2000) (consent order) ($400,000 redress for deceptive claims for PhenCal, advertised as safe and effective alternative to drug combination Phen-Fen)

- FTC v. Enforma Natural Products, Inc., No. 04376JSL(CWx) (C.D. Cal. Apr. 26, 2000) (stipulated order) ($10 million redress for deceptive claims that product blocks absorption of fat, increases ability to burn fat, and cause weight loss).See FTC v. Enforma Natural Products, Inc., No. 04376JSL (CWx) (C.D. Cal. Jan. 18, 2005) (stipulated order) (resolving contempt proceedings by banning defendants from marketing weight loss products)

- Herbal Worldwide Holding Corp., 126 F.T.C. 356 (1998) (consent order) (challenging deceptive diet claims for product containing chitin, psyllium, glucomannan, and apple pectin)

- TrendMark International, Inc., 126 F.T.C. 365 (1998) (consent order) (challenging deceptive weight loss and cholesterol-reduction claims for chitin product)

- FTC v. SlimAmerica, Inc., No. 97-6072-Civ (S.D. Fla. 1999) (permanent injunction) ($8.3 million redress from marketer of purported weight loss products)

- ***Operation Waistline***: See, e.g., Bodywell, Inc., 123 F.T.C. 1577 (1997); Cambridge Direct Sales, 123 F.T.C. 1596 (1997); 2943174 Canada Inc., 123 F.T.C. 1465 (1997) (consent orders) (challenging diet claims for SeQuester, Lipitrol, Fat Burner, Slimming Insoles, the Cambridge Diet, and other products)

- ***Project Workout:*** Abflex, U.S.A., Inc., 124 F.T.C. 354 (1997); Kent and Spiegel Direct, Inc., 124 F.T.C. 300 (1997); Icon Health and Fitness, Inc., 124 F.T.C. 215 (1997); and Life Fitness, 124 F.T.C. 236 (consent orders) (challenging deceptive calorie-burning claims for the Abdomenizer, the Lifecycle, and the Proform Cross Walk Treadmill)

- Jenny Craig, Inc., 125 F.T.C. 333 (1998) (consent order) (challenging deceptive claims for weight loss program)

- Weight Watchers International, Inc., 124 F.T.C. 610 (1997) (consent order) (challenging deceptive claims for weight loss program)

- Nutrition 21, 124 F.T.C. 1 (1997) (consent order) (challenging deceptive weight loss claims for products containing chromium picolinate)

- NordicTrack, Inc., 121 F.T.C. 907 (1996) (consent order) (challenging deceptive weight loss study claims for exercise device)

- Schering Corp., 118 F.T.C. 1030 (1994) (consent order) (challenging deceptive weight loss and fiber content claims for Fiber-Trim tablet)

- Nutra/System, Inc., 116 F.T.C. 1408 (1993) (consent order) (challenging deceptive claims for weight loss program)

IX. ENVIRONMENTAL AND ENERGY-RELATED ADVERTISING

A. ***Guides for the Use of Environmental Marketing Claims***, 16 C.F.R. § 260. After workshops and public comment, the FTC issued Environmental Marketing Guides in 1992, revising them in 1996, 1998, and 2012. The Guides offer interpretations of how FTC caselaw applies to "green" marketing claims. Through definitions and examples, the Guides address the use of terms like biodegradable, recyclable, recycled, and ozone-friendly, as well as general environmental benefit claims like environmentally safe or environmentally friendly. They also establish that qualifiers and disclosures must be clear and prominent.

B. ***Warning Letters.*** On February 3, 2010, the FTC sent warning letters to 78 companies that advertised their products as bamboo when, in fact, they were made of rayon, a manmade fiber created from cellulose found in plants and trees and processed with chemicals that release air pollution. In 2014 and 2015, the FTC sent warning letters to marketers of "oxodegradable" plastic waste bags that their claims may be deceptive under the Green Guides. FTC staff sent warning letters on September 14, 2015, to five groups that offer environmental certifications or seals and 32 businesses that display them, raising concerns about possibly deceptive claims.

C. Representative "environmentally friendly," certification, or related cases:

- United States v. Nordstrom, Inc., 1:15-CV-02130; United States v. Bed Bath & Beyond, Inc., No. 1:15-CV-02129; United States v. J.C. Penney Co., No. 1:15-CV-02128; and United States v. Backcountry.com, No. 1:15-CV-02127 (D.D.C. Dec. 9, 2015) ($1.3 million total civil penalties for labeling and advertising products as bamboo, when they were made of rayon)

- United States v. Leon Max, Inc., No. 1:13-CV-00003; United States v. Sears, Roebuck and Co., Kmart Corp., and Kmart.com, LLC, No. 1:13-CV-00005; United States v. Macy's, Inc., No. 1:13-CV-00004; and United States v. Amazon.com, Inc., No. 1:13-CV-00002-TFH (D.D.C. Jan. 3, 2013) (stipulated judgments) ($1.26 million total civil penalties for labeling and advertising products as bamboo, when they were made of rayon)

- Nonprofit Management LLC, 151 F.T.C. 144 (2011) (consent order) (challenging the marketing of false "Tested Green" certifications that involved no environmental testing and were purportedly "endorsed" by two firms, which the company owned)

- Sami Designs, LLC, d/b/a Jonäno, C-4279; CSE, Inc., d/b/a MAD MOD, C-4280; Pure Bamboo, LLC, C-4278 (Aug. 11, 2009); and The M Group, Inc., d/b/a Bamboosa, D-9340 (consent orders) (charging that companies deceptively advertised rayon products as bamboo and deceptively claimed products were manufactured using an environmentally friendly process, retained natural antimicrobial properties of bamboo, and were biodegradable)

D. Representative degradability cases:

- ECM BioFilms, Inc., No. 15-4339 (6th Cir. Mar. 16, 2017) (affirming FTC ruling that company made false and unsubstantiated biodegradability claims)

- Nice-Pak Products, Inc., C-4556 (May 18, 2015) (consent order) (challenging deceptive claims that moist toilet tissue was flushable and safe for sewer and septic tanks)

- Down to Earth Designs, Inc. d/b/a gDiapers, C-4443 (Jan. 17. 2014) (consent order) (challenging deceptive claims about diapers' biodegradability, compostability, and other environmentally friendly attributes)

- FTC v. AJM Packaging Corp., No. 1:13-CV-1510 (D.D.C. Oct. 29, 2013) (stipulated order) ($450,000 civil penalty for violating FTC order barring deceptive biodegradability claims)

- Clear Choice Housewares, Inc., 156 F.T.C. 495 (2013); Carnie Cap, Inc., 156 F.T.C. 447 (2013); American Plastic Manufacturing, Inc., C-4478; MacNeill Engineering Company, Inc., 156 F.T.C. 447 (2013) (consent orders) (challenging biodegradability claims for plastic products)

- Dyna-E International Corp., D-9336 (Aug. 26, 2009); Kmart Corp., C-4263 (June 9, 2009); and Tender Corp., C-4261(June 9, 2009) (consent orders) (challenging deceptive claims that towels, paper plates, and wipes were biodegradable when a substantial majority of solid waste is disposed of by methods that don't allow products to completely break down)

- Archer Daniels Midland Co., 117 F.T.C. 403 (1994) (consent order) (challenging deceptive biodegradable and landfill benefit claims for plastic products containing corn starch additive)

- Mobil Oil Corp., 116 F.T.C. 113 (1993) (consent order) (challenging deceptive biodegradable and landfill benefit claims for Hefty trash bags)

E. Representative "free of" or "zero" cases:

- Moonlight Slumber, LLC, C-4634 (Sept. 28, 2017) (consent order) (challenging deceptive claims that baby mattresses were organic and free of volatile organic compounds)

- Benjamin Moore & Co., Inc., C-4646; Imperial Paints, C-4647; ICP Construction, Inc., C-4648; and YOLO Colorhouse, C-4648 (July 11, 2017) (consent orders) (challenging deceptive claims that paints were emission- and VOC-free and safe for babies and other sensitive populations)

- Relief-Mart, Inc., 156 F.T.C. 284 (2013); EcoBaby Organics, Inc., 156 F.T.C. 334 (2013) ; and Essentia Natural Memory Foam Company, 156 F.T.C. 360 (2013) (consent orders) (challenging deceptive claims that mattresses are free of VOCs)

- Sherwin-Williams Company, 155 F.T.C. 332 (2012) (consent order); and PPG Architectural Finishes, Inc., 155 F.T.C. 305 (2012) (consent order) (challenging deceptive claim that interior paint contained "zero" VOCs)

F. Representative recycled content or recyclability cases:

- Engineered Plastic Systems, LLC, C-4485 (Sept. 11, 2014) (consent order) (challenging deceptive recycled content claims for plastic lumber products)

- American Plastic Lumber, Inc., C-4478 (June 19, 2014) (consent order) (challenging deceptive recycled content claims for plastic lumber products)

- N.E.W. Plastics Corp., C-4449 (Feb. 18, 2014) (consent order) (challenging deceptive claims about recycled content and recyclability of two brands of plastic lumber)

- FTC v. AJM Packaging Corp., No. 1:13-CV-1510 (D.D.C. Oct. 29, 2013) (stipulated order) ($450,000 civil penalty for violating FTC order barring deceptive recyclability claims)

- LePage's, Inc., 118 F.T.C. 31 (1994) (consent order) (challenging deceptive recyclability claims for tape's plastic dispenser and paperboard card where few facilities exist to recycle either material)

- Keyes Fibre Co., 118 F.T.C. 150 (1994) (consent order) (challenging deceptive biodegradability and recyclability claims for Chinet plates where few facilities exist to recycle food-contaminated waste)

G. Representative cases challenging claims regarding ozone/CFCs

- Creative Aerosol Corp., 119 F.T.C. 13 (1995) (consent order) (challenging deceptive "Environmentally Safe Contains No Fluorocarbons" claims for aerosol soaps containing VOCs and ozone-depleting chemicals)

- Redmond Products, Inc., 117 F.T.C. 71 (1994) (consent order) (challenging deceptive green claims for Aussie hair products that contained VOCs that can contribute to smog formation)

H. Representative cases challenging "all natural" claims

- California Naturel Inc., D-9370 (Dec. 12, 2016) (Commission Opinion) (ruling that company's "all natural" claim was deceptive because 8% of its sunscreen was made of dimethicone, a synthetic ingredient)

- Trans-India Products, Inc., C-4582 (2016); Erickson Marketing Group Inc., C-4583 (2016); ABS Consumer Products, LLC, C-4584 (2016); Beyond Coastal, C-4585 (2016) (consent orders) (challenging deceptive "all natural" or "100% natural" claims for personal care products containing synthetic ingredients)

I. Representative cases challenging environmental health or safety claims:

- FTC v. Volkswagen Group of America, Inc., No. 3:15-MD-2672 (N.D. Cal. June 28, 2016) (partial stipulated order) ($10 billion to compensate owners and lessees and to settle charges that VW made false "clean diesel" claims for 2.0L vehicles equipped with defeat device that cheated on emissions testing). See also FTC v. Volkswagen Group of America, Inc., No. 3:15-MD-2672 (N.D. Cal. Feb. 1, 2017) (second partial stipulated order) (related settlement for owners of 3.0L diesels)

- FTC v. TradeNet Marketing, Inc., No. 99-944-CIV-T-24B (M.D. Fla. Apr. 21, 1999) (consent order) (challenging deceptive claims for a laundry detergent substitute advertised to clean clothes without causing water pollution)

- Safe Brands Corp., 121 F.T.C. 379 (1996) (consent order) (challenging deceptive claims that Sierra antifreeze was safe if ingested, environmentally safe, and safer for the environment than conventional antifreeze)

- Orkin Exterminating Co., 117 F.T.C. 747 (1994) (consent order) (challenging deceptive claims that company's lawn pesticides are "practically non-toxic" and pose no significant risk to human health or environment)

- Mr. Coffee, Inc., 117 F.T.C. 156 (1994) (consent order) (challenging deceptive claims paper filters were manufactured by a chlorine-free process that was not harmful to the environment)

- The Vons Companies, 113 F.T.C. 779 (1990) (consent order) (challenging deceptive claims for pesticide-free produce sold in grocery stores) stores)

J. Representative cases challenging energy savings claims or violations of energy- related regulations:

- FTC v. Lights of America, Inc., No. SACV10-1333 JVS (MLGx) (C.D. Cal. Feb. 20, 2014) (final judgment) ($21 million judgment for exaggerated claims about the light output and life expectancy of defendant's LED bulbs)

- FTC v. Green Foot Global, LLC, No. 2:13-CV-02064 (D. Nev. Nov. 22, 2013) ($800,000 redress for deceptive fuel economy and emissions reduction claims for EnviroTab fuel additive)

- Long Fence & Home, LLLP, C-4352; Serious Energy, Inc., C-4359; Gorell Enterprises, Inc., C-4360; THV Holdings LLC, C-4361; and Winchester Industries, C-4362 (Feb. 22, 2012) (consent orders) (challenge deceptive energy-saving and cost-saving claims for replacement windows)

- FTC v. Dutchman Enterprises, No. 09-141 (FSH) (D.N.J. Dec. 20, 2011) (stipulated order for permanent injunction) (challenging as deceptive company's claims that device can boost gas mileage by 50% and "turn any vehicle into a hybrid")

- Homeeverything.com, C-4304; Appliancebestbuys.com, D-9347; Abt Electronics, Inc., C-4302; P.C. Richard & Son, Inc., C-4303; Universal Appliances, Kitchens, and Baths, Inc., C-4319 (consent orders) (Nov. 1, 2010) ($400,000 in total civil penalties against retailers for failure to post EnergyGuide information on websites)

- FTC v. International Research and Development Company of Nevada, No.04C 6901 (N.D. Ill. Aug. 22, 2006) ($4.2 million redress and lifetime ban for deceptive fuel-saving and emission-reduction claims for FuelMAX and Super FuelMAX)

- Dura Lube, Inc., D-9292 (May 5, 2000) (consent order) (challenging deceptive claims that engine treatment could reduce wear, prolong engine life, reduce emissions, and increase gas mileage by up to 35%)

- Castrol North America Inc., 128 F.T.C. 682 (1999), and Shell Chemical Co., 128 F.T.C. 749 (1999) (consent orders) (challenging deceptive power and acceleration claims for Syntec fuel additives manufactured by Shell and marketed by Castrol)

- Ashland, Inc., 125 F.T.C. 20 (1998) (consent order) (challenging misleading claims about Valvoline TM8 Engine Treatment's ability to reduce engine wear and improve fuel economy)

- Exxon Corp., 124 F.T.C. 249 (1997) (consent order) (challenging misleading claims about gasoline's ability to clean engines and reduce maintenance costs)

- United States v. STP Corp., No. 78 Civ. 559 (S.D.N.Y. Dec. 1, 1995) (stipulated order) ($888,000 civil penalty for violation of order prohibiting deceptive claims for motor oil additives)

- Unocal Corp., 117 F.T.C. 500 (1994) (consent order) (challenging unsubstantiated performance claims for higher octane fuels)

- Osram Sylvania, Inc., 116 F.T.C. 1297 (1993) (consent order) (challenging deceptive claim that Energy Saver light bulbs will save energy, conserve natural resources, and reduce electricity costs when company failed to disclose that product provided less light than bulbs they are designed to replace)

- General Electric Co., 116 F.T.C. 95 (1992) (consent order) (challenging deceptive claim that Energy Choice light bulbs will save energy, reduce pollution, and reduce electricity costs when company failed to disclose that product provided less light than bulbs they are designed to replace)

X. TOBACCO

A. The Cigarette Act originally gave the FTC administrative responsibility for rotational plans for health warnings on packaging and advertising. The Family Smoking Prevention and Tobacco Control Act, 21 U.S.C. §387, signed into law in 2009, gives FDA specific jurisdiction to regulate tobacco products, including advertising, marketing, and packaging. In addition, the Act set out a new regulatory scheme for health warnings, giving the Secretary of HHS authority to revise the warnings. The Act transferred responsibility for the review and approval of health warning plans from the FTC to the FDA, and in June 2010 FDA took over responsibility for smokeless tobacco health warnings. However, for cigarettes, the Act ties the effective date of that transfer to the issuance of new health warning labels by FDA. FDA issued new warnings in June 2011, but those warnings were challenged on First Amendment grounds.

B. The FTC reports annually on the amount spent on the advertising and promotion of cigarettes and smokeless tobacco. See, e.g., Federal Trade Commission Cigarette Report for 2011 (May 2013).

C. Representative tobacco cases:

- ***E-liquid warning letters.*** On May 1, 2018, the FTC and FDA send warning letters to manufacturers, distributors, and retailers of e-liquids used in e-cigarettes that featured labeling or advertising resembling candy, cookies, juice boxes, and other food popular with young children. According to the letters ingesting as little as a teaspoon of the liquid could be fatal to toddlers.

- Stoker, Inc., 131 F.T.C. 1139 (2001) (alleging that company violated the Smokeless Tobacco Act by failing to place health warnings in conspicuous and legible type and in a conspicuous and prominent place on smokeless tobacco packaging)

- Swisher International, Inc., Havatampa, Inc., Consolidated Cigar Corp., General Cigar Holdings, Inc., John Middleton, Inc., Lane Limited, and Swedish Match North America, C-3964 through C-3970 (Aug. 25, 2000) (consent orders) (requiring nation's seven largest cigar companies to include warnings about significant health risks of cigar use in their advertising and packaging)

- Santa Fe Natural Tobacco Company, Inc., C-3952 (June 16, 2000) (consent order) (challenging claim that Natural American Spirit cigarettes are safer than other cigarettes because they contain no additives)

- Alternative Cigarettes, Inc., C-3956 (June 16, 2000) (consent order) (challenging claim that Pure, Glory, Herbal Gold, and Magic cigarettes are safer than other cigarettes because they contain no additives)

- R.J. Reynolds Tobacco Co., 128 F.T.C. 262 (1999) (consent order) (challenging deceptive claims for Winston "no additives" cigarettes and requiring disclosures that "No additives in our tobacco does NOT mean a safer cigarette")

- American Tobacco Co., 119 F.T.C. 3 (1995) (consent order) (challenging deceptive claim that "10 packs of Carlton have less tar than one pack" of other brands)

- Pinkerton Tobacco Co., 115 F.T.C. 60 (1992) (consent order) (challenging as violations of television advertising ban the display of Redman Tobacco brand name and selling message on signs, vehicles, uniforms, etc., at company-sponsored televised events)

- R.J. Reynolds Tobacco Co., 113 F.T.C. 344 (1990) (consent order) (challenging deceptive claims regarding findings of scientific study on health effects of smoking)

XI. ALCOHOL

A. Reports to Congress: In September 1999, the FTC issued *Self-Regulation in the Alcohol Industry: A Review of Industry Efforts to Avoid Promoting Alcohol to Underage Consumers*. Based on data submitted by eight marketers pursuant to Section 6(b) of the FTC Act, the FTC recommended that the industry: 1) create independent review boards to consider complaints from consumers and competitors; 2) raise the current standard that permits advertising placement in media where just over 50% of the audience is 21 or older; and 3) adopt a series of best practices to curb on-campus and spring break sponsorships, block underage access to websites, disallow placement on television shows with large underage audiences, and restrict paid product placements to R-rated or NC-17 movies. In September 2003, the FTC issued *Alcohol Marketing and Advertising: A Federal Trade Commission Report to Congress*. In response to inquiries about flavored malt beverages, the FTC concluded that marketers have generally complied with 2002 voluntary alcohol codes regarding ad placement. The FTC said it would continue to monitor new placement standards requiring that adults constitute 70% of the audience for advertising and the effectiveness of third-party and other review programs. The FTC issued a June 2008 report examining industry efforts to reduce the likelihood that alcohol advertising targets those under 21 and announcing a new system for monitoring industry compliance with self-regulatory programs. In April 2012, the FTC announced it was requiring 14 advertisers to provide data for a fourth study on the effectiveness of voluntary industry guidelines for reducing advertising and marketing to underage audiences. For the first time, the FTC requested information on Internet and digital marketing and data collection practices. Released in March 2014, that study reported 93% compliance with placement guidelines and included additional recommendations to the industry.

B. Education and Outreach. The FTC supports the *www.dontserveteens.gov* initiative, in cooperation with Department of Treasury's Alcohol and Tobacco Tax and Trade Bureau, other government agencies, consumer groups, and industry associations.

C. Representative alcohol cases:

- Phusion Projects, LLC, C-4382 (Feb. 12, 2013) (consent order) (challenging false claims that a 23.5-ounce, 11 or 12% alcohol by volume can of Four Loko contains alcohol equivalent to one or two 12-ounce beers and requiring relabeling and repackaging)

- ***Warning letters to sellers of caffeinated alcohol drinks.*** On Nov. 17, 2010, the FTC sent warning letters to United Brands Co., seller of Joose and Max; Phusion Products LLC, seller of Four Loko and Four Maxed; Charge Beverages Corporation, seller of Core High Gravity, Core Spiked, and El Jefe; and New Century Brewing Company, seller of Moonshot, warning that the marketing of caffeinated alcohol drinks may constitute an unfair or deceptive practice.

- Constellation Brands, Inc., C-4266 (June 10, 2009) (consent order) (challenging deceptive claims for Wide Eye, a caffeinated alcohol product)

- Allied Domecq Spirits and Wine Americas, Inc. d/b/a Hiram Walker, 127 F.T.C. 368 (1999) (consent order) (challenging misrepresentation of Kahlua White Russian pre-mixed cocktail as a low-alcohol beverage)

- Beck's North America, Inc., 127 F.T.C. 379 (1999) (consent order) (challenging depiction in Beck's beer ads of potentially dangerous and illegal conduct)

- Canandaigua Wine Co., 114 F.T.C. 349 (1991) (consent order) (alleging that advertising and packaging of Cisco misrepresented the product as a wine cooler or other low-alcohol, single-serving drink, when in fact a single bottle of Cisco had the same quantity of alcohol as five one-ounce servings of 80 proof vodka)

XII. TELEMARKETING, 900 NUMBERS, AND TELECOMMUNICATIONS

A. Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994, 15 U.S.C.§ 6101: Pursuant to this law, the FTC promulgated and amended the ***Telemarketing Sales Rule***, 16 C.F.R. § 310. To protect consumers from deceptive and abusive telemarketing practices, the Rule:

1. Requires telemarketers promptly to disclose to consumers the fact that it is a sales call, the identity of the seller, the nature of the product offered, and if it is a prize promotion, the fact that no purchase is necessary to win, as well as to make certain disclosures before asking consumers for any credit card or bank account information or before they make arrangements for a courier to pick up payment.

2. Contains broad prohibitions against misrepresentations regarding any of the information required to be disclosed and regarding any material aspect of the performance, efficacy, or nature of the goods or services.

3. Prohibits telemarketers from debiting checking account without the consumer's express, verifiable authorization, and from making misleading statements to induce consumers to pay for goods or services.

4. Bars anyone from giving substantial assistance to a telemarketer when the person knows or consciously avoids knowing that the telemarketer is engaged in conduct that would violate certain provisions of the rule

5. Prohibits telemarketers from calling before 8 a.m. and after 9 p.m., and from calling consumers who have said they do not want to be called.

6. Bars telemarketing calls that deliver prerecorded messages, unless a consumer previously has agreed to accept such calls from the seller.

7. Provides that violations of the rule may result in civil penalties of up to $11,000. The rule is enforceable by the FTC, and also by the 50 state attorneys general, who can get orders that apply nationwide against fraudulent telemarketers.

After notice and public comment, the FTC amended the Telemarketing Sales Rule on November 18, 2015, to – among other things – ban four payment methods favored by scammers.

B. ***Law Enforcement:*** The FTC has undertaken a vigorous program of law enforcement against telemarketers who violate the TSR, Section 5, and other provisions. The agency has specifically challenged the role of parties under the "assisting and facilitating" provision of the Telemarketing Sales Rule, 16 C.F.R. § 310.3(b). Representative cases:

- United States v. InfoCision, Inc., No. 5:18-CV-64 (N.D. Ohio Jan. 10, 2018) ($250,000 civil penalty for millions of calls that telemarketer placed on behalf of charitable organizations falsely stating it was not calling to solicit contributions)

- FTC v. First Consumers LLC, No. 14-1608 (E.D. Pa. Mar. 12, 2014) (order) ($10 million judgment and lifetime telemarketing ban in fraud that targeted older consumers)

- FTC, Kansas, Minnesota, North Carolina, and Illinois v. Meggie Chapman, 714 F. 3d 1211 (10th Cir. 2013) (upholding $1.6 million redress for assisting and facilitating scheme that deceived consumers by falsely promising "guaranteed" federal grants)

- FTC v. INC21.com, No. 3:10-CV-00022-WHA (N.D. Cal.) (Sept. 30, 2010) (order) ($38 million to settle claims that companies used offshore telemarketers and local exchange telephone companies to place unauthorized charges on telephone bills of thousands of small businesses and consumers)

- FTC v. Helping Hands of Hope, Inc., No. CV080908 PHX-JAT (D. Ariz. Apr. 8, 2010) (stipulated order) ($26 million suspended judgment for telemarketer's practice of deceiving consumers into buying household items priced substantially higher than retail by falsely promising the proceeds would benefit charities)

- ***Operation Tele-PHONEY.*** On May 20, 2008, the FTC and 30 international, federal, state, and local agencies announced a 180-case sweep against deceptive telemarketing operations

C. ***Do Not Call*****:** On December 18, 2002, the FTC amended the TSR to add the National Do Not Call Registry, 16 C.F.R. § 310 (2003). The Registry's constitutionality was upheld in Mainstream Marketing Services v. FTC, 358 F.3d 1228 (10th Cir. 2004). On September 1, 2009, an amendment to the Rule took effect, banning most robocalls, prerecorded commercial telemarketing calls placed without consumers' express written consent.

1. The Rule and subsequent amendments requires telemarketers to scrub lists of consumers who do not wish to receive such calls, and impose

civil penalties for violations; imposes restrictions on call abandonment; requires telemarketers to transmit Caller ID information; pursuant to the USA PATRIOT Act, requires telemarketers calling to solicit charitable contributions to disclose promptly the name of the organization making the request and that the purpose of the call is to ask for a charitable contribution; bans unauthorized billing and prohibits telemarketers from processing any billing information for payment without the express informed consent of the customer or donor; and bans the use of prerecorded messages except in very narrow circumstances.

2. Representative Do Not Call cases:

- United States v. Dish Network, 309-CV-03073-JES-CHE (June 6, 2017) (amended order for permanent injunction) ($280 million civil penalty in federal-state action finding Dish Network violated TSR by initiating, or causing others to initiate, calls to numbers on Do Not Call Registry)

- United States v. Feature Films for Families, Inc., (D. Utah June 2, 2016) (jury verdict) (finding that defendants engaged in unlawful telemarketing, including making more than 117 million calls to consumers in violation of the Telemarketing Sales Rule)

- FTC v. Wordsmart Corp., No 14-CV-2348-AJB-RBB (S.D. Cal. Oct. 9, 2014) (stipulated order) (partially suspended $18.7 million judgment for Do Not Call violations and deceptive claims about product's ability to improve children's grades and test scores)

- United States v. Versatile Marketing Solutions, No. 1:14-CV-10612-PBS (D. Mass. Mar. 12, 2014) (stipulated order) (partially suspended $3.4 million penalty for Do Not Call violations by home security company that bought names and numbers from lead generators)

- United States v. Mortgage Investors Corporation of Ohio, Inc., No. 8:13 CV 1647 (M.D. Fla. June 27, 2013) (stipulated judgment) ($7.5 million civil penalty for Do Not Call and Mortgages Acts and Practice Advertising Rule violations targeting servicemembers)

- United States v. Electric Mobility Corp. and Michael J. Flowers, No. 1:11-CV-02218-RMB-KMW (D.N.J. Apr. 21, 2011) (stipulated order) ($100,000 civil penalty for using numbers gathered from sweepstakes entry forms to contact numbers on the Do Not Call Registry)

- United States v. New Edge Satellite, Inc., No. 2:09-CV-11100-MOB- PJK (E.D. Mich. Sept. 22, 2009) ($570,000 suspended civil penalty against authorized dealer of Dish Network for Do Not Call violations)

- United States v. Vision Quest, LLC, No. 2:09-CV-II I02-AJT-VMM (E.D. Mich. Sept. 22, 2009) (suspended $690,000 civil penalty against authorized Dish Network dealer for Do Not Call violations)

- United States v. Global Mortgage Funding, Inc., No .SA CV 07-1275 DOC (PJW) (C.D. Cal. July 23, 2009) (five-year ban for telemarketer who called thousands of numbers on the Do Not Call Registry and failed to transmit accurate Caller ID information)

- FTC v. Voice Touch, Inc., No. 09CV2929 (N.D. Ill. Aug. 23, 2010) (stipulated judgment) ($3 million total redress for deceptive auto warranty robocalls)

- United States v. DirecTV, Inc., No. 09-02605 PA (FMOx) (C.D. Cal. Apr. 16, 2009) (stipulated judgment) ($2.31 million civil penalty for calling numbers on the Do Not Call Registry and placing or causing an affiliate to place pre-recorded outbound calls, in violation of the Telemarketing Sales Rule)

- United States v. Comcast Corp., No. 2:09-CV-01589-HB (E.D. Pa. Apr. 16, 2009) (stipulated judgment) ($900,000 for violations of the entity-specific provisions of the Do Not Call Registry)

- United States v. Westgate Resorts, Ltd., No. 6:09-CV104-ORL-19-GLK (M.D. Fla. Jan. 27, 2009) (stipulated judgment) ($900,000 civil penalty for timeshare seller's calls to numbers on Do Not Call Registry after buying numbers from lead generator that collected information without clearly disclosing that consumers would receive telemarketing calls)

- United States v. All in One Vacation Club, No. 6:09-CV-103-ORL-31DAB (M.D. Fla. Jan. 27, 2009) (stipulated judgment) ($275,000 civil penalty for calls to numbers of the Do Not Call Registry placed after consumers filled out sweepstakes forms that included fine-print "waiver" that defendants claimed gave them the right to call)

- United States v. ADT Security Services, (S.D. Fla.); United States v. Ameriquest Mortgage Co., (C.D. Cal.); United States v. Craftmatic Industries, (E.D. Pa.); United States v. Guardian Communications, (C.D. Ill.); United States v. Direct Security Services, (D. Kan.); United States v. Alarm King, (C.D. Cal. Nov. 7, 2007); and United States v. Global Mortgage Funding, (C.D. Cal. July 29, 2009) (stipulated judgments) ($7.7 million total civil penalties for Do Not Call violations)

- United States v. Scorpio Systems, No. 06-1928 (MLC) (D.N.J. May 6, 2008) (stipulated judgment) ($530,000 civil penalty for telemarketer's violation of Do Not Call Rule by using bogus Caller ID information)

- United States v. Bookspan, No. 06 786 (E.D.N.Y. Feb. 23, 2006) (stipulated judgment) ($680,000 civil penalty to settle charges that Book-of-the-Month Club Partnership called over 100,000 consumers on Do Not Call Registry and continued calling customers who specifically asked not to be called)

- United States v. Entrepreneurial Strategies, Ltd., No.: 2:06-CV-15 (WCO) (N.D. Ga. Jan. 24, 2006) (stipulated order) ($13,454 civil penalty in first case for violations of the "assisting and facilitating" provision of Telemarketing Sales Rule by setting up sham nonprofit corporation to evade Do Not Call requirements)

- United States v. FMFG, Inc., No.: 3:05-CV-00711 (D. Nev. May 27, 2007) (judgment and order) (challenging bed company's sales calls to consumers on the Do Not Call Registry under the pretext of conducting a sleep survey)

- United States v. DirecTV, Inc., No. SACV05 1211 (C.D. Cal. Dec. 13, 2005) ($5.3 million civil penalty for Do Not Call violations by satellite TV company and companies it hired to do telemarketing)

- United States v. Braglia Marketing Group, No. CV-S-04-1209-DHW- PAL (D. Nev. Feb 15, 2005) (stipulated order) ($3500 civil penalty and suspended judgment of $526,000 for Do Not Call violations)

- United States v. Flagship Resort Development Corp., No. CV-S-04-1209- DHW-PAL (D. Nev. Feb 15, 2005) (stipulated judgments) ($500,000 civil penalty for Do Not Call violations)

3. Representative robocall cases:

- United States v. Lilly Management and Marketing, LLC d/b/a USA Vacation Station, No. 6:16-CV:435-ORL-37DAB (M.D. Fla. Mar. 17, 2016) (stipulated order) (partially suspended $1.2 million civil penalty for placing millions of illegal robocalls to pitch vacation packages)

- United States v. KFJ Marketing, 2:16-CV-01643 (C.D. Fla. Mar. 10, 2016) (complaint filed) (alleging that lead generator placed 1.3 million illegal robocalls to pitch solar panel installation)

- FTC and State AGs v. Caribbean Cruise Line, Inc., 0:15-CV-60423 (S.D. Fla. Mar. 4, 2015) (stipulated order for permanent injunction)

(partially suspended judgment of more than $13 million for deceptive "survey" robocalls to illegally pitch cruises)

- FTC v. Worldwide Info Services, Inc., No. 6:14-CV-8-ORL-28DAB (M.D. Fla. Nov. 13, 2014) (permanent injunction) (challenging illegal use of robocalls to pitch deceptive "free" medical alert systems to older consumers)

- Treasure Your Success, No. 6:12-CV-1618-ORL-22KRS (M.D. Fla. Sept. 13, 2013); Ambrosia Web Design, No. CV-12-2248-PHX-FJM (D. Az. Sept. 13, 2013); A+ Financial Center, No. 2:12-CV-14373-DLG (S.D. Fla. July 12, 2013) (stipulated orders); The Green Savers, No. 6:12-CV-1588-ORL-28-DAB (M.D. Fla. Nov. 1, 2012); and Key One Solutions, No. CV-12-2246-PHX-FJM (D. Az. Nov. 1, 2012) (complaints filed) (challenging deceptive robocalls purporting to come from "Rachel" of "Cardholder Services")

- The Cuban Exchange, No. 1:12-CV-5890 (E.D.N.Y. Sept. 9, 2014) (default judgment) (challenging robocall operation that impersonated the FTC in an attempt to trick consumers into turning over bank account data and other sensitive information)

- United States v. Skyy Consulting, Inc., also d/b/a CallFire, No. 13-CV-2136 (N.D. Cal. May 14, 2013) (stipulated order) ($75,000 civil penalty for assisted and facilitated clients in placing illegal robocalls via voice-over-Internet broadcasting)

- United States v. Roy M. Cox, Jr., and Castle Rock Capital Management, Inc., No. 8:11-CV-01910-DOC-JPR (C.D. Cal. Feb. 18, 2013) (stipulated judgment) (challenging illegal robocalls, Do Not Call violations, and masked Caller ID information, in violation of Telemarketing Sales Rule)

- FTC v. Paul Navestad and Cash Grant Institute, No. 09-CV-6329 (W.D.N.Y. Apr. 2, 2012) (decision and order) ($30 million in civil penalties and $1.1 million disgorgement for illegal robocalls and deceptive government grant claims)

- United States v. Brian Ebersole, Voice Marketing, Inc., and B2B Voice Broadcasting, Inc., No. 3:12-CV-00105 (D. Nev. Feb. 29, 2012) (stipulated judgment) (challenging actions of defendants who marketed robocall services to other companies)

- United States v. JGRD, Inc., VoiceBlaze, Charles Joseph Garis, Jr., and Randall Keith Delp, No. 2:12-CV-00945-MSG (E.D. Pa. Feb. 24, 2012) (stipulated order) (challenging action of defendants who marketed robocall services to other companies)

- FTC v. Direct Financial Management, Inc., No. 10-C-7194 (N.D. Ill. Feb. 8, 2012) (stipulated judgment) (partially suspended $13.1 million judgment for illegal debt relief robocalls)

- United States v. Americall Group, No. 1:11-CV-08895 (N.D. Ill. Dec. 16, 2011) (stipulated order) ($500,000 civil penalty to settle charges that telemarketer interfered with consumers' company-specific Do Not Call requests and transmitted deceptive Caller ID information)

- FTC v. JPM Accelerated Services Inc., No. 09-CV-2021 (M.D. Fla. Dec. 6, 2010) (stipulated judgment) (challenging robocalls falsely promising to reduce consumers' credit card interest rates)

- United States v. The Talbots, Inc., No. 10-CV-10698 (D. Mass. Apr. 27, 2010), and United States v. SmartReply, Inc., No. CV 10-03087 (C.D. Cal. Apr. 27, 2010) (stipulated judgments) ($161,000 total civil penalties against clothing retailer and telemarketer for robocalls that failed to give consumers proper notice of their right to opt out of receiving telemarketing calls)

- FTC v. Transcontinental Warranty, Inc., No. 09-CV-2927 (N.D. Ill. Sept. 1, 2009) ($24 million suspended judgment for placing millions of deceptive robocalls to sell consumers vehicle service contracts under the guise that they were extensions of original vehicle warranties)

- United States v. The Broadcast Team, No. 6:05-CV-01920-PCF-JGG (M.D. Fla. Feb. 2, 2007) ($1 million civil penalty for telemarketer's improper use of prerecorded messages, in violation of Do Not Call)

D. ***Telephone Disclosure and Dispute Resolution Act of 1992, 15 U.S.C. § 5701.*** Pursuant to this statute, the FTC promulgated the 900 Number Rule, 16 C.F.R. § 308, requiring specific disclosures for 900 numbers, such as the cost of the call and that individuals under 18 must have parental permission to call; and banning advertising directed to children under 12. Representative cases:

- FTC v. 800 Connect, Inc., No. 03-60150 (S.D. Fla. Feb. 3, 2003) (stipulated judgment) ($735,000 redress for unauthorized charges for directory information services after callers misdialed toll-free numbers for companies like FedEx or Sovereign Bank)

- FTC v. Access Resource Services, Inc., No. 02-60226-CIV (S.D. Fla. Nov. 4, 2002) (stipulated judgment) ($500 million in debt forgiveness and $5 million in disgorgement from operators of Miss Cleo psychic lines for violations of Pay-Per-Call Rule)

E. ***Joint FTC-FCC Policy Statement on the Advertising of Dial-Around and Other Long-Distance Services to Consumers:*** On November 4, 1999, the FTC and the FCC co-sponsored a Joint Forum on Advertising and Marketing of Dial-Around and Other Long-Distance Services to Consumers. The agencies issued a joint policy statement on March 1, 2000, offering guidance on the application of well-settled truth-in-advertising principles to advertising for long-distance services.

XIII. INTERNET COMMERCE, COMPUTERS, DEVICES, AND MOBILE MARKETING

A. The FTC applies established Section 5 principles to internet commerce, advertising for computers and software, and mobile marketing. On May 3, 2000, FTC staff published a working paper, *Dot Com Disclosures: Information about Online Advertising*, providing guidance to businesses on how FTC rules and guides apply on the Internet. Staff updated that guidance in 2013 in *.com Disclosures, How to Make Effective Disclosures in Digital Advertising*. FTC staff issued *Beyond Voice: Mapping the Mobile Marketplace*, an April 2012 report exploring consumer protection issues arising in mobile commerce. On April 26, 2012, the FTC sponsored *Paper, Plastic . . . or Mobile? A Workshop on Mobile Payments* and followed up with a report on March 8, 2013. FTC staff issued a 2014 report, *What's the Deal? An FTC Study on Mobile Shopping Apps*. In 2016, Congress passed the Consumer Review Fairness Act, which – among other things – makes it illegal for companies to include standardized provisions that threaten or penalize people for posting honest reviews online.

B. Representative cases challenging deceptive practices related to advertising and marketing of computers, devices, software, and related products and services:

- Network Solutions, LLC, 159 F.T.C. 1859 (2015) (consent order) (alleging that company failed to clearly and conspicuously disclose materials limitations on advertised "30 Day Money Back Guarantee" for web services)

- Sony Computer Entertainment America LLC, 159 F.T.C. 1128 (2014) (consent order)(challenging misrepresentations about capabilities of PS Vita handheld gaming device)

- MPHJ Technology Investments, 159 F.T.C. 1004 (2014) (consent order) (challenging deceptive claims by patent assertion entity)

- FTC v. PCCare247 Inc., No. 12CIV7189 (May 17, 2013), and FTC v. Marczak, No. 12CIV7192 (May 17, 2013) (stipulated judgments); and FTC v. Pecon Software, No. 12CIV7186; FTC v. Zeal IT Pvt Solutions, No. 12CIV7188; FTC v. Lakshmi Infosoul Services Pvt Ltd., No. 12CIV7191; and FTC v. Finmaestros, No. 12CIV7195 (S.D.N.Y. July 24, 2014) (default judgments and permanent injunctions) (challenging tech support scams in which telemarketers masqueraded as computer companies and offered to remotely "fix" problems for a fee)

- FTC v. Innovative Marketing, Inc., No. RDB-08CV3233 (D. Md. Oct. 2, 2012) (stipulated order) ($163 million judgment and $8.2 million redress related to scareware scheme in which company falsely claimed scans had detected viruses, spyware, and illegal pornography on consumers' computers and then sold them products purported to fix the problem). See also FTC v. Ross, 743 F.3d 886 (4th Cir. 2014) (upholding personal liability of more than $163 million for role in scareware scheme).

- America Online, Inc., 137 F.T.C. 117 (2004) (consent order) (challenging company's practice of continuing to bill internet service subscribers after they asked to cancel their subscriptions)

- Bonzi Software, Inc., C-4126 (consent order) (Oct. 13, 2004) (challenging deceptive representations that InternetALERT software significantly reduced the risk of Internet attacks and unauthorized access into computers)

- FTC v. D Squared Solutions, L.L.C., No. AMD 03 CV310 (D. Md. Aug. 9, 2004) (stipulated order) (challenging company's practice of sending Windows Messenger Service pop-up ads to sell pop-up blocking software)

- FTC v. Network Solutions, Inc., Civ. No. 03 1907 (D.D.C. Sept. 12, 2003) (stipulated order) (alleging that company that provides domain name registration services to consumers unlawfully tricked consumers into transferring their Internet domain name registrations to the company)

- Palm, Inc., 133 F.T.C. 715 (2002) (consent order) (challenging ads for personal digital assistants that represented that products came with built-in wireless access and e-mail while revealing in a four-point disclosure "Application software and hardware add-ons may be optional and sold separately. Applications may not be available on all Palm handhelds")

- FTC v. Netpliance, Inc., No. A-01-CA 420SS (W.D. Tex. July 2, 2001) (consent decree) (challenging deceptive claims about performance capabilities of internet access device, requiring clear and conspicuous disclosure of additional fees and long-distance charges, imposing $100,000 civil penalty for Mail Order Rule violations, and ordering company to refund amounts illegally charged to consumers' credit cards)

- Gateway Corp., 131 F.T.C. 1208 (2001) (consent order) (challenging deceptive ads for free or flat-fee internet services that disclosed in a footnote that many consumers would incur significant additional telephone charges)

- Juno Online Services, Inc., 131 F.T.C. 1249 (2001) (consent order) (challenging deceptive representations about cost to consumers of company's "free" and fee-based dial-up Internet access services, including failure to honor cancellations during purported free trial period)

- Hewlett-Packard Co., 131 F.T.C. 1086 (2001), and Microsoft Corp., 131 F.T.C. 1113 (2001) (consent orders) (challenging deceptive claims that personal digital assistance came with built-in wireless access and email while revealing in fine print "Modem required. Sold separately.")

- Sharp Electronics Corp., 131 F.T.C. 560 (2001) (consent order) (challenging deceptive upgradability claims for handheld personal computers and requiring company to provide low-cost upgrade)

- WebTV Networks, Inc., C-3988 (Dec. 12, 2000) (consent order) (challenging deceptive claims about capabilities of WebTV and requiring clear disclosure of long distance charges that some consumers incur, reimbursement to subscribers for phone charges)

- BUY.COM, Inc., C-3978, Value America, Inc., C-3976, and Office Depot, Inc., C-3977 (Sept. 8, 2000) (consent orders) (challenging promotions for low-cost computers that failed to disclose restrictions on the offers, including that consumers had to sign a contract for three years of service from ISP)

- Tiger Direct, Inc., 128 F.T.C. 517 (1999) (consent order) (alleging that mail order seller of computers misrepresented terms of warranties)

- Apple Computer, Inc., 128 F.T.C. 190 (1999) (consent order) (challenging practice of charging computer purchasers for technical support despite advertising that services were free)

- Dell Computer Corp., 128 F.T.C. 151 (1999) (consent order) (challenging under Section 5 and the Consumer Leasing Act television, print and Internet ads for consumer leases that placed material cost information in inconspicuous fine print)

- Micron Electronics, Inc., 128 F.T.C. 137 (1999) (consent order) (alleging Section 5 and Consumer Leasing Act violations for TV, print and Internet ads for consumer leases that placed material cost information in fine print)

- Gateway 2000, Inc., 126 F.T.C. 888 (1998) (consent order) ($290,000 redress for deceptive claims regarding company's money-back guarantee policy and on-site warranty services)

- America Online, Inc., 125 F.T.C. 403 (1998); Prodigy Services Corp., 125 F.T.C. 430 (1998); and CompuServe, Inc., 125 F.T.C. 451 (1998) (consent orders) (challenging deceptive representations about terms and conditions of free trial offers for online services)

- Apple Computer, Inc., 124 F.T.C. 184 (1997) (consent order) (challenging claims that PCs were presently upgradeable to PowerPC technology)

- Hayes Microcomputer Products, Inc., 118 F.T.C. 1159 (1994) (consent order) (challenging claims that use of competitors' modems creates a substantial risk of data transmission failure)

C. Representative cases involving online advertising and marketing:

- FTC v. Reservation Counter, No. 2:17-cv-01304-RJS D. Utah Dec. 22, 2017) (alleging that third-party hotel room resellers misled consumers to mistakenly believe they were reserving rooms directly from the hotel, and failed to adequately tell consumers their credit cards would be charged immediately, rather than upon arrival)

- FTC v. iWorks, Inc., No. 2:10-CV-02203 (D. Nev. Aug. 29, 2016) (stipulated order) (partially suspended $281 million judgment to settle charges that defendants illegally lured consumers into "trial" memberships for bogus government-grant and money-making promotions, and charged them monthly fees without authorization)

- FTC v. Roca Labs, Inc., No. 8:15-cv-02231-MSS-TBM (M.D. Fla. Sept. 29, 2015) (complaint filed) (challenging defendants' alleged unfair use of gag clauses to stop consumers from posting negative online reviews)

- FTC v. Erik Chevalier d/b/a The Forking Path, No. 3:15-CV-1029-AC (D. Or. June 11, 2015) (stipulated order) (in FTC's first crowdfunding case, alleging that project creator raised money through Kickstarter, but used funds for personal expenses)

- FTC and State of Connecticut v. TicketNetwork, Inc., Ryadd, Inc., and SecureBoxOffice, LLC, No. 3:14-CV-1046 (D. Conn. July 23, 2014) (stipulated order) (alleging ads and websites misled consumers into thinking they were buying tickets at face value from event venue when they were often paying higher prices from resellers' sites)

- FTC v. Swish Marketing, Inc., No. C09-03814 (N.D. Cal. July 21, 2011) (final judgment) ($4.8 million redress for misleading practice of inducing payday loan applicants into paying for an unrelated debit card through the use of a deceptive pre-checked box on an online loan application)

- FTC v. Javian Karnani and Balls of Kryptonite, LLC, No. 09-CV-5276 (C.D. Cal. June 9, 2011) (stipulated order) ($500,000 suspended judgment for U.S. company's practices of deceiving consumers into thinking they were buying electronic from a U.K. company and misleading them about warranty rights and right to return or exchange goods under U.K. law)

- FTC v. Google Money Tree, No. 09-CV-01112 (D. Nev. Oct. 10, 2010) (stipulated judgment against certain defendants) ($3.5 million to settle charges that online marketers falsely claimed ties to Google, sold bogus work-at-home schemes, and charged hidden monthly fees)

- FTC v. Ticketmaster L.L.C. and TicketsNow.com, Inc., No. 10-CV-01093 (N.D. Ill. Feb. 18, 2010) (stipulated judgment) (alleging that Ticketmaster and affiliates used deceptive bait-and-switch tactics by telling customers attempting to get tickets for Bruce Springsteen concerts that no tickets were available and then steering them to TicketsNow, where tickets were sold at substantially more than face value)

- FTC v. Pricewert LLC, No. 09-CV-2407(N.D. Cal. May 19, 2010) (order) (shutting down ISP that recruited, hosted, and actively participated in the distribution of spyware, viruses, spam, child pornography, and other harmful electronic content)

- FTC v. Digital Enterprises, Inc. d/b/a movieland.com, No: CV06-4923 CAS (AJWx) (C.D. Cal. Sept. 13, 2007) (stipulated order) ($500,000 redress for company's practice of falsely claiming that consumers owed money for downloading movies and then barraging consumers with pop-ups demanding payment)

- FTC v. J.K. Publications, Inc., No. CV-99-0044 ABC (AJWx) (C.D. Cal. Sept. 4, 2000) ($37.5 million judgment against company that bought lists of credit card numbers from California bank and fraudulently charged consumers – many of whom didn't own computers – for visits to adult websites they had not made)

- FTC and New York v. Crescent Publishing Group, No. 00- CV-6315 (S.D.N.Y. Nov. 5, 2001) (stipulated judgment) ($30 million redress against operators of adult websites for advertising free tour of websites while billing consumers' credit cards for unauthorized monthly fees)

- FTC v. Rennert, No. CV-S-00-0861-JBR (D. Nev. July 6, 2000) (stipulated order) (challenging deceptive claims for a purported online pharmacy)

- FTC v. Lane Labs-USA, Inc., No. 00 CV 3174 (D.N.J. June 28, 2000) (stipulated order) (challenging deceptive use of embedded terms like "non-toxic cancer therapy" and "cancer treatment" in metatags for site featuring unsubstantiated claims for BeneFin, a shark cartilage product). See also FTC v. Lane Labs-USA, Inc., 624 F.3d 575 (3d Cir. 2010).

- Natural Heritage Enterprises, C-3941 (May 23, 2000) (consent order) (challenging deceptive use of metatags, mouseover text, and hyperlinks in ads representing that essiac tea could treat cancer, diabetes, and HIV/AIDS)

- FTC v. Periera, (E.D. Va. Sept. 22, 1999) (preliminary injunction) (challenging practice of pagejacking – duplicating legitimate sites and then diverting users to sexually explicit adult sites – and mouse trapping – disabling browsers' exit commands)

- FTC v. iMall, Inc., (C.D. Cal. Apr. 12, 1999) (stipulated judgment) ($4 million redress and imposing lifetime ban on participation in Internet-related business venture for promoters of deceptive Internet business opportunities)

- FTC v. Audiotex Connection, C97-0726 (E.D.N.Y. Nov. 4, 1997) ($2.7 million credit for unauthorized charges stemming from modem hijacking scheme in which defendants switched consumers from local ISP to international telephone lines)

- FTC v. Fortuna Alliance, LLC, No. C96-0799 (W.D. Wash. Oct. 30, 1997) (contempt action for failure to pay $2 million redress pursuant to settlement stemming from Internet pyramid scheme)

- FTC v. Hare, No. 98-8194-CIV (S.D. Fla. Sept. 8, 1998) (stipulated permanent injunction) (challenging practices of marketer who advertised nonexistent merchandise through online auction houses and imposing lifetime ban on online commerce)

- FTC v. Corzine, No. CIV-S-94-1446 (E.D. Cal. Sept. 12, 1994) (stipulated permanent injunction) (first FTC law enforcement action involving deceptive claims conveyed via the Internet)

D. Representative cases concerning mobile apps, mobile marketing, mobile bills, smartphones, etc.:

- FTC and AT&T Mobility LLC, 883 F.3d 848 (9th Cir. 2018) (en banc) (ruling that FTC Act's common carrier exemption is activity-based and thus trial court correctly denied defendant's motion to dismiss FTC's deceptive advertising action)

- FTC and New Jersey v. Equiliv Investments, (D.N.J. June 29, 2015) (stipulated order) (challenged Prized reward app's false claim to be free of malware when app loaded malicious software on consumers' phones to mine virtual currency)

- FTC v. New Consumer Solutions LLC, No. 1:15-cv-01614 (N.D. Ill. Feb 25, 2015) (stipulated order) (challenging deceptive claim that Mole Detector app could detect symptoms of melanoma)

- Health Discovery Corporation, C-4516 (consent order) (Feb. 25, 2015) (challenging deceptive claim that MelApp mobile app could detect symptoms of melanoma)

- FTC v. Straight Talk Wireless (TracFone Wireless, Inc.), No. 3:15-cv-00392 (N.D. Cal. Jan. 25, 2015) ($40 million redress for deceptive "unlimited" data claims while company throttled customers who used certain amounts of data)

- FTC v. T-Mobile USA, Inc., (W.D. Wash. Dec. 19, 2014) (stipulated order) (at least $90 million redress for mobile cramming, unlawfully billing consumers for unauthorized third-party charges)

- FTC v. Acquinity Interactive, LLC, No. 1:13-CV-05380 (N.D. Ill. Oct. 22, 2014) (stipulated judgment) ($10 million to settle charges related to "free gift card" spam text messages, robocalling, and mobile cramming)

- FTC v. AT&T Mobility, LLC, No. 1:14-CV-3227-HLM (N.D. Ga. Oct. 8, 2014) (stipulated order) ($80 million redress to settle charges related to mobile cramming, unlawfully billing consumers for unauthorized third-party charges)

- FTC v. CPATank, Inc., No. 1:14-CV-01239 (N.D. Ill. Feb. 28, 2014) (stipulated judgment) ($200,000 judgment for sending unwanted text message spam that deceptively advertised "free" gift card promotion)

- FTC v. SubscriberBASE Holdings, Inc., No. 1:13-CV-01527 (N.D. Ill. Feb. 18, 2014) (stipulated order) ($2.5 million redress and orders against 12 defendants for sending unwanted text message spam that deceptively advertised "free" gift cards)

- Apple, Inc., C-4444 (Jan. 15, 2014) (consent order) (minimum of $32.5 million to settle allegations that company charged for children's in-app purchases without account holders' authorization)

- FTC v. Tatto, Inc., No. 2:13-CV-08912-DSF-FFM (C.D. Cal. August 5, 2014 and June 3, 2014) (stipulated orders) (more than $11 million to settle charges that certain defendants crammed unauthorized charges on consumers' mobile phone bills)

- FTC v. WiseMedia, LLC, No. 1:13-CV-1234 (N.D. Ga. Nov. 21, 2013) (stipulated order) (challenging mobile cramming of charges for premium SMS services consumers didn't authorize)

- United States v. National Attorney Collection Services, No. 2:13-CV-06212 (C.D. Cal. Sept. 25, 2013) (stipulated order) (first FTC case addressing use of text messages in context of Fair Debt Collection Practices Act)

- FTC v. Jesta Digital, LLC, No. 1:13-CV-01272 (D.D.C. Aug. 21, 2013) ($1.2 million to settle charges that company Jesta crammed unwanted charges onto consumers' cell phone bills)

- Filiquarian Publishing, LLC, C-4401 (consent order) (Jan. 10, 2013) (alleging marketer of mobile app that offered tools for screening employees violated Fair Credit Reporting Act)

- FTC v. Flora, No. SACV11-00299-AG-(JEMx) (C.D. Cal. Sept. 29, 2011) (stipulated permanent injunction) (challenging marketer's practice of sending out 5.5 million unsolicited text messages pitching deceptive mortgage modification site)

- Dermapps, Koby Brown, and Gregory Pearson, 152 F.T.C. 466 (2011), and Andrew N. Finkel, 152 F.T.C. 490 (2011) (consent orders) ($15,000 total redress from marketers of two mobile apps that claimed to emit lights to treat acne)

- United States v. W3 Innovations d/b/a Broken Thumbs Apps, No. CV-11-03958-PSG (N.D. Cal. Aug. 15, 2011) (in first FTC case involving mobile apps, $50,000 civil penalty for collecting and disclosing personal information from children under age 13 without parents' consent, in violation of COPPA)

E. ***Spam:*** The FTC enforces the CAN-SPAM Rule, 16 C.F.R. § 316, promulgated pursuant to the CAN-SPAM Act of 2003, and has challenged practices as violations of Section 5. On September 16, 2004, the FTC published *A CAN-SPAM Informant Reward System*, a Report to Congress considering whether a reward system could be designed to improve the effectiveness of CAN-SPAM enforcement. On October 11, 2004, 19 agencies from 15 countries announced the Action Plan on Spam Enforcement. The FTC and National Institute of Standards and Technology hosted an *Email Authentication Summit* on November 9, 2004, to explore technology that could reduce spam. According to a November 28, 2005, FTC staff report, *Email Address Harvesting and the Effectiveness of Anti-Spam Filters*, ISP filters block as much as 95% of unsolicited e-mail. On April 23, 2007, the FTC convened a workshop, *Proof Positive: New Directions in ID Authentication*, to explore methods to reduce identity theft through authentication. Representative spam cases:

- FTC v. Flora, No. SACV11-00299-AG-(JEMx) (C.D. Cal. Sept. 29, 2011) (stipulated permanent injunction) (challenging marketer's practice of sending out 5.5 million text messages and illegal spam pitching deceptive mortgage modification site)

- FTC v. Atkinson, No. 08CV5666 (N.D. Ill. Nov. 30, 2009) ($15 million default judgment for role in international operation selling sex pills, prescription drugs, and diet pills via spam sent with false headers and without an opt-out link or physical postal address)

- FTC v. Spear Systems, Inc., No. 07C-5597 (N.D. Ill. July 2, 2009 and July 15, 2008) (stipulated order) (in first case using US SAFEWEB Act, $3.7 million judgment against some defendants and $29,000 disgorgement from others who initiating emails that contained false “from” addresses and deceptive subject lines, and failed to provide opt-out link and postal address)

- United States v. Cyberheat, Inc., No. CIV 05-0457 (D. Ariz. Mar. 4, 2008) (permanent injunction) ($413,000 civil penalty for adult website’s violations of CAN-SPAM Act and Section 5 for paying affiliates to drive traffic to its site through the use of illegal email)

- United States v. Member Source Media, Inc., No.: CV-08 0642 (N.D. Cal. Jan. 30, 2008) (stipulated judgment) ($200,000 civil penalty for deceptive claim that recipient of spam email had won free prizes)

- FTC v. Sili Neutraceuticals, LLC, No. 07C 4541 (N.D. Ill. Feb. 4, 2008) (permanent injunction) ($2.5 million for using illegal email to disseminate deceptive claims for hoodia weight-loss products and human growth hormone anti-aging products)

- FTC v. Yesmail, Inc., No. 06-6611 (N.D. Cal. Nov. 6, 2006) ($50,717 civil penalty for violation of CAN-SPAM Act when company’s anti-spam software filtered out certain “reply to” unsubscribe requests from recipients, which resulted in company’s failure to honor unsubscribe requests)

- FTC v. Cleverlink Trading Limited, No. 05C 2889 (N.D. Ill. Sept. 14, 2006) (stipulated judgment) ($400,000 disgorgement for sending “date lonely wives” spam that contained misleading headers and subject lines and didn’t include required opt-out mechanism, valid address, and disclosure that message was sexually explicit, in violation of the CAN-SPAM Act)

- United States v. Kodak Imaging Network, Inc., No. C-06-3117 (N.D. Cal. May 11, 2006) ($26,331 civil penalty for sending commercial email that failed to contain opt-out mechanism, failed to disclose tconsumers have the right to opt out of receiving further mailings, and failed to include a valid physical postal address, in violation of the CAN-SPAM Act)

- United States v. Jumpstart Technologies, No. C-06-2079 (MHP) (N.D. Cal. Mar. 23, 2006) ($900,000 civil penalty for disguising commercial e-mails as personal messages and for misleading consumers about the terms and conditions of its FreeFlixTix promotion, in violation of the CAN-SPAM Act)

- FTC v. Matthew Olson and Jennifer Leroy, No.C05-1979 (JCC) (W.D. Wash. Apr. 17, 2006) (stipulated judgment); FTC v. Brian McMullen, No. 05C 6911 (N.D. Ill. Sept. 14, 2006) (stipulated order); and FTC v. Zachary Kinion, No. 05C 6737 (N.D. Ill. Sept. 14, 2006) (stipulated order) (charging that defendants hijacked consumers’ computers and used them to send spam with false “from” information and misleading subject lines)

- FTC v. Global Web Promotions Pty Ltd., No.: 04C 3022 (N.D. Ill. Sept. 20, 2005) ($2.2 million redress for deceptive claims for purported human growth hormone product sold via spam)

- FTC v. Global Net Solutions, Inc., No. CV-S-05-0002-PMP-LRL (D. Nev. Aug. 5, 2005) (permanent injunction) ($621,000 penalty and imposition of monitoring program for violating CAN-SPAM Act and FTC's Adult Labeling Rule by failing to label sexually explicit content; using false header and subject information; failing to include required opt-out; failing to identify email as advertising; and failing to provide a valid postal address)

- FTC v. Phoenix Avatar, LLC, No. 04C 2897 (N.D. Ill. Mar. 31, 2005) (stipulated judgment) (in FTC's first CAN-SPAM case, $230,000 suspended judgment for illegal spam advertising bogus diet patches)

- FTC v. GM Funding, Inc., No. SACV 02-1026 DOC (MLGx) (C.D. Calif. Nov. 20, 2003) (stipulated judgment) (challenging spoofing – the use of forged e-mail headers – as a violation of Section 5)

- FTC v. Walker, No. C02-5169 RJB (W.D. Wash. Oct. 28, 2002) (stipulated order) (challenging bogus cancer cure marketed via spam)

- ***Operation Netforce:*** On April 2, 2002, the FTC, 8 state law enforcers and 4 Canadian agencies brought 63 actions targeting deceptive spam and online fraud. The agencies sent more than 500 warning letters to senders of deceptive spam. Partners also sent letters to 75 spammers warning them that deceptive "unsubscribe" or "remove me" claims are illegal.

F. ***Spyware and Adware.*** On April 19, 2004, the FTC convened a public workshop to consider the consumer protection and privacy implications of the use of spyware, adware, and related technologies. On March 7, 2005,the FTC issued a staff report, *Monitoring Software on Your PC: Spyware, Adware, and Other Software*, summarizing the issues and drawing some conclusions from information presented at the workshop. Representative cases:

- FTC v. CyberSpy Software, LLC, No. 08-CV-01872 (M.D. Fla. June 2, 2010) (stipulated order) (barring sellers of the RemoteSpy keylogger from advertising that the spyware can be disguised and installed on someone else's computer without the owner's knowledge)

- FTC v. Pricewert LLC, No. 09-CV-2407(N.D. Cal. May 19, 2010) (order) (shutting down ISP that recruited, hosted, and participated in distribution of spyware, viruses, spam, child pornography, and other harmful content)

- DirectRevenue LLC, 143 F.T.C. 732 (2007) (consent order) ($1.5 million disgorgement for company's unfair and deceptive practice of downloading adware onto consumers' computers without clear and conspicuous disclosure and obstructing its removal)

- Sony BMG Music Entertainment, 143 F.T.C. 777 (2007) (consent order) (challenging company's practice of selling CDs without telling consumers they contained software limiting devices on which the music could be played, restricted number of copies that could be made, and containing technology monitoring consumers' listening habits to send them marketing messages)

- Zango, Inc., 143 F.T.C. 313 (2006) (consent order) ($3 million disgorgement to settle charges that company formerly known as 180solutions, Inc., used unfair and deceptive methods to download adware and obstruct consumers from removing it)

- FTC v. ERG Ventures, No. CV-00578-LRH-VPC (D. Nev. Oct. 1, 2007) (stipulated order) ($330,000 redress for downloading spyware programs onto computers without consumers' consent, degrading computers' performance, tracking Internet activity, and sending disruptive ads)

- FTC v. Enternet Media, No. CV05-7777CAS (AJWx) (C.D. Cal. Sept. 6, 2006) (stipulated order) ($2 million redress for practice of installing spyware and adware on consumers' computers by promising free lyric files, browser upgrades, and ring tones and affiliates' promise of free music)

- FTC v. Seismic Entertainment Productions, Inc., No. 04-CV-0377-JD (D.N.H. May 4, 2006) (stipulated order) ($4 million redress to settle charges that spyware company used a purported anti-spyware program to hijack computers, change their settings, barrage them with pop-up ads, and install adware and other software programs that monitor consumers' web surfing)

- FTC v. Odysseus Marketing, No.: 1:05-CV-00330-SM (D.N.H. Oct. 5, 2005) (stipulated order) ($500,000 bond and $1.75 million suspended judgment for offering free software that claimed to make consumers anonymous when using P2P file sharing programs without disclosing it installed harmful software). See FTC v. Odysseus Marketing, No. 2008 DNH 183 (D.N.H. July 30, 2009) (holding three defendants in contempt for violating court order).

- Advertising.com, Inc., C-4147 (consent order) (Sept. 16, 2005) (challenging company's distribution of free software advertised to protect consumers against hacker attacks, without clearly disclosing that adware was bundled with software)

- FTC v. Trustsoft, Inc., Civ. No. H 05 1905 (S.D. Tex. Jan. 5, 2006) (stipulated order) ($1.9 million redress for deceptive claims that Spykiller software remotely scanned computers for spyware)

- FTC v. Maxtheater, Inc., No. 05 -CV-0069-LRS (E.D. Wash. Dec. 5, 2005) (stipulated order) ($76,000 redress for practice of offering spyware detection scans that falsely detected spyware in an effort to sell consumers ineffective anti-spyware products)

G. ***Peer-to-Peer File Sharing Technology.*** On December 15-16, 2004, the FTC convened a public workshop to explore consumer protection and competition issues associated with the distribution and use of peer-to-peer (P2P) file-sharing and followed up with a June 23, 2005, staff report. Representative cases:

- Franklin's Budget Car Sales, Inc., d/b/a Franklin Toyota/Scion, C-4371 (June 7, 2012) (alleging that P2P software on company's network put sensitive personal information at risk)

- EPN, Inc., d/b/a Checknet, Inc., C-4370 (June 7, 2012) (alleging that P2P software on company's network put sensitive personal information at risk)

- FTC v. Frostwire LLC, No. 1:11-CV-23643 (S.D. Fla. Oct. 11, 2011) (stipulated order) (alleging that P2P file-sharing app developer's product caused consumers to unwittingly expose sensitive information stored on mobile devices to disclosure and misled users about which downloaded files would be shared)

- FTC v. MP3downloadcity.com, No. CV-05-7013 CAS (FMOx) (C.D. Cal. May 25, 2006) (stipulated judgment) ($15,000 redress for deceptive claims that service would allow users of peer-to-peer file-sharing programs to transfer copyrighted materials without violating the law)

XIV. CONSUMER PRIVACY AND DATA SECURITY

A. The FTC continues to examine consumer privacy and data security issues through reports to Congress, public workshops, and law enforcement, both under Section 5 and laws like the Fair Credit Reporting Act, Gramm-Leach-Bliley Safeguards Rule, etc. On December 1, 2010, FTC staff issued *A Preliminary Report on Protecting Consumer Privacy in an Era of Rapid Change: A Proposed Framework for Businesses and Policymakers*. The Commission issued a final report on March 26, 2012, *Protecting Consumer Privacy in an Era of Rapid Change: Recommendations for Businesses and Policymakers*, calling for privacy by design, simplified choices for businesses and consumers, and greater transparency in how companies collect and use consumers' information.

B. ***PrivacyCon.*** On January 14, 2016, the FTC convened PrivacyCon, a conference of white-hat researchers, academics, industry representatives, consumer advocates, and law enforcers to discuss consumer privacy and data security. The FTC hosted the second PrivacyCon on January 12, 2017, and announced the third event for February 28, 2017.

C. ***Behavioral Advertising, Online Profiling, and Tracking.*** On March 13, 2001, the FTC held a workshop to explore how businesses merge and exchange consumer information. The FTC sponsored a town hall meeting on November 1, 2007, *Ehavioral Advertising: Tracking, Targeting, and Technology*. On February 12, 2009, the FTC issued a staff report, *Self-Regulatory Principles for Online Behavioral Advertising: Tracking, Targeting, and Technology*. A workshop on November 16, 2015, explored the consumer implications of cross-device tracking.

D. ***Health Privacy.*** On August 17, 2009, the FTC issued the Health Breach Notification Rule, 16 C.F.R. § 318, requiring companies that provide online repositories that people can use to keep track of their health information and related businesses to notify consumers when the security of their health information has been breached.

E. ***Internet of Things.*** On November 19, 2013, the FTC held a workshop to address consumer privacy and security ramifications of increased connectivity of household devices, issued a report on January 27, 2015, *The Internet of Things: Privacy and Security in a Connected World,* and has taken law enforcement action to challenge practices that allegedly violate the FTC Act.

F. ***Mobile Privacy.*** On February 1, 2013, the FTC issued a staff report, *Mobile Privacy Disclosures: Building Trust through Transparency*.

G. ***Activities of data brokers.*** On December 18, 2012, the FTC announced a study to examine the collection and use of consumer data by data brokers, including orders to nine companies for information on industry practices. On May 7, 2013, FTC staff sent letters to ten data brokers warning that their practices could violate the FCRA after a test-shopping operation indicated the companies were willing to sell consumer information without honoring FCRA requirements. The FTC issued a report, *Data Brokers: A Call for Transparency and Accountability*, on May 27, 2014, recommending that Congress consider legislation to make data broker practices more visible to consumers and to give consumers greater control over the personal information about them collected and shared by data brokers. The FTC sponsored a workshop, *Big Data: A Tool for Inclusion or Exclusion?*, to explore the use of big data and its impact on consumers, including low-income and underserved consumers, and followed up with a report on January 6, 2016.

H. ***Facial Recognition Technology***. On December 8, 2011, the FTC sponsored *Face Facts: A Forum on Facial Recognition Technology* to explore the privacy implications of new product and services. FTC staff followed up with an October 2012 report, *Facing Facts: Best Practices for Common Uses of Facial Recognition Technologies*.

I. ***RFID Technology.*** On June 24, 2004, the FTC convened a workshop to explore the consumer implications of radio frequency identification technology and followed up with a report, *Radio Frequency Identification: Applications and Implications for Consumers*. On September 23, 2008, the FTC sponsored an international workshop on the emerging applications of RFID technology.

J. ***Privacy Online: Fair Information Practices in the Electronic Marketplace.*** In May 2000, the FTC issued a third Report to Congress about online privacy, announcing the results of a survey showing that only 20% of the busiest commercial sites implement all four fair information practices. The FTC recommended that Congress enact legislation to ensure a minimum level of privacy protection for consumers and to establish basic standards of practice for the collection of information online.

K. ***Report to Congress on Privacy Online:*** On June 4, 1998, the FTC reported the results of privacy policies of more than 1400 websites, raised concerns about adequacy of self-regulatory efforts, and called for legislation to address concerns about children's privacy online. The Report identified four core principles of fair information practices: Notice, Choice, Access, and Security.

L. Representative privacy and data security cases:

- BLU Products, FTC File No. 172-3025 (Apr. 30, 2018) (proposed consent order published for public comment) (alleging mobile phone maker allowed a China-based service provider to collect personal information about consumers without their knowledge or consent despite promises that data would be secure and private)

- Uber Technologies, Inc., File No. 152-3054 (proposed consent order issued for public comment Aug. 21, 2017) (alleging that ride service violated Section 5 by failing to monitor employee access to consumers' personal information and by failing to reasonably secure sensitive consumer data stored in the cloud). See also Uber Technologies, Inc., File No. 152-3054 (proposed consent order issued for public comment Apr. 12, 2018) (withdrawing proposed settlement and issuing revised proposed settlement based on company's alleged failure to disclose additional data breach that occurred during the pendency of FTC's initial investigation)

- Tru Communication, Inc., C-4628; Md7, LLC, C-4629; and Decusoft, LLC, C-4630 (Sept. 8, 2017) (consent orders) (alleging in separate complaints that companies falsely claimed participation in EU-US Privacy Shield Framework)

- Lenovo, Inc., C-4636 (Sept. 5, 2017) (consent order) (alleging that computer manufacturers preloaded advertising software on some laptops that compromised security protections)

- TaxSlayer, LLC., C-4626 (Aug. 29, 2017) (consent order) (alleging that online tax preparation company violated Gramm-Leach-Bliley Act's Privacy Rule and Safeguards Rule)

- FTC v. VIZIO, Inc., No. 2:17-CV-00758 (D.N.J. Feb. 6, 2017) (stipulated order) ($2.2 million to settle FTC and New Jersey charges that manufacturer installed software to collect viewing data on 11 million consumers' televisions without consumers' knowledge or consent)

- FTC v. Upromise, Inc., No. 1:17-CV-10442 (D. Mass. Mar. 17, 2017) ($500,000 civil penalty for membership reward service's violation of 2012 FTC order requiring company to make disclosures about its data collection and use and to obtain third-party assessments of its data collection toolbar.

- Turn Inc., C-4612 (Dec. 20, 2016) (consent order) (alleging that company deceived consumers by tracking them online and through their mobile apps, even after consumers opted out of tracking)

- FTC v. Ashley Madison, No. 1:16-CV-02438 (D.D.C. Dec. 14, 2016) (partially suspended $8.75 million judgment to settle FTC and state charges stemming from data breach that exposed 36 million users' profile information)

- United States v. InMobi Pte. Ltd., No. 3:16-CV-03474 (N.D. Cal. June 22, 2016) (stipulated order) ($950,000 civil penalty for deceptively tracking the locations of hundreds of millions of consumers – including children – without consent, in violation of the FTC Act and COPPA)

- Practice Fusion, Inc., C-4591 (June 8, 2016) (consent order) (alleging that company deceived consumers about privacy of doctor reviews and inadequately disclosed that patient survey responses would be posted on a public website)

- Very Incognito Technologies, C-4580 (May 4, 2016) (consent order) (challenging company's false claim that it was in compliance with Asia-Pacific Economic Cooperation Cross-Border Privacy Rules)

- ASUSTeK Computer Inc., C-4587 (Feb. 26, 2016) (consent order) (challenging security flaws in routers and insecure "cloud" services that rendered company's claims and practices deceptive and unfair)

- FTC v. LeapLab, LLC, No. 2:14-CV-02750-NVW (D. Ariz. Feb. 18, 2016) (stipulated order) (suspended $5.7 million judgment and unsuspended $4.1 million default judgment for data brokers' sale of consumers' sensitive personal information to scammers who debited millions from their accounts)

- FTC v. LifeLock, Inc., No. 2:10-CV-00530-MHM (D. Ariz. Jan. 5, 2016) (amended order) ($100 million to settle contempt charges that LifeLock violated terms of 2010 court order requiring company to secure consumers' personal information and prohibiting deceptive advertising)

- Henry Schein Practice Solutions, Inc., C-4575 (consent order) ($250,000 to settle charges that marketers of office management software for dental practices falsely advertised level of encryption it provided to protect patient data)

- Oracle Corporation, C-4571 (Dec. 29, 2015) (consent order) (challenging deceptive claims about security updates to Java SE)

- FTC v. Wyndham Worldwide Corporation, 799 F.3d 236 (3d Cir. 2015) (upholding FTC's jurisdiction to challenge certain security practices as unfair or deceptive, in violation of the FTC Act). See also FTC v. Wyndham Worldwide Corporation, No. 2:13-CV-01887-ES-JAD (D.N.J. Dec. 9, 2015) (settling charges that company's practices unfairly exposed consumers' payment card information to hackers in three separate breaches)

- Nomi Technologies, Inc., C-4538 (Apr. 23, 2015) (consent order) (alleging that retail tracking firm misled consumers about opt-out choices)

- Jerk.com, D-9361 (Mar. 25, 2015) (Commission Opinion) (ruling that company falsely stated that content had been created by other users when most had been harvested from Facebook and that buying a membership would allow them to change "Jerk" profile)

- Craig Brittain, C-4564 (Jan. 29, 2015) (consent order) (challenging "revenge porn" website operator's unfair and deceptive practices and false claims related to takedown services)

- TRUSTe, 159 F.T.C. 970 (2014) (consent order) (challenging deceptive claims by privacy certification about its recertification practices and that it is a non-profit)

- FTC v. Bayview Solutions, LLC, No. 1: 14-cv-01830 (D.D.C. Nov. 12, 2014) (stipulated preliminary injunction) (alleging debt broker exposed on a website the personal information of thousands of purported debtors)

- FTC v. Cornerstone and Company, LLC, 1:14-cv-01479-RC (D.D.C. Nov. 12, 2014) (stipulated preliminary injunction) (alleging that debt broker illegally exposed on a website the personal information of thousands of purported debtors)

- Snapchat, Inc., C-4501 (May 14, 2014) (consent order) (challenging misleading claims about app's ability to delete messages permanently, amount of personal data app collected, and security measures taken to protect that data from unauthorized disclosure)

- FTC v. Infotrack Information Services, No. 1:14-CV-02054 (N.D. Ill. Apr. 9, 2014) (consent order) ($1 million civil penalty for FCRA violations by data broker for providing reports to users without taking reasonable steps to make sure they were accurate, and without making sure users had permissible reason)

- FTC v. Instant Checkmate, No. 3:14-CV-00675-H-JMA (S.D. Cal. Apr. 9, 2014) (consent order) ($525,000 FCRA civil penalty for data broker's providing reports to users without taking reasonable steps to make sure they were accurate, and without making sure users had permissible reason)

- Fandango, LLC, C-4481 (Mar. 28, 2014) (consent order) (alleging that movie ticket company misrepresented the security of its mobile app and failed to secure the transmission of personal information)

- Credit Karma, Inc., C-4480 (Mar. 28, 2014) (consent order) (alleging that credit information company misrepresented the security of its mobile app and failed to secure the transmission of personal information)

- American Apparel, Inc., C-4459 (May 9, 2014) (consent order); Fantage.com, Inc., Tennessee Football, Inc., PDB Sports, Ltd., d/b/a Denver Broncos Football Club, Atlanta Falcons Football Club, LLC, BitTorrent, Inc., Baker Tilly Virchow Krause, LLP, Apperian, Inc., Receivable Management Services Corp., Reynolds Consumer Products, Inc., Level 3 Communications, LLC, DDC Laboratories, Inc., DataMotion, Inc., and Charles River Laboratories, Int'l, (Feb. 10, 2014 and Jan. 21, 2014) (consent orders) (alleging that companies falsely claimed they were abiding by U.S.-EU Safe Harbor Framework)

- GMR Transcription Services, Inc., C-4482 (Jan. 31, 2014) (consent order) (alleging that inadequate data security measures of medical transcription company unfairly exposed consumers' personal medical information)

- Accretive Health, Inc., C-4432 (consent order) (Dec. 31, 2013) (alleging that inadequate data security measures of medical billing services unfairly exposed sensitive consumer data to risk of theft or misuse)

- Goldenshores Technologies, LLC, C-4446 (Dec. 5, 2013) (consent order) (alleging that flashlight app developer deceived consumers about how their geolocation information would be shared with advertising networks and other third parties)

- Aaron's, Inc., C-4442 (Oct. 22, 2013) (consent order) (challenging rent-to-own franchisor's role in using undisclosed webcams and location tracking software to monitor users of rented computers)

- TRENDnet, Inc., C-4426 (Sept. 4, 2013) (consent order) (alleging that the lax security practices of a marketer of video cameras designed to allow consumers to monitor their homes remotely resulted in unauthorized access to consumers' video feeds)

- HTC America, Inc., 155 F.T.C. 1617 (2013) (consent order) (alleging that mobile device manufacturer failed to take reasonable steps to secure smartphones when it introduced security flaws that placed sensitive consumer information at risk)

- United States v. Path, Inc., No. C-13-0448 (N.D. Cal. Feb. 1, 2013) (alleging that social networking app made deceptive privacy claims and ordering $800,000 civil penalty for violations of the Children's Online Privacy Protection Rule)

- CBR Systems, Inc., 155 F.T.C. 841 (2013) (consent order) (alleging that cord blood company's inadequate security practices contributed to a breach that exposed Social Security, credit, and debit card numbers of nearly 300,000 consumers)

- Filiquarian Publishing, LLC, 155 F.T.C. 859 (2013) (consent order) (alleging that marketer of mobile app that offered tools for screening prospective employees violated the Fair Credit Reporting Act)

- Epic Marketplace, Inc., and Epic Media Group, LLC, C-4389 (Dec. 5, 2012) (consent order) (alleging that online advertising company used history sniffing to illegally gather data about consumers)

- United States v. PLS Financial Services, Inc., PLS Group, Inc., and The Payday Loan Store of Illinois, Inc., No. 1:12-CV-08334 (N.D. Ill. Nov. 7, 2012) ($101,500 civil penalty for violations of GLB Safeguards Rule and Privacy Rule by related payday loan and check cashing companies stemming from sensitive consumer financial data found in dumpsters)

- Compete, Inc., D-4384 (Oct. 22, 2012) (consent order) (challenging web analytics company's failure to honor privacy promises and use of tracking software that gathered personal data without disclosing the extent of what it was collecting)

- DesignerWare, LLC, 155 F.T.C. 421 (2012); Timothy Kelly and Ronald P. Koller, 155 F.T.C. 452 (2012); Aspen Way Enterprises, 155 F.T.C. 483 (2012); B. Stamper Enterprises, 155 F.T.C. 509 (2012); C.A.L.M. Ventures, Inc., 155 F.T.C. 535 (2012); J.A.G. Rents, LLC, d/b/a ColorTyme, 155 F.T.C. 561 (2012); Red Zone Investment Group, 155 F.T.C. 587 (2012); Showplace, Inc., 155 F.T.C. 613 (2012) ; and Watershed Development Corp., 155 F.T.C. 639 (2012) (consent orders) (challenging software developer and rent-to-own retailers' practice of using undisclosed webcams and location tracking software to monitor users of rented computers)

- Google Inc., No. 5:12-CV-04177-HRL (N.D. Cal. Aug. 9, 2012) (stipulated order) ($22.5 million civil penalty to settle charges that company violated 2011 FTC order by misrepresenting privacy assurances to users of Apple's Safari browser)

- Franklin's Budget Car Sales, Inc., d/b/a Franklin Toyota/Scion, C-4371 (June 7, 2012) (alleging that P2P software on company's network put sensitive personal information at risk)

- EPN, Inc., d/b/a Checknet, Inc., C-4370 (June 7, 2012) (alleging that P2P software on company's network put sensitive personal data at risk)

- Myspace LLC, C-4369 (May 8, 2012) (consent order) (alleging that social networking site misled users about sharing personal information with advertisers, in violation of statements made in the company's privacy policy)

- Upromise, Inc., C-4351 (Jan. 5, 2012) (consent order) (alleging college savings membership service's web browser toolbar collected personal information without adequately disclosing extent of data it collected)

- Facebook, Inc., C-4365 (Nov. 29, 2011) (consent order) (alleging that company engaged in deceptive and unfair practices by violating privacy promises and by failing to disclose the effect changes in privacy practices had on users' privacy settings)

- ScanScout, Inc., 152 F.T.C. 1019 (2011) (consent order) (challenging deceptive claims that consumers could opt out of receiving targeted ads by changing their web browser settings to block cookies when, in fact, company used Flash cookies, which browser settings couldn't block)

- FTC v. Frostwire LLC, No. 1:11-CV-23643 (S.D. Fla. Oct. 11, 2011) (stipulated order) (alleging that P2P file-sharing app developer's product caused consumers to unwittingly expose sensitive information stored on mobile devices to disclosure and misled users about files from their computers would be shared)

- United States v. Teletrack, Inc., No. 1:11-CV-2060 (N.D. Ga. June 27, 2011) ($1.8 million civil penalty for selling credit reports to marketers, in violation of the Fair Credit Reporting Act) (stipulated judgment)

- Ceridian Corp., 151 F.T.C. 514 (2011) (consent order) (alleging that HR services company failed adequately to protect network from reasonably foreseeable attacks and stored personal information in clear text indefinitely without business need)

- Lookout Services, Inc., 151 F.T.C. 532 (2011) (consent order) (alleging that company that marketed product for employer compliance with immigration laws didn't honor promise to keep data reasonably secure, resulting in unauthorized access to sensitive information)

- Google Inc., 152 F.T.C. 435 (2011) (consent order) (alleging that company engaged in deceptive practices and violated its privacy promises when it launched Google Buzz social network)

- Chitika, Inc., 151 F.T.C. 514 (2011) (consent order) (challenging company's practice of tracking consumers' online activities even after they had chosen to opt out of online tracking)

- SettlementOne Credit Corporation, 152 F.T.C. 344 (2011); ACRAnet, Inc., 152 F.T.C. 367 (2011); and Fajilan and Associates, Inc., d/b/a Statewide Credit Services, 152 F.T.C. 389 (2011) (consent orders) (alleging that companies that resold credit reports didn't take reasonable steps to protect consumers' personal information, thus allowing hackers to access the data)

- FTC v. EchoMetrix, Inc., No.: CV10-5516 (E.D.N.Y. Nov. 30, 2010) (stipulated order) (alleging that seller of web monitoring software failed to adequately inform parents using its product that information collected about their children would be disclosed to third-party marketers)

- US Search, Inc., 151 F.T.C. 184 (2010) (consent order) (challenging deceptive claims that online data broker could for a fee "lock" consumers' records so others couldn't see or buy them)

- Rite Aid Corp., C-4308 (July 27, 2010) (consent order) (challenging as a deceptive and unfair trade practice the discarding of trash that contained consumers' personal information, including pharmacy labels and job applications)

- Twitter, Inc., 151 F.T.C. 162 (2010) (consent order) (alleging that social networking service deceived consumers and put their privacy at risk by failing to safeguard personal information, resulting in unauthorized administrative control by hackers)

- Dave & Buster's, Inc., C-4291 (consent order) (June 8, 2010) (alleging that restaurant chain left consumers' credit and debit card information vulnerable to hackers, resulting in fraudulent charges)

- FTC v. LifeLock, Inc., Robert J. Maynard, Jr., and Todd Davis, No. 2:10-CV-00530-NVW (D. Az. Mar. 9, 2010) ($11 million to FTC and $1 million to 35 state AGs to settle charges that company used false claims to promote its purported identity theft protection services). See also FTC v. LifeLock, Inc., No. 2:10-CV-00530-MHM (D. Ariz. Jan. 5, 2016) (amended order) ($100 million to settle contempt charges that LifeLock violated terms of 2010 court order requiring company to secure consumers' personal information and prohibiting deceptive advertising)

- FTC v. ControlScan, Inc., No. 1:10-CV-00532-JEC (N.D. Ga. Feb. 25, 2010) (alleging that company that issued privacy and security certifications for online retailers misled consumers about how often it monitored sites and steps it took to verify their practices)

- FTC v. Navone, No. 2:08-CV-01842 (D. Nev. Jan. 20, 2010) (stipulated order) ($35,000 civil penalty from mortgage broker who discarded consumers' tax returns, credit reports, and other sensitive data in a dumpster)

- United States v. ChoicePoint Inc., No.1-06-CV-198 (N.D. Ga. Oct. 19, 2009) (stipulated judgment) ($275,000 judgment for failing to implement a comprehensive information security program protecting consumers' sensitive information, as required by 2006 court order, resulting in a data breach that compromised the personal information of 13,750 people)

- World Innovators, Inc., C-4282; ExpatEdge Partners, LLC, C-4269; Onyx Graphics, C-4270; Directors Desk LLC, C-4281; Progressive Gaitways LLC, C-4271; and Collectify LLC, C-4272 (Oct. 6, 2009) (consent orders) (alleging that companies falsely claimed they were abiding by U.S.-EU Safe Harbor Framework)

- Sears Holdings Management Corp., C-4264 (June 4, 2009) (consent order) (challenging practice of inviting consumers' to download software without adequately disclosing it would monitor nearly all behavior on that computer)

- James B. Nutter & Co., C-4258 (May 5, 2009) (consent order) (alleging that mortgage company violated Safeguards Rule by failing to provide reasonable and appropriate security for sensitive consumer information, and Privacy Rule by failing to provide notices or providing inaccurate notices)

- United States v. Rental Research Services, Inc., (D. Minn. Mar. 5, 2009) (consent order) (alleging that company that sells reports to landlords about potential renters failed to implement procedures to verify new customers and thus sold sensitive data to ID thieves, in violation of Fair Credit Reporting Act and FTC Act)

- CVS Caremark Corp., C-4259 (Feb. 18, 2009) (consent order) (alleging that pharmacy chain failed to implement reasonable procedures for securely disposing of personal information, did not adequately train employees, did not use reasonable measures to assess compliance, and did not employ a reasonable process for discovering and remedying risks to personal information)

- Compgeeks.com, C-4252 (Feb. 5, 2009) (consent order) (alleging that company routinely stored sensitive data in unencrypted text on its network and did not adequately assess that applications and network were vulnerable to reasonably foreseeable risks, such as SQL injection attacks)

- Premier Capital Lending, Inc., C-4241 (Nov. 6, 2008) (consent order) (alleging that company failed to provide reasonable security to protect sensitive customer data when it allowed a third-party home seller to access data that a hacker then used to illegally access consumers' credit reports)

- FTC v. Action Research Group, No. 6:07-CV-0227-ORL-22JGG (M.D. Fla. May 28, 2008) (stipulated order) ($600,000 in disgorgement for "pretexting" scheme – obtaining consumers' phone records under false pretenses and without their knowledge or consent and selling the records to third parties)

- TJX Companies, C-4227 (consent order) (Mar. 27, 2008) (alleging that company created unnecessary risk by storing and transmitting personal information in plain text, failing to use readily available security to limit wireless access, and failing to use strong passwords, firewalls, and security patches)

- Reed Elsevier Inc., C-4226 (consent order) (Mar. 27, 2008) (alleging that companies created unnecessary risk to personal data by failing to require periodic changes of user credentials, failing to suspend credentials after unsuccessful login tries, allowing customers to store credentials in vulnerable format, and failing to implement low-cost defenses to foreseeable attacks)

- United States v. ValueClick, Inc., No. CV08-01711 MMM (Rzx) (C.D. Cal. Mar. 17, 2008) (stipulated judgment) (challenging company's deceptive claim in its privacy policies that it encrypted customer information when it either failed to encrypt or used an insecure, non-standard form of encryption)

- Goal Financial, 145 F.T.C. 142 (2008) (consent order) (alleging student loan company's failure to take reasonable security measures to protect sensitive customer data violated Safeguards Rule, Privacy Rule, and Section 5)

- FTC v. Accusearch, Inc., No. 06-CV-0105 (D. Wyo. Jan. 28, 2008) (court decision ordering $200,000 disgorgement from information broker who advertised and sold confidential consumer telephone records to third parties without the consumers' knowledge or consent)

- Life is good, Inc., 145 F.T.C. 192 (2008) (consent order) (alleging retailer unnecessarily risked security of consumers' credit card information by storing it indefinitely in clear text on its network, failing to implement low-cost readily available defenses to foreseeable attacks, and failing to employ reasonable measures to detect unauthorized access)

- United States v. American United Mortgage Co., No. 07C 7064 (N.D. Ill. Dec. 18, 2007) (stipulated judgment) ($50,000 civil penalty for mortgage company's practice of leaving loan documents with consumers' sensitive information in and around unsecured dumpster)

- FTC v. Information Search, Inc., No. 1:06-CV-01099-AMD (D. Md. Feb. 22, 2007) (stipulated order) (alleging that defendants and additional defendants in separate actions filed elsewhere obtained and sold consumers' confidential telephone records in violation of federal law)

- Guidance Software, 143 F.T.C. 528 (2006) (consent order) (alleging that company's failure to take reasonable security measures to protect sensitive customer data contradicted the security promises made on its website)

- FTC v. Integrity Security & Investigation Services, Inc., No. 2:06-CV-241-RGD-JEB (E.D. Va. Oct. 4, 2006) (stipulated order) (challenging company's selling of confidential customer phone records to third parties as an unfair trade practice)

- CardSystems Solutions, Inc., 142 F.T.C. 1019 (2006) (consent order) (challenging as an unfair trade practice companies' failure to take appropriate security measures to protect the sensitive information of tens of millions of consumers, resulting in millions of dollars in fraudulent purchases)

- United States v. ChoicePoint Inc., No.1-06-CV-198 (N.D. Ga. Jan. 26, 2006) (stipulated judgment) ($10 million civil penalty and $5 million redress for data security breach that led to the compromise of financial records of more than 163,000 consumers and violations of the Fair Credit Reporting Act)

- DSW, Inc., D-4157 (Dec. 1, 2005) (consent order) (challenging as an unfair trade practice shoe store's failure to take appropriate security measures to protect sensitive consumer information)

- CartManager International, C-4135 (Apr. 26, 2005) (consent order) (alleging that company that provides "shopping cart" software to online merchants rented personal information about merchants' customers to marketers, knowing that such disclosure contradicted merchants' privacy policies)

- Superior Mortgage Corp., 140 F.T.C. 926 (2005) (consent order) (challenging violations of FTC Act and Safeguards Rule for company's failure to provide reasonable security for sensitive customer data and false claim it encrypted data submitted online)

- BJ's Wholesale Club, 140 F.T.C. 465 (2005) (consent order) (challenging as an unfair trade practice warehouse store's failure to take appropriate security measures to protect sensitive consumer information)

- Petco Animal Supplies, Inc., 139 F.T.C. 102 (2005) (consent order) (challenging security flaws on company's website that allowed access to consumers' personal information, including credit card numbers)

- Bonzi Software, Inc., 138 F.T.C. 738 (2004) (consent order) (challenging deceptive representations that InternetALERT software significantly reduced the risk of Internet attacks and unauthorized access into computers)

- Gateway Learning Corp., 138 F.T.C. 443 (2004) (consent order) (alleging that privacy policy of marketer of Hooked On Phonics promised to protect personal information and then changed its policy and sold information without consumers' consent)

- Tower Records/Books/Video and TowerRecords.com, 137 F.T.C. 444 (2004) (consent order) (challenging security flaws on website that allowed access to consumers' personal information)

- Guess?, Inc., and Guess.com, Inc., 136 F.T.C. 507 (2003) (consent order) (alleging that security flaws on company's website placed consumers' credit card numbers at risk to hackers)

- Educational Research Center of America, Inc., 135 F.T.C. 578 (2003) (consent order) (alleging that practice of collecting personal information from students as young as ten claiming it would be used solely for education-related services and then selling it to marketers was a violation of Section 5)

- National Research Center For College and University Admissions, 135 F.T.C. 13 (2003) (consent order) (alleging that companies' practices of collecting personal information from millions of high school students claiming they would share it only with colleges and others providing education-related services and then selling it to marketers was a violation of Section 5)

- Microsoft Corp., 134 F.T.C. 709 (2002) (consent order) (challenging deceptive claims regarding the privacy and security of personal information collected from consumers through Microsoft's Passport web services)

- Eli Lilly and Co., 133 F.T.C. 763 (2002) (consent order) (challenging unauthorized disclosure of sensitive personal information collected from consumers through company's Prozac.com website)

- FTC v. Toysmart.com, No. 00-11341-RGS (D. Mass. July 21, 2000) (stipulated consent agreement) (settling request to enjoin a bankrupt company from selling confidential information collected from customers after representing in its privacy policy that information would never be disclosed to third parties)

- FTC v. Rennert, No. CV-S-00-0861-JBR (D. Nev. July 6, 2000) (stipulated order) (requiring company operating an online pharmacy to post a privacy policy, including how consumers can access, review, modify, or delete their personal information, and prohibiting the defendants from selling, renting, or disclosing personal information collected from customers)

- Liberty Financial Companies, Inc., 128 F.T.C. 240 (1999) (challenging company's practice of collecting identifiable personal information about family finances from children at its "Young Investors" website despite representing that information would be compiled anonymously)

- GeoCities, 127 F.T.C. 94 (1999) (consent order) (alleging the company misrepresented purposes for which it collected personal identifying information from children and adults on its website)

M. Children's Privacy: Passed in 1998, the Children's Online Privacy Protection Act, 15 U.S.C. § 6501, requires websites to obtain verifiable parental consent before collecting, using, or disclosing personal information from children. The law directed the FTC to promulgate the Children's Online Privacy Protection Rule, including provisions for "safe harbor" programs – industry self-regulatory guidelines that, if adhered to, are deemed to comply with the Act. On February 27, 2007, the FTC issued *Implementing the Children's Online Privacy Protection Act: A Report to Congress***.**

1. **Children's Online Privacy Protection Act Rule:** Pursuant to the Children's Online Privacy Protection Act, the FTC issued the COPPA Rule in 2000 and revised it in 2012, outlining procedures for websites to use in getting parental consent before collecting, using, or disclosing personal information from children. 16 C.F.R. § 312. Covered sites must provide parents notice of information practices, get verifiable parental consent before collecting a child's personal information, give parents a choice of whether information will be disclosed to third parties, allow parents the opportunity to review their children's personal information and have it deleted or prevent further use or collection of information, not require child to provide more information than is reasonably necessary to participate in an activity, and maintain confidentiality, security, and integrity of data collected from children.

2. **COPPA Safe Harbors:** On February 1, 2001, the FTC approved the Children's Advertising Review Unit of the Council of Better Business Bureaus as the first safe harbor program under the terms of COPPA. The FTC has approved additional safe harbors since then.

3. **Children and Mobile Apps:** On February 16, 2012, the FTC issued a report, *Mobile Apps for Kids: Current Privacy Disclosures Are Disappointing*, announcing the results of a survey indicating that neither app stores nor app developers provide parents with the information they need to determine what data is being collected from their children, how it is being shared, or who will have access to it. A December 2012 follow-up report, *Mobile Apps for Kids: Current Privacy Disclosures Are Disappointing*, observed little progress. Staff issued further data in 2015.

4. Representative cases:

   - United States v. VTech Electronics Limited, No. 1:18-CV-00114 (N.D. Ill. Jan. 8, 2018) (stipulated order) ($650,000 civil penalty for violating COPPA and FTC Act by collecting personal information from children without direct notice and parental consent, and by failing to take reasonable steps to secure data)

   - United States v. InMobi Pte. Ltd., No. 3:16-CV-03474 (N.D. Cal. June 22, 2016) (stipulated order) ($950,000 civil penalty for deceptively tracking locations of millions of consumers, including children, without consent, in violation of COPPA and FTC Act)

   - United States v. LAI Systems, LLC, No. 2:15-CV-09691 (C.D. Cal. Dec. 17, 2015) (stipulated order) ($60,000 civil penalty for COPPA violations arising from app developer allowing advertisers to use persistent identifiers to serve ads to children)

   - United States v. Retro Dreamer, No. 5:15-CV-02569 (C.D. Cal. Dec. 17, 2015) (stipulated order) ($300,000 civil penalty for COPPA violations arising from app developer allowing advertisers to use persistent identifiers to serve ads to children)

   - United States v. Yelp Inc., No. 3:14-CV-04163 (N.D. Cal. Sept 17, 2014) ($450,000 civil penalty for COPPA violations resulting when company's mobile app allowed registration by users who indicated when registering that they were under 13)

   - United States v. TinyCo, Inc., No. 3:14-CV-04164 (N.D. Cal. Sept 17, 2014) ($300,000 civil penalty for COPPA violations)

   - United States v. Path, Inc., No. C-13-0448 (N.D. Cal. Feb. 1, 2013) ($800,000 civil penalty for COPPA violations)

- United States v. Artist Arena LLC, No. 1:12-CV-07386-JGK (S.D.N.Y. Oct. 4, 2012) (consent decree) ($1 million for COPPA violations by official fan sites for Justin Bieber, Rihanna, Demi Lovato, and Selena Gomez)

- United States v. RockYou, Inc., No. CV-12-1487 (N.D. Cal. Mar. 27, 2012) (consent decree) ($250,000 civil penalty for COPPA violations)

- United States v. Jones Godwin d/b/a skidekids.com, No.1:11-CV-03846-JOF (N.D. Ga. Nov. 8, 2011) (consent decree) ($100,000 suspended civil penalty for COPPA violations by operator of social networking site for children)

- United States v. W3 Innovations d/b/a Broken Thumbs Apps, No. CV-11-03958-PSG (N.D. Cal. Aug. 15, 2011) (in FTC's first case involving mobile app, $50,000 civil penalty for collecting and disclosing personal information from children under 13 without parents' prior consent, in violation of COPPA)

- United States v. Playdom, Inc., No. SACV11-00724 (C.D. Cal. May 12, 2011) ($3 million civil penalty against operator of online virtual worlds for illegally collecting and disclosing personal information from hundreds of thousands of children under 13 without parents' prior consent, in violation of COPPA)

- FTC v. EchoMetrix, Inc., No.: CV10-5516 (E.D.N.Y. Nov. 30, 2010) (stipulated order) (alleging that seller of web monitoring software didn't adequately inform parents that data collected about their children would be disclosed to marketers)

- United States v. Iconix Brand Group, No. 09 Civ. 8864 (MGC) (S.D.N.Y. Oct. 20, 2009) ($250,000 civil penalty from marketer of Candie's, Bongo, and Mudd apparel for violations of COPPA, including practices that allowed children to share personal data and photos online)

- United States v. Sony BMG Music, No. 08 CV 10730 (S.D.N.Y. Dec. 11, 2008) ($1 million civil penalty for collecting personal data from 30,000 registrants under 13 and allowing them to create fan pages, post comments on message boards, and engage in private messaging)

- United States v. Industrious Kid, Inc., No. CV-08-0639 (N.D. Cal. Jan. 30, 2008) (consent decree) ($130,000 civil penalty for COPPA violations by social networking website targeting kids and tweens)

- United States v. Xanga.com, Inc., No. 06-CIV-6853(SHS) (S.D.N.Y. Sept. 7, 2006) ($1 million civil penalty for allowing visitors to create more than 1.7 million accounts on social networking site although they provided a birth date indicating they were under 13)

- United States v. UMG Recordings, Inc., No. CV-04-1050 JFW (Ex) (C.D. Cal. Feb. 17, 2004) (consent decree) ($400,000 civil penalty for music company's knowing collection of personal information from children online without first obtaining parental consent and for engaging in the same activities on a website directed to children)

- United States v. Bonzi Software, No. CV-04-1048 RJK (Ex) (C.D. Cal. Feb. 17, 2004) (consent decree) ($75,000 civil penalty for software marketer's collection of personal information from children online without first obtaining parental consent)

- United States v. Hershey Foods Corp., No. 4:CV03-350 (M.D. Pa. Feb. 26, 2003) (consent decree) ($85,000 civil penalty for company's use of a method of obtaining parental consent that did not meet COPPA Rule standards)

- United States v. Mrs. Fields Famous Brands, Inc., No. 2:03CV205-JTG (D. Utah Feb. 26, 2003) (consent decree) ($100,000 civil penalty for company's collection of personal information from more than 84,000 children, without first obtaining parental consent)

- United States v. The Ohio Art Co., (N.D. Ohio Apr. 22, 2002) (consent decree) ($35,000 civil penalty for company's violation of COPPA by collecting personal information from children on its Etch-a-Sketch website without obtaining parental consent)

- United States v. American Pop Corn Co., No. C02-4008DEO (N.D. Iowa Feb. 14, 2002) ($10,000 civil penalty for company's violation of COPPA by collecting personal information from children on its Jolly Time Popcorn website without obtaining parental consent)

- United States v. Lisa Frank, Inc., No. 01-1516-A (E.D. Va. Oct. 2, 2001) (consent decree) ($30,000 civil penalty for violation of COPPA by collecting personally identifying information from children under 13 years without parental consent and requiring operators to delete personally identifying information collected from children online since the Rule's effective date)

- United States v. Monarch Services, Inc. and Girls' Life, Inc. (D. Md. Apr. 19, 2001); United States v. BigMailbox.com, Inc., No. 01-605-1 (E.D. Va. Apr. 19, 2001); and United States v. Looksmart, Ltd., No. 01-606-A (E.D. Va. Apr. 19, 2001) (consent decrees) ($100,000 civil penalty for website operators' violations of COPPA by collecting personally identifying information from children under 13 years without parental consent)

XV. SELF-REGULATORY INITIATIVES

A. Self-Regulatory Initiatives: The FTC has expressed long-standing support for industry efforts to encourage effective self-regulation and has acknowledged referrals from groups like the National Advertising Division, the Children's Advertising Review Unit, and the Electronic Retailing Self-Regulation Program of the Council of Better Business Bureaus. See, e.g., FTC v. COORGA Nutraceuticals Corp., No. 15-CV-72-S (D. Wyo. Sept. 23, 2016) (order granting motion for summary judgment); FTC v. Solace International, Inc., No. 3:14-CV-00638-MMD-WGC (D. Nev. Dec. 23, 2014) (stipulated permanent injunction); FTC and Florida AG v. Alcoholism Cure Corp., No. 3:10-CV-266-F-34TEM (M.D. Fla. July 19, 2012) (judgment); Oreck Corp., 151 F.T.C. 289 (2011) (consent order); FTC v. Chinery, No. 05-3460 (GEB) (D.N.J. Jan. 4, 2007) (stipulated order); FTC v. Great American Products, Inc., No. 3:05-CV-00170-RV-MD (N.D. Fla. May 20, 2005), aff'd, 200 Fed. Appx. 897 (4th Cir. 2006); United States v. Lisa Frank, Inc., No. 01-1516-A (E.D. Va. Oct. 2, 2001) (consent decree).

B. Advertising Clearance: FTC staff has encouraged media to adopt effective in-house procedures for screening out facially deceptive ads before they run. In 1995, the FTC co-sponsored a national conference, *Preventing Fraudulent Advertising: A Shared Responsibility*, to encourage effective self-regulation by print and broadcast media. In addition, the Commission issued *Screening Advertisements: A Guide for Media*, a brochure on developing effective in-house ad clearance procedures, published with the United States Postal Inspection Service and the Direct Marketing Association.

C. Marketing Practices of the Weight Loss Industry: The FTC sponsored a workshop in November 2002 to consider initiatives to combat deception in weight loss advertising, including effective screening by broadcasters and publishers. In December 2003, the FTC issued *Red Flags: A Reference Guide for Media on Bogus Weight Loss Claim Detection*, a brochure to assist publishers and broadcasters screen out patently false ads before they are disseminated. According to *Weight-Loss Advertising Survey: A Report From the Staff of the Federal Trade Commission*, the percentage of ads for weight loss products that contain representations the FTC considers to be patently false – "red flag" claims – dropped from almost 50% in 2001 to 15% in 2004. In January 2014, the FTC updated its advice and released *Gut Check: A Reference Guide for Media on Spotting False Weight Loss Claims*. Association.

D. <u>Marketing Practices of the Entertainment Industry</u>: In June 1999, the President and members of Congress asked the FTC to conduct a study to determine whether members of the entertainment industry market violent adult-rated material to children. On September 11, 2000, the FTC issued *Marketing Violent Entertainment to Children: A Review of Self-Regulation and Industry Practices in the Motion Picture, Music Recording & Electronic Game Industries* and convened a national workshop. Between 2001 and 2009, the FTC issued six follow-up reports. The FTC also has conducted periodic mystery shopper studies to evaluate self-regulatory efforts in the marketplace. According to the first survey, conducted in 2003, 69% of the teenage shoppers were able to buy M-rated games; 83% were able to buy explicit-labeled recordings; 81% were successful in purchasing R-rated movies on DVD; and 36% were successful in purchasing tickets for admission to an R-rated film at movie theaters. The 2008 survey reported that 20% of underage teenage shoppers were able to buy M-rated videogames and 50% were able to buy R-rated and unrated DVDs and music CDs with parental advisory labels. The 2013 survey showed improvement in some sectors in limiting the sale of entertainment products labeled under industry self-regulatory programs as inappropriate for children. Representative cases:

- <u>Take-Two Interactive Software, Inc. and Rockstar Games, Inc.</u>, 142 F.T.C. 1 (2006) (consent orders) (alleging that marketers of *Grand Theft Auto: San Andreas* failed to disclose that game discs contained potentially viewable material that was sexually explicit, resulting in its subsequent re-rating by the Entertainment Software Ratings Board from “Mature” to “Adults Only”)

E. Marketing Practices of the Alcohol Industry. *See* Section XI infra.

TAB
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Mike Kiklis leverages his 25 years of experience in providing representation to clients in his areas of focus: patent litigation and trials at the USPTO Patent Trial and Appeal Board (PTAB). He has been involved in approximately 100 PTAB trials, serving as lead counsel in the vast majority of those cases. He also handles appeals to the Federal Circuit from his cases, having now been involved in over 20 appeals. He both enforces and defends the intellectual property rights of his clients, and is often called upon to handle cases worth more than $100 million.

Mike brings an in-depth understanding of the business and IP needs of his technology clients, which he developed from years of experience in virtually every kind of patent matter, from cross-licensing and due diligence to bet-the-company PTAB trials and patent litigation. Mike has an extensive background in computer science based on his prior work as a software developer at some of the computer industry's leading companies.

Mike works with leaders at technology-based companies to navigate through various degrees of patent disputes. His practice includes:

- **PTAB Litigation** – Serving as lead counsel in *inter partes* review and covered business method patent review proceedings, and coordinating concurrent or multiple proceedings related to the same patent.
- **Patent Litigation** – Representing clients to enforce and defend their intellectual property rights related to patent infringement in alternative dispute resolution forums, district courts, and the Federal Circuit.

Mike provides significant and influential thought leadership as a frequent speaker and author on patent law, including patentable subject matter and PTAB trials. He is also the author of *The Supreme Court on Patent Law*, an 800-page treatise devoted to the Supreme Court's patent law jurisprudence.

Memberships

American Bar Association

American Intellectual Property Law Association (AIPLA)

Intellectual Property Owners Association (IPO)

Accolades

Intellectual Asset Management (IAM) Patent 1000: The World's Leading Patent Practitioners – (2014-2018)

IP STARS – Patent Star (2013-2018)

Boston University Metropolitan College Computer Science Distinguished Alumni Award

Patent and Trademark Office Society's Rossman Award

SERVICES

Intellectual Property & Technology

Intellectual Property Litigation

Patents

EDUCATION

Syracuse University College of Law
J.D., 1993

Boston University
M.S., 1988

University of Massachusetts Lowell
B.S., 1985

ADMISSIONS

District of Columbia

Virginia

U.S. Patent and Trademark Office

U.S. Supreme Court

U.S. Court of Appeals Federal Circuit

U.S. District Court, District of Columbia

U.S. District Court, Eastern District of Texas

U.S. District Court, Eastern District of Virginia

PTAB Trial Practice

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AOAIOIP – Sept. 27-28, 2018

Presentation Outline

1) PTAB Trial Timeline
2) PTAB Trial Statistics
3) The Supreme Court
4) USPTO Trial Practice Guide (August 2018)
   - ❑ Expert Testimony
   - ❑ 35 U.S.C. §§ 314(a), 324(a) – Director's Discretion to Deny a Petition
   - ❑ 35 U.S.C. § 325(d)
   - ❑ Reply to Patent Owner Response and Reply for a Motion to Amend; Sur-Replies
   - ❑ Challenging Admissibility; Motions to Exclude; Motion to Strike
   - ❑ Oral Hearing
5) Proposed Changes to the Claim Construction Standard in Trial Proceedings Before the PTAB
6) Time-Bar Determination
7) SOP 1 and 2 – Assigning panels and designating opinions (9/20/18)
8) Practice Tips

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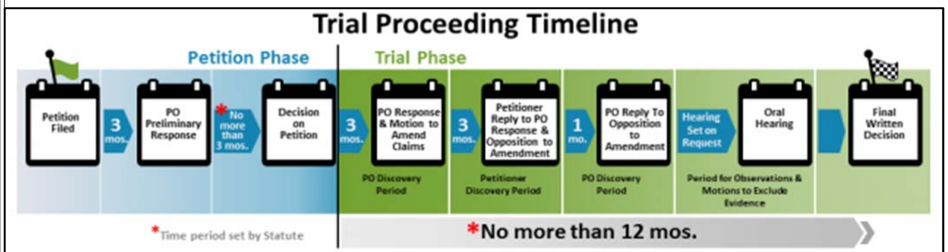
PTAB Trial Timeline



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PTAB Trial Statistics

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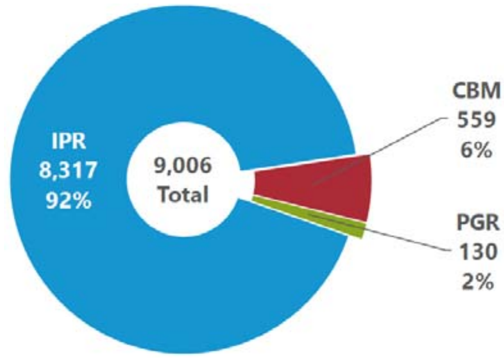
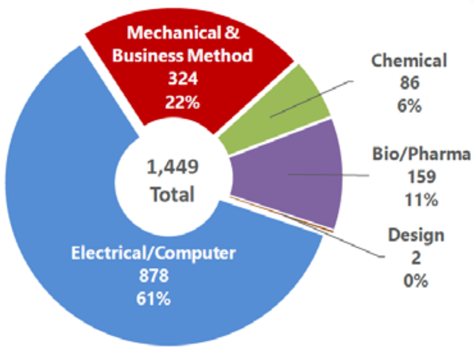
Petitions by Trial Type
(All Time: 9/16/12 to 8/31/18)

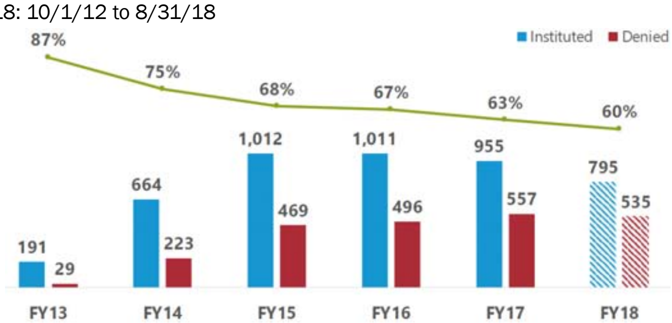




Petitions by Technology
(10/1/17 to 8/31/18)

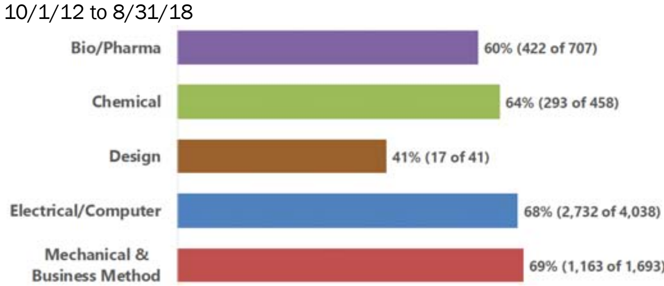
Institution Rates

FY13 to FY18: 10/1/12 to 8/31/18



Institution Rates by Technology

FY13 to FY18: 10/1/12 to 8/31/18



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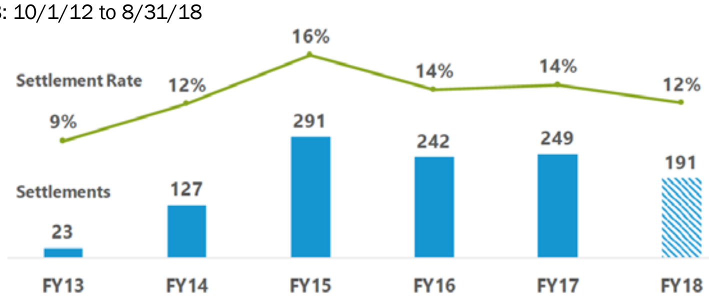
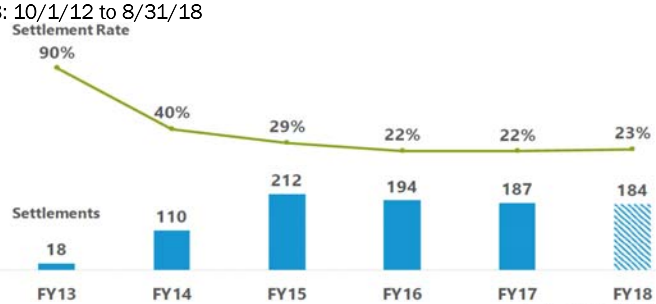
Pre-Institution Settlements

FY13 to FY18: 10/1/12 to 8/31/18



Post-Institution Settlements

FY13 to FY18: 10/1/12 to 8/31/18



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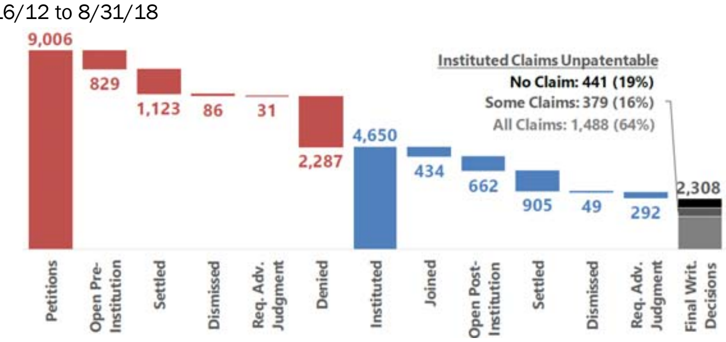
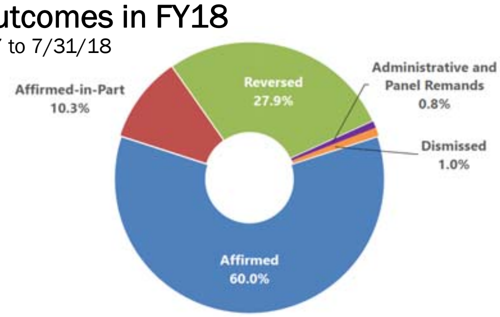
Status of Petitions

All Time: 9/16/12 to 8/31/18



Appeal Outcomes in FY18

FY18: 10/1/17 to 7/31/18



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The Supreme Court

Oil States Energy Services, LLC v.
Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018)

Procedural History:

In 2012, Oil States filed a patent infringement lawsuit in the Eastern District Court of Texas against Greene's Energy Group, LLC. The asserted U.S. Patent No. 6,179,053 ("'053 patent") is directed to an oilfield tool that allows for high pressure pumping of fluids into an oil well. Shortly after the district court issued its claim construction ruling and before the one year deadline for filing, Greene's Energy petitioned the USPTO for an IPR of Oil States' '053 patent.

Both the District Court trial and the inter partes review ran simultaneously. The District Court case concluded first, finding in favor of Oil States. The PTAB later ruled that two claims in '053 patent were invalid. Oil States appealed PTAB's decision before the Federal Circuit, stating that patents were considered to be a private right, and challenges to patent validity is a judicial process requiring a jury trial. Therefore, the inter partes review process violated Article III of the Constitution and the Seventh Amendment. During the appeal, the Federal Circuit issued its decision in *MCM Portfilio LLC v. Hewlett-Packard Co.* (812 F.3d 1284 (2015)) concluding that the USPTO's patent granting authority was "a federal regulatory scheme" and considered a public right based on the Supreme Court's ruling in *Stern v. Marshall*, 564 U.S. 462 (2011), and that the inter partes review did not violate Article III nor the Seventh Amendment.

The Federal Circuit affirmed the PTAB's ruling without additional opinion, and Oil States petitioned the Supreme Court for a writ of certiorari to hear the case in November 2016. The Court granted certiorari in June 2017.

Issue Before the Supreme Court:

- Whether IPR proceedings are constitutional

Holding:

- Inter partes review does not violate Article III or the Seventh Amendment of the Constitution.
- The decision leaves some room for further constitutional challenges.
- "[W]e address only the precise constitutional challenges that Oil States raised here. Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued. Nor has Oil States raised a due process challenge."

SAS Institute Inc. v. Iancu, 138 S. Ct. 1348 (2018)

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USPTO Guidance on the impact of *SAS* on AIA trial proceedings

USPTO Release date: April 26, 2018

On April 24, 2018, the U.S. Supreme Court issued *SAS Institute Inc. v. Iancu*, 2018 WL 1914661, (U.S. Apr. 24, 2018). In light of this decision, the Patent Trial and Appeal Board (PTAB) will proceed in the following fashion at this time. The PTAB will continue to assess the impact of this decision on its operations and will provide further guidance in the future if appropriate.

As required by the decision, the PTAB will institute as to all claims or none. At this time, if the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition.

For pending trials in which a panel has instituted trial on all of the challenges raised in the petition, the panel will continue with the proceeding in the normal course. By contrast, for pending trials in which a panel has instituted trial only on some of the challenges raised in the petition (as opposed to all challenges raised in the petition), the panel may issue an order supplementing the institution decision to institute on all challenges raised in the petition.

Additionally, for pending trials in which a panel enters an order supplementing the institution decision pursuant to this notice, the panel may take further action to manage the trial proceeding, including, for example, permitting additional time, briefing, discovery, and/or oral argument, depending on various circumstances and the stage of the proceeding.

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USPTO Guidance on the impact of *SAS* on AIA trial proceedings (*cont'd)*

For example, if the panel has instituted a trial and the case is near the end of the time allotted for filing the Patent Owner Response, the panel may extend the due date for the Patent Owner Response to enable the patent owner to address any additional challenges added to the proceeding. Additionally, cases near the end of the 12-month statutory deadline may be extended, on a case-by-case basis, if required to afford all parties a full and fair opportunity to be heard. In such cases, the panel may adjust other procedural dates as necessary.

Upon receipt of an order supplementing the institution decision, the petitioner and patent owner shall meet and confer to discuss the need for additional briefing and/or any other adjustments to the schedule. While the Board may act *sua sponte* in some cases, additional briefing and schedule adjustments might not be ordered if not requested by the parties. Additionally, the parties may agree to affirmatively waive additional briefing or schedule changes. After meeting and conferring, the parties then shall contact the Board to discuss any requested additional briefing and/or schedule changes. It is expected that the parties will work cooperatively amongst themselves to resolve disputes and propose reasonable modifications to the schedule. Any remaining disputes shall be raised in a conference call with the Board. For details, the parties are commended to the order supplementing the institution decision entered in their particular case, and shall follow the instructions provided by the Board in such order.

The final written decision will address, to the extent claims are still pending at the time of decision, all patent claims challenged by the petitioner and all new claims added through the amendment process.

Implementation of *SAS*

- PTAB will institute on all challenges and all grounds raised in the petition or not institute at all (*i.e.*, binary decision).
  - *No partial institution based on claims*
  - *No partial institution of grounds*
- If panel has issued a decision on institution (DI) instituting on all challenges, panel will proceed as normal.
- If panel has issued a DI denying institution on all challenges, no additional action will be necessary.
- If panel has instituted on only some challenges raised in a petition, panel may at this time:
  - ❑ Issue order instituting on all claims and all grounds presented in the petition; or
  - ❑ Receive a joint request filed by the parties to terminate as to certain claims or grounds

USPTO Trial Practice Guide (August 2018)

Expert Testimony

- **Form**: An affidavit or declaration. 37 C.F.R. § 42.53(a).
- **Uses**:
  - ❑ Explain the relevant technology to the panel
  - ❑ Establish the level of skill in the art
  - ❑ Offer opinions regarding the prior art and patentability of challenged claims
- **Who can be an expert?**
  - ❑ An expert witness must be qualified as an expert by knowledge, skill, experience, training, or education to testify in the form of an opinion. Fed. R. Evid. 702.
  - ❑ A person may not need to be a person of ordinary skill in the art in order to testify as an expert under Rule 702, but rather must be "qualified in the pertinent art." *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1363-64 (Fed. Cir. 2008).

Expert Testimony (cont'd)

- The Board has broad discretion to assign weight to be accorded expert testimony. *Yorkey v. Diab*, 601 F.3d 1279, 1284 (Fed. Cir. 2010).
  - ❑ *Must be based on sufficient facts and data. Fed. R. Evid. 702(b).*
  - ❑ *Must be the product of reliable principles and methods. Fed. R. Evid. 702(c).*
  - ❑ *Must reliably apply the principles and methods to the facts of the case. Fed. R. Evid. 702(d).*

- Expert testimony may be presented to establish the scope and content of the prior art for determining obviousness and anticipation, but cannot take the place of a disclosure in a prior art reference, when that disclosure is required as part of the unpatentability analysis.

  Conclusory assertions from a third party about general knowledge in the art cannot, without supporting evidence of record, supply a limitation that is not evidently and indisputably within the common knowledge of those skilled in the art. K/S Himpp v. Hear-Wear Techs., LLC, 751 F.3d 1362, 1365 (Fed. Cir. 2014).

- Because an *inter partes* review may only be requested "on the basis of prior art consisting of patents or printed publications," 35 U.S.C. § 311(b), expert testimony cannot take the place of disclosure from patents or printed publications. In other words, expert testimony may explain "patents and printed publications," but is not a substitute for disclosure in a prior art reference itself.

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§§ 314(a), 324(a) – Director's Discretion to Deny a Petition

- The Director's discretion is informed by 35 U.S.C. §§ 316(b) and 326(b), which require the Director to "consider the effect of any such regulation [under this section] on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter."

- The AIA was "designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112–98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69 (Post grant reviews were meant to be "quick and cost effective alternatives to litigation"); *see also* S. Rep. No. 110–259, at 20 (2008).

- To aid the Board's assessment of "the potential impacts on both the efficiency of the *inter partes* review process and the fundamental fairness of the process for all parties," the Board will consider a number of non-exclusive factors in exercising discretion on instituting *inter partes* review, especially as to "follow-on" petitions challenging the same patent as challenged previously in an IPR, PGR, or CBM proceeding. *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha,* IPR2016-01357, slip op. 18 (PTAB Sept. 6, 2017) (Paper 19) (precedential).

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The *General Plastic* non-exclusive factors include the following:

1. Whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. Whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. Whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;
4. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. Whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. The finite resources of the Board; and
7. The requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

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- The *General Plastic* factors alone or in combination, are not dispositive, but part of a balanced assessment of all relevant circumstances in the case, including the merits. *Id.* at 15 ("There is no *per se* rule precluding the filing of follow-on petitions.").

- The *General Plastic* factors are not exclusive and are not intended to represent all situations where it may be appropriate to deny a petition. *Id.* at 16.

- There may be other reasons besides the "follow-on" petition context where the "effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings," 35 U.S.C. § 316(b), favors denying a petition even though some claims meet the threshold standards for institution under 35 U.S.C. §§ 314(a), 324(a).
  For example, events in other proceedings related to the same patent, either at the Office, in district courts, or the ITC. See NetApp, Inc. v. Realtime Data LLC, Case IPR2017-01195, slip op. at 12–13 (PTAB Oct. 12, 2017) (Paper 9) (denying institution under § 314(a) of a follow-on petition filed by a different petitioner where, due to petitioner's delay, the Board likely would not have been able to rule on patentability until after the district court trial date).

Practice Tip: Parties may wish to address in their submissions whether any other such reasons exist in their case that may give rise to additional factors that may influence the Board's discretionary decision to institute or not institute, and whether and how such factors should be considered along with the *General Plastic* factors.

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35 U.S.C. § 325(d) – Director's Discretion to Deny a Petition

- § 325(d) Multiple Proceedings

  In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

- Caselaw

  Cultec, Inc. v. StormTech LLC, Case IPR2017-00777 (PTAB Aug. 22, 2017) (Paper 7) (informative) (denying institution under 35 U.S.C. § 325(d) where the Office previously evaluated two asserted references during examination and additional relied-upon references were cumulative of prior art considered during examination).

  Hospira, Inc. v. Genentech, Inc., Case IPR2017-00739 (PTAB July 27, 2017) (Paper 16) (informative) (denying institution under 35 U.S.C. § 325(d) where the Office previously considered and evaluated during examination the same arguments regarding a patent owner's priority claim).

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35 U.S.C. § 325(d) – Becton Dickinson Non-exclusive Factors

1. The similarities and material differences between the asserted art and the prior art involved during examination;
2. The cumulative nature of the asserted art and the prior art evaluated during examination;
3. The extent to which the asserted art was evaluated during examination;
4. The extent of the overlap between the arguments made during examination and the manner in which a petitioner relies on the prior art or a patent owner distinguishes the prior art;
5. Whether a petitioner has pointed out sufficiently how the Office erred in evaluating the asserted prior art; and
6. The extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments.

Becton Dickinson & Co. v. B. Braun Melsungen AG, Case IPR2017-01586, slip op. at 17–18 (PTAB Dec. 15, 2017) (Paper 8) (informative).

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Other Factors Considered by the Director in Deciding Whether to Deny Institution under 35 U.S.C. § 325(d)

- The Board also takes into account the "efficient administration of the Office," *see* 35 U.S.C. § 316(b), which may be affected by consideration of trial petitions that raise the same or substantially the same prior art or arguments presented previously to the Office during examination, a reexamination proceeding, a reissue proceeding, or in an earlier-filed petition requesting an IPR, PGR, or CBM review.

- The Board may also consider materially changed circumstances or facts and evidence of which the Office was not aware during its previous consideration of the asserted art or arguments. *Kayak Software Corp. v. Int'l Bus. Machs. Corp.*, Case CBM2016-00075, slip op. at 10–12 (PTAB Dec. 15, 2016) (Paper 16) (informative).

Practice Tip: The above-listed factors are not exclusive - the parties may wish to address additional factors they consider relevant to the Board's exercise of discretion to deny institution under 35 U.S.C. § 325(d).

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Reply to Patent Owner Response and Reply for a Motion to Amend; Sur-Replies

- A petitioner may file a reply to a patent owner response, and a patent owner may file a reply to an opposition to a motion to amend. 37 C.F.R. § 42.23.
- The Board will permit the petitioner, in its reply brief, to address issues discussed in the institution decision.
- The patent owner will similarly be allowed to address the institution decision in its sur-reply, if necessary to respond to petitioner's reply. **This sur-reply practice essentially replaces the previous practice of filing observations on cross-examination testimony.**
- Petitioner may not submit new evidence or argument in reply that it could have presented earlier, *e.g.,* to make out a prima facie case of unpatentability. But a petitioner may submit directly responsive rebuttal evidence in support of its reply. *See Belden Inc. v. Berk-Tek LLC*, 805 F.3d 1064, 1077–78 (Fed. Cir. 2015).

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Reply to Patent Owner Response and Reply for a Motion to Amend; Sur-Replies - (cont'd)

- If a party submits a new expert declaration with its reply, the opposing party may cross-examine the expert, move to exclude the declaration, and comment on the declaration and cross-examination in any sur-reply.
- Sur-replies to principal briefs (*i.e.*, to a reply to a patent owner response or to a reply to an opposition to a motion to amend) normally will be authorized by the scheduling order entered at institution.
- The sur-reply may not be accompanied by new evidence other than deposition transcripts of the cross-examination of any reply witness. Sur-replies should only respond to arguments made in reply briefs, comment on reply declaration testimony, or point to cross-examination testimony.

Reply to Patent Owner Response and Reply for a Motion to Amend; Sur-Replies - (cont'd)

- A reply or sur-reply that raises a new issue or belatedly presents evidence may not be considered.
- Examples of new issues are new theories or arguments necessary to make out petitioner's case-in-chief for the unpatentability of an original or proposed substitute claim, such as a newly raised rationale to combine the prior art references that was not expressed in the petition.
  - *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1369–70 (Fed. Cir. 2016) (holding that the Board did not err in refusing the reply brief as improper under 37 C.F.R. § 42.23(b) because Petitioner relied on an entirely new rationale to explain why one of skill in the art would have combined the references at issue).
- It is improper to present in reply new evidence (including new expert testimony) that could have been presented in a prior filing, for example newly cited prior art references intended to "gap-fill" by teaching a claim element that was not present in the prior art presented with the petition.
  - *Genzyme Therapeutic Prods. Ltd. v. Biomarin Pharm. Inc.*, 825 F.3d 1360, 1365–69 (Fed. Cir. 2016) (proper for Board to rely on prior art references submitted with petitioner's reply to establish the state of the art at the time of the invention in response to patent owner arguments).

Challenging Admissibility; Motions to Exclude; Motions to Strike

- A party wishing to challenge the admissibility of evidence must file any objections within 5 business days of service of evidence to which the objection is directed, or 10 days after institution of trial. 37 C.F.R. §§ 42.64(a), 42.64(b)(1). Supplemental evidence is not filed at the time of the objection, but simply served, and is filed only in support of an opposition to a motion to exclude. *See* § 42.64(b)(2).

- Motions to Exclude:
  (a) Identify where in the record the objection originally was made;
  (b) Identify where in the record the evidence sought to be excluded was relied upon by an opponent;
  (c) Address objections to exhibits in numerical order; and
  (d) Explain the basis and grounds for each objection.

- A motion to exclude must explain why the evidence is not admissible (*e.g.*, relevance or hearsay) but may not be used to challenge the sufficiency of the evidence to prove a particular fact.

Challenging Admissibility; Motions to Exclude; Motions to Strike – (cont'd)

- Generally, the Board waits until after the oral hearing, when it reviews the record in its entirety, to decide the merits of any motions to exclude.

- However, a party may request a pre-hearing conference with the panel to seek early resolution of a motion to exclude on a limited number of objections. The Board will preferably rule on such a motion during the pre-hearing conference (or after the pre-hearing conference but before the oral hearing), but may also defer ruling until the oral hearing or thereafter.

- **Motions to Strike**: the Board should disregard arguments or late-filed evidence in its entirety
  when opposing party's brief:
    raises new issues;
    is accompanied by belatedly presented evidence; or
    exceeds the proper scope of reply or sur-reply.
  by filing a request for authorization to file a motion to strike within one week of the allegedly improper submission. The Board will consider such requests on a case-by-case basis.

Challenging Admissibility; Motions to Exclude; Motions to Strike – (cont'd)

- When authorized, the Board expects that it will decide a motion to strike as soon as practicable, and preferably before oral hearing, so that the parties need not devote time during the hearing to addressing improper arguments.
- Alternative remedy: a party may request authorization for further merits briefing, such as a sur-reply, to address the merits of any newly-raised arguments or evidence. Such further briefing may be more appropriate when the party wishes to address the proper weight the Board should give to the arguments or evidence.

Oral Hearing

- Each party to a proceeding will be afforded an opportunity to present their case before at least three members of the Board.
- The time for requesting an oral hearing is normally set in the Scheduling Order but may be modified on a case-by-case basis.
- A request for oral hearing should include the amount of time a party considers sufficient to present its argument to the Board.
- The Board expects to ordinarily provide for an hour of argument per side for a single proceeding, but a party may request more or less time depending on the circumstances of the case.
- The Board encourages the parties to confer before filing a request for oral hearing and, if possible, jointly agree regarding the appropriate argument time needed for each side.

Oral Hearing – (cont'd)

- Pre-hearing conference call
  - Generally occur no later than three business days prior to the oral hearing.
  - Parties should meet and confer and, when possible, send a joint request to the Board with an agreed upon set of limited issues for discussion no later than the due date set for a reply to an opposition to motion to exclude evidence.
  - Parties may discuss with the Board any pending motions to strike, request an early decision on the admissibility of a limited number of exhibits subject to a motion to exclude, and discuss any unresolved issues with demonstrative exhibits.

- At the oral hearing, <u>a petitioner generally will argue first, followed by the patent owner, after which a rebuttal may be given by the petitioner</u>. Absent special circumstances, a petitioner will not be permitted to reserve for rebuttal more than half the total time allotted for argument.

Oral Hearing – (cont'd)

- The Board may also permit patent owners the opportunity to present a brief <u>sur-rebuttal</u> if requested.

- Multiple parties or multiple patents: The Board will work with the parties to come up with a format for the hearing that gives the parties a fair opportunity to present their case while preserving the efficiency of the proceedings.

- <u>Location</u>: most hearings in AIA trials are held at USPTO headquarters in Alexandria, Virginia. Some hearings are held in USPTO regional offices.

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Oral Hearing – (cont'd)

- Special equipment or needs: Hearing rooms are equipped with projectors for PowerPoint presentations. However, a party should advise the Board as soon as possible before an oral argument of any special needs. Examples of such needs include additional space for a wheelchair, an easel for posters, or an overhead projector ("Elmo").

- Demonstrative exhibits: Presentation slides and a handout or binder containing the demonstrative exhibits. The pages of each exhibit should be numbered and counsel should identify the exhibit numbers during course of oral argument, particularly if the panel includes members participating remotely.

Demonstrative Exhibits used at Oral Hearing

- Demonstrative exhibits used at the final hearing are aids to oral argument and not evidence, and should be clearly marked as such. For example, each slide of a demonstrative exhibit may be marked with the words "DEMONSTRATIVE EXHIBIT – NOT EVIDENCE" in the footer.
- Demonstrative exhibits cannot be used to advance arguments or introduce evidence not previously presented in the record. *See Dell Inc. v. Acceleron, LLC*, 884 F.3d 1364, 1369 (Fed. Cir. 2018) (noting that the "Board was obligated to dismiss [the petitioner's] untimely argument . . . raised for the first time during oral argument").
- Demonstrative exhibits, marked as noted above, should be filed in the record in accordance with the orders of the panel.
- The order setting oral argument will set forth the panel's preferred procedure for handling objections to demonstratives, if any. The parties are encouraged to resolve objections by exchanging proposed demonstrative exhibits and conferring prior to submitting the exhibits to the Board.

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Live Testimony used at Oral Hearing

- When requested by a party, and where the panel believes live testimony will be helpful in making a determination, the Office will permit live testimony at the oral hearing.
- The Board will consider such requests on a case-by-case basis, but does not expect to permit live testimony in every case where there is conflicting testimony.
- The format for presenting live testimony is left to the discretion of the panel. Live testimony is normally evidence that becomes part of the record. The Board may direct questions to any witness who testifies in person at the hearing.

Live Testimony used at Oral Hearing – (cont'd)

- In general, a request for live testimony is more likely to be granted where the Board determines that the demeanor of a witness is critical to evaluating that witness's credibility. A party requesting live testimony should be prepared to explain why and how this consideration applies.
  - An example of a situation where this may apply is where an inventor is attempting to antedate a reference by establishing a prior reduction to practice. *See K-40 Electronics, LLC v. Escort, Inc.*, IPR2013-00203 (PTAB May 21, 2014) (Paper 34).
  - The Board is more likely to grant oral testimony critical to issues that are case-dispositive.
- Live testimony may not exceed the scope of the underlying declaration and may not address new theories or arguments not previously presented by a party.

Proposed Changes to the Claim Construction Standard for Trial Proceedings Before the PTAB

USPTO Rulemaking – Proposed Rule

83 Fed. Reg. 21221, 21226 (May 9, 2018)

- Proposed 42.100(b), 42.200(b), 42.300(b):
  - "In an [AIA trial] proceeding, a claim of a patent, or a claim proposed in a motion to amend under § 42.121, shall be construed using the same claim construction standard that would be used to construe such claim in a civil action to invalidate a patent under 35 U.S.C. 282(b), including construing the claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent."
  - "[C]consistent with *Phillips* and its progeny, the doctrine of construing claims to preserve their validity would apply to AIA trials."
  - "Any prior claim construction determination concerning a term of the claim in a civil action, or a proceeding before the International Trade Commission, that is timely made of record in the *inter partes* review proceeding will be considered."
- The current claim construction standard requires that claims are to be given their broadest reasonable interpretation (BRI) in light of the specification. The proposed rule suggests leaving BRI behind and adopting *Phillips*. Under *Phillips*, claims are construed as to their ordinary and customary meaning as understood by one having ordinary skill in the art.

Changes to the Claim Construction Standard

- The proposed new standard is the same as the standard applied in Article III courts and International Trade Commission (ITC) proceedings.
- USPTO also proposed to amend the rules for PTAB trials to add that the USPTO will consider any prior claim construction determination concerning a term of the claim in a civil action, or an ITC proceeding, that is timely made of record in an *Inter Partes* Review (IPR), Post Grant Review (PGR), or Covered Business Method (CBM) proceeding.
- The purposes of the proposed rule include, among other things, to ensure consistency in claim construction between the PTAB and proceedings in district court or at the ITC, and to increase judicial efficiency.
- The comment period was officially open until **July 9, 2018** and anyone may submit their own comments at regulations.gov. Comments are public and will be available on the USPTO website.
- USPTO received more than 350 comments and it is currently reviewing and addressing these comments.

Time-Bar Determination

35 U.S.C. § 315(b) - Patent Owner's Action

- An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

Wi-Fi One v. Broadcom (Fed. Cir. Jan. 8, 2018)

Procedural History:

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Broadcom petitioned the PTAB to institute IPRs challenging the validity of various claims of 3 patents owned and asserted by Wi-Fi One. In its preliminary response, Wi-Fi One argued that the IPR should not be instituted because Broadcom's petition was time-barred under 35 U.S.C. § 315(b). Specifically, Wi-Fi One asserted that, although the defendants in a district court litigation regarding the same patents were not petitioners in the IPR, the defendants were a real party-in-interest or a privy of petitioner Broadcom as to these patents and, thus, the one-year time bar under 35 U.S.C. § 315(b) for filing a petition applied.

The PTAB disagreed and instituted the IPR proceedings. Wi-Fi One's motion requesting additional discovery to determine if any of the defendants were a real party-in-interest or a privy of Broadcom was denied by the PTAB, as was Wi-Fi One's request for a rehearing on the order denying discovery. A request for writ of mandamus filed by Wi-Fi One's predecessor-in-interest asking the Federal Circuit to compel that discovery was also denied.

The IPR proceedings concluded that the challenged claims of the Wi-Fi One patents were unpatentable. A request for rehearing was denied. Wi-Fi One appealed the PTAB's final ruling to the Federal Circuit, arguing again that the district court defendants were a real party-in-interest or a privy of Broadcom as to the patents subject to the IPR proceedings and, therefore, Broadcom's petition was untimely under 35 U.S.C. § 315(b).

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Federal Circuit Holding:

- Time-bar determinations under 35 U.S.C. § 315(b) are appealable, notwithstanding § 314(d) which requires that a determination whether to institute an IPR "under this section shall be final and nonappealable."
  - The majority opinion (J. Reyna) applied "the 'strong presumption' favoring judicial review of administrative actions," unless "Congress provides a 'clear and convincing' indication that it intends to prohibit review." In reaching this conclusion, the majority reviewed both the statutory language and the statutory scheme.
  - The majority read "under this section" in § 314(d) to refer to § 314, and specifically § 314(a) which requires the Director does only two things: (a) identifies the threshold requirements for institution and (b) grants the Director discretion not to institute even when the threshold is met.
  - The majority held that time-bar determinations under § 315(b) are reviewable because "§ 315(b) controls the Director's authority to institute IPR that is unrelated to the Director's preliminary patentability assessment or the Director's discretion not to initiate an IPR even if the threshold reasonable likelihood is present."

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Federal Circuit Holding: (*cont'd*)

- The majority concluded that "the statutory scheme as a whole demonstrates that § 315 is not closely related to the institution decision addressed in § 314(a), and it therefore is not subject to § 314(d)'s bar on judicial review."
- J. O'Malley wrote a concurring opinion, differentiating the petition to institute from the act of institution. Unlike the issue in *Cuozzo*, which falls in the latter category, the time-bar determinations, falling in the former category, do not require any technical expertise or relate to the agency's core statutory function of determining whether claims are or are not patentable, and thus should be appealable.
- In his dissent, J. Hughes disagreed with the narrow reading of § 314(d) and finds it contrary to *Cuozzo*, which states that § 314(d) prohibits judicial review of "questions that are closely tied to the application and interpretation of statutes related to" USPTO's decision to initiate IPR, including petition requirements under § 312(a)(3).

WesternGeco LLC v. ION Geophysical Corp. (Fed. Cir. May 7, 2018)

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WesternGeco

- "For purposes of this appeal, WesternGeco focuses on privity as the key basis of its time-bar challenge, reasoning that privity is more expansive in the types of parties it encompasses compared to real party in interest."
- "Neither the AIA nor the Patent Act defines the statutory term 'privy.' But 'privy' is a well-established common-law term. . . ."
- "[T]he privity analysis seeks to determine 'whether the relationship between the purported "privy" and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels.'"

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WesternGeco (*cont'd*)

- "The Supreme Court in *Taylor* identified a non-exhaustive list of considerations where nonparty preclusion would be justified."
- "These considerations include:

  (1) an agreement to be bound;

  (2) preexisting substantive legal relationships between the person to be bound and a party to the judgment (*e.g.*, preceding and succeeding owners of property);

  (3) adequate representation by someone with the same interests who was a party (*e.g.*, class actions and suits brought by trustees, guardians, and other fiduciaries);

  (4) assumption of control over the litigation in which the judgment was rendered;

  (5) where the nonparty to an earlier litigation acts as a proxy for the named party to relitigate the same issues; or

  (6) a special statutory scheme expressly foreclosing successive litigation by nonlitigants."

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35 U.S.C. § 315(b) - Patent Owner's Action (*cont'd*)

- *Click-to-Call Technologies v. Ingenio, Inc., et* al. (Fed. Cir. 8/16/18).
  - ❑ Reiterated that time-bar determinations are appealable (*citing Wi-Fi One*).
  - ❑ "The en banc court … considered whether 35 U.S.C. § 315(b)'s time bar applies to bar institution when an IPR petitioner was served with a complaint for patent infringement more than one year before filing its petition, but the district court action in which the petitioner was so served was voluntarily dismissed without prejudice. The en banc court holds that § 315(b)'s time bar applies in such a scenario."

35 U.S.C. § 315(b) - Patent Owner's Action (*cont'd*)

- *Vizio, Inc. v. ATI Technologies ULC*, IPR2018-00561, paper 7 (Aug. 17, 2018)
  - ❑ Patent Owner mails complaint to Petitioner on Jan. 30, 2017.
  - ❑ Petitioner receives the complaint on Feb. 1, 2017.
  - ❑ Delaware Rules of Civil Procedure state that "Service by mail is complete upon mailing."
  - ❑ Petitioner filed the petition on Feb. 1, 2018.
  - ❑ "Petitioner's petition is time barred under § 315(b)…."

- *Luv N' Care v. McGinley*, IPR2017-01216, Paper 13, Sept. 18, 2017 (informative)
  Section 315(b) time bar applies because:
  1) Petitioner filed its initial petition with insufficient funds to cover the filing fee and therefore could not be given a filing date; and
  2) Date on which petitioner filed its subsequent petition with sufficient funds was more than one year after petitioner was served with a compliant alleging patent infringement.

Standard Operating Procedure 1 & 2:

Assigning panels and Designating opinions

SOP 1 – Assigning Judges to Panels

- Panel composition
  - "use best efforts … such that cases are paneled with judges having appropriate jurisdictional designations, technology disciplines, work-load preferences, and docket compositions."
  - Jurisdictional designations – *ex parte* appeals, reexam appeals, AIA proceedings, etc.
  - Paneling by technology – match technology discipline of case with technology preference of judge.
  - Technology disciplines – biotechnology/pharma, business methods, chemical, electrical, mechanical, and design.
  - Paneling by experience – new judges paneled with more experienced judges.
  - Related cases (same patent or same PO/subject matter) assigned to fewest number of judges possible

SOP 1 – (cont'd)

- Expanded panels
  - Disfavored
  - Used for maintaining uniformity of Board's decisions
  - May be requested by a Board member or either party
  - Must be recommended by Chief Judge and approved by Director

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SOP 2 – Designation of Precedential and Informative Decisions

- Precedential Opinion Panel – reviews and designates
  - Selected by Director, but default is Director, Commission for Patents, and Chief Judge
- Who may request POP review
  - Director
  - Either party – Counsel must file request for rehearing and provide statement indicating adverse authority
  - Any member of Board

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SOP 2 – (cont'd)

- Designation
  - Precedential, Informative, Routine, and De-designation
  - Anyone may request designation
  - Precedential opinions may address: "constitutional questions; important issues regarding statutes, rules, and regulations; important issues regarding binding or precedential case law; or issues of broad applicability to the Board" and "resolve conflicts."
  - Informative decisions – provide guidance on recurring issues, issues of first impression, and guidance on rules.

Practice Tips

Practice Tips

- Petition
  - ❑ Clear and simple
  - ❑ Multiple grounds (multiple petitions?)
  - ❑ Address redundancy, § 325(d) …
  - ❑ Prove up prior art status if printed publication
- Preliminary Response
  - ❑ Simple, easy-to-understand argument for all claims/grounds?
  - ❑ Save for trial?
  - ❑ Use an expert?
- Patent Owner's Expert's Deposition
  - ❑ Your big chance to move the needle
- Patent Owner Response
  - ❑ Good, strong evidence (testimonial and other)
  - ❑ Differences with meaning

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Practice Tips (*cont'd*)

- Oral hearing
  - ❑ Theme
  - ❑ Good demonstratives
  - ❑ Jump into the record
  - ❑ Know the case inside and out
- Federal Circuit
  - ❑ Preserve your issues below
  - ❑ Consider request for rehearing if you need a better record

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TAB
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Cincinnati Bar
ASSOCIATION

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STEPHEN G. KUNIN is the former Deputy Commissioner for Patent Examination Policy with the U.S. Patent and Trademark Office. He has more than 47 years of expertise in intellectual property rights protection and 27 years of organizational management and leadership experience. He was appointed to his former position in March 2000 and has served in a similar capacity since November 1994, under the position's prior title, "Deputy Assistant Commissioner for Patent Policy and Projects." Previously, beginning in July 1989, Mr. Kunin served as Deputy Assistant Commissioner for Patents. He participated in the establishment of patent policy for the various Patent Organizations under the Commissioner for Patents, including changes in patent practice, revision of rules of practice and procedures, establishment of examining priorities and classification of technological arts, and oversaw the operations of the Office of Patent Legal Administration, Patent Cooperation Treaty Legal Administration, and the Office of Petitions. Additionally, in January 1993, Mr. Kunin was designated by the Secretary of Commerce to perform the functions of the Assistant Commissioner for Patents on an acting basis until a new Assistant Commissioner for Patents was appointed in 1994.

Mr. Kunin joined the Patent and Trademark Office (PTO) as a patent examiner in June of 1970. In March of 1977, he became a Senior Examiner in a technology of master's level complexity. He became Director of the Manufacturing Group in May of 1983. When a new Electrical Communications examining group (Group 260) was formed in April of 1984, he became its first Group Director.

Mr. Kunin assumed many leadership roles for the Office, including chairing the Patent Examiner Evaluation Board and the Patent Academy Curriculum Committee. Among his responsibilities, in addition to overseeing the Patent Examination Policy activities, he served on the USPTO Management Council, the USPTO Committee on Discipline, and the USPTO Executive Committee. He also coordinated several of the Trilateral Projects under the jurisdiction of the Commissioner for Patents. He has been a guest lecturer at a number of prestigious law schools.

Mr. Kunin, as a Partner, serves as a patent consultant who advises clients on patent prosecution and policy matters. He also serves as an expert witness on patent law, policy, practice and procedure. He chairs the firm's General Counsel Committees. In February 2011, he was elected by his law partners to the firm's Management Committee. He now serves on the Management Committee as General Counsel of the law firm.

Mr. Kunin also served from 2005-2017 as the Intellectual Property L.L.M. and J.D. Programs Director at the Antonin Scalia School of Law at George Mason University where he was an adjunct professor who taught patent law and intellectual property law classes.[1] He is frequently sought out to lecture to external groups on USPTO administrative trials and USPTO patent prosecution practice.

<u>Education</u>:

Mr. Kunin graduated with honors from Washington University in May of 1970 with a B.S. degree in Electrical Engineering. He attended the National Law Center of the George Washington University, receiving his Juris Doctor degree in law with honors in May of 1975. He is a graduate of the Harvard University Kennedy School of Government SMG Program.

Maier & Maier

Patent Subject Matter Eligibility Post Alice v. CLS Bank

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Maier & Maier

PATENTABLE SUBJECT MATTER

- 35 U.S.C. § 101:
  - Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.
- 35 U.S.C. § 100(b):
  - The term "process" means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.
- Judicially created exceptions:
  - "laws of nature, natural phenomena, and abstract ideas." *Diehr* (S. Ct. 1981)

Maier & Maier

The Supreme Court's Treatment of 35 U.S.C. § 101

Maier & Maier

PATENTABLE SUBJECT MATTER

- **Trilogy of Supreme Court cases:**
  - *Gottschalk v. Benson*, 409 U.S. 63 (1972)
  - *Parker v. Flook*, 437 U.S. 584 (1978)
  - *Diamond v. Diehr*, 450 U.S. 175 (1981)

Maier & Maier

GOTTSCHALK V. BENSON (S. CT. 1972)

- Binary Coded Decimals (BCD) to pure binary conversion process
- Abs
  - as to ure

THE MENTAL-STEPS DOCTRINE

- Th D to bin ide
- Cong
  programs are patentable

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PARKER V. FLOOK (S. CT. 1978)

- Method of updating alarm limits
- The only difference between conventional methods an the inc
- **Po**
  - not med as a whole, contains no patentable invention."

THE POINT-OF-NOVELTY-TEST

DIAMOND V. DIEHR (S. CT. 1981)

- **Process for molding rubber**
  - “We view respondents’ claims as nothing more than a process for molding rubber products and not as an attempt to patent a mathematical formula. We recognize, of course, that when a claim recites a mathematical formula (or scientific principle or phenomenon of nature), an inquiry must be made into whether the claim is seeking patent protection for that formula in the abstract.”
- **Review claim as a whole, no dissection:**
  - “[W]hen a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect (e.g., transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of § 101.”
- **Reject point-of-novelty test:**
  - “The ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject matter of a claim falls within the § 101 categories of possibly patentable subject matter.”

BILSKI V. KAPPOS (S. CT. 2010)

- **The Machine-or-Transformation Test:**
  - “a claimed process is patent eligible if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thi...”
- M-O ... ead it is "a...
- **Abs...**
  - ... t idea .
  - ... n
  - ... ution
- **Bac...**
  - “A ... etations of §101 that the [Fed. Cir.] has used in the past.”

THE MACHINE-OR-TRANSFORMATION TEST
and
THE ABSTRACT-IDEA TEST

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MAYO COLLABORATIVE SERVICES V. PROMETHEUS LABS, INC. (S. CT. 2012)

- Appeal following post-Bilski GVR
- Claims directed to a drug administration process
  - "to transform an unpatentable law of nature into a patent-eligible application of such law, one must do more than simply state the law of nature while adding the words 'apply it.'"
- Patents should not be upheld where the claim too broadly preempts the use of the natural law
- **Court dissected the claim elements:**
  - "To put the matter more succinctly, the claims inform a relevant audience about certain laws of nature; any additional steps consist of well-understood, routine, conventional activity already engaged in by the scientific community"

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MAYO COLLABORATIVE SERVICES V. PROMETHEUS LABS, INC. (CONT'D)

- "Other cases offer further support for the view that simply appending conventional steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable."
- **Point-of-novelty test?**
  - "We recognize that, in evaluating the significance of additional steps, the §101 patent-eligibility inquiry and, say, the §102 novelty inquiry might sometimes overlap. But that need not always be so."
- **The M-O-T test does not trump the law of nature exclusion**
- **The proper role of §101:**
  - The Court rejected the Government's argument that virtually any step beyond the law of nature should render the claim patent-eligible under §101, because §§102, 103, and 112 are sufficient to perform the screening function

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ALICE V. CLS (S. CT. 2014)

- **Issue:**
  - Patentable subject matter for computer-related inventions under 35 U.S.C. § 101.
- **Unanimous decision**
- **Invention:** Mitigating settlement risk
- **High level points:**
  - Court dissected claims and considered them as an ordered whole
  - System and C-R medium claims fell with method claims
  - Point-of-novelty test?

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ALICE V. CLS (CONT'D)

- Court's concern is with preemption
- Must distinguish between the "building blocks of human ingenuity and those that integrate the building blocks into something more" rendering them patent eligible.

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ALICE V. CLS (CONT'D)

- **Used Mayo framework:**
  1. Determine whether claims are directed to a law of nature, natural phenomena, or abstract idea;
  2. If so, then ask "What else is there in the claims before us?"
  - Consider elements of claim individually and as an ordered combination to determine if the additional elements "transform the . . . claim into patent-eligible" subject matter.
  - This is a "search for an 'inventive concept' . . . An element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon" the abstract idea.

ALICE V. CLS (CONT'D)

- **Step one:**
  - **The Court refers to two books and states:**
    - The claims are drawn to the "abstract idea" of intermediated settlement, which is a fundamental concept
    - It "is a building block of the modern economy"
  - **Compared to *Bilski*:**
    - Like *Bilski*'s hedging, intermediated settlement is an abstract idea.
    - "In any event, we need not labor to delimit the precise contours of the 'abstract ideas' category in this case. It is enough to recognize that there is no meaningful distinction between the concept of risk hedging in Bilski and the concept of intermediated settlement at issue here."
  - **No clear guidance**

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ALICE V. CLS (CONT'D)

- **Step two:**
  - A claim that recites an abstract idea must include "additional features" to ensure "that the [claim] is more than a drafting effort designed to monopolize the [abstract idea]."
  - Per *Mayo*, need more than "apply it."
  - The computer implementation must supply the necessary "inventive concept" – what does "inventive concept" mean?

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ALICE V. CLS (CONT'D)

- **Step two (cont'd):**
  - Mere recitation of a generic computer is not enough
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THE GENERIC-COMPUTER TEST

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ALICE V. CLS (CONT'D)

- **Step two (cont'd):**
  - The claim elements separately are "purely conventional"
  - "In short, esach step does no more than require a generic computer to perform generic computer functions."
  - Considered as an ordered combination, the claims "simply recite the concept of intermediated settlement as performed by a generic computer."
    - They do not improve the functioning of the computer itself
    - "Nor do they effect an improvement in any other technology or technical field."
    - Safe harbors?

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ALICE V. CLS (CONT'D)

- System and C-R Medium Claims
  - "Petitioner conceded below that its media claims rise or fall with its method claims."
  - System claims
    - Purely functional and generic
    - None of the hardware recited "offers a meaningful limitation beyond generally linking" the method to a "particular technological environment" – implementation on a computer
    - "Put another way, the system claims are no different from the method claims in substance."

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The Federal Circuit's Post-*Alice* Treatment of 35 U.S.C. § 101

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DDR HOLDINGS, LLC V. HOTELS.COM, L.P., 773 F.3D 1245 (FED. CIR. DEC. 5, 2014)

- **Holding:**
  - Claims valid under § 101
  - Affirmed the district court's denial of the motion for JMOL of invalidity under § 101
- **Rationale:**
  - **The panel found it difficult to determine the abstract idea:**
    - "[I]dentifying the precise nature of the abstract idea is not as straightforward as in Alice or some of our other recent abstract idea cases."
  - **The panel held that the claims satisfied the *Mayo/Alice* step two:**
    - "[T]hese claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks."

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ENFISH, LLC V. MICROSOFT CORP., 2016 U.S. APP. LEXIS 8699 (FED. CIR. MAY 12, 2016)

- **Holding:**
  - **Reversed the district court's grant of summary judgment and found the claims patent eligible**
- **Rationale:**
  - **The panel held that the district court erred in finding that the claims were directed to an abstract idea:**
    - "The district court concluded that the claims were directed to the abstract idea of 'storing, organizing, and retrieving memory in a logical table' or, more simply, 'the concept of organizing information using tabular formats.'"
    - "[W]e find that the claims at issue in this appeal are not directed to an abstract idea within the meaning of Alice. Rather, they are directed to a specific improvement to the way computers operate, embodied in the self-referential table."
    - "Here, the claims are not simply directed to any form of storing tabular data, but instead are specifically directed to a self-referential table for a computer database."
    - "[T]he claims are directed to a specific implementation of a solution to a problem in the software arts."

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ENFISH, LLC V. MICROSOFT CORP., (CONT'D)

- **Discussion of step 1 to the Alice inquiry:**
  - "We do not read Alice to broadly hold that all improvements in computer-related technology are inherently abstract and, therefore, must be considered at step two. Indeed, some improvements in computer-related technology when appropriately claimed are undoubtedly not abstract, such as a chip architecture, an LED display, and the like. <u>Nor do we think that claims directed to software, as opposed to hardware, are inherently abstract and therefore only properly analyzed at the second step of the Alice analysis. Software can make non-abstract improvements to computer technology just as hardware improvements can, and sometimes the improvements can be accomplished through either route</u>."
  - "<u>[W]e find it relevant to ask whether the claims are directed to an improvement to computer functionality versus being directed to an abstract idea, even at the first step of the Alice analysis</u>."
  - "[T]he first step in the Alice inquiry in this case asks whether the focus of the claims is on the specific asserted improvement in computer capabilities (i.e., the self-referential table for a computer database) or, instead, on a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool."

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ENFISH, LLC V. MICROSOFT CORP., (CONT'D)

Claim 17:

A data storage and retrieval system for a computer memory, comprising:

means for configuring said memory according to a logical table, said logical table including:

a plurality of logical rows, each said logical row including an object identification number (OID) to identify each said logical row, each said logical row corresponding to a record of information;

a plurality of logical columns intersecting said plurality of logical rows to define a plurality of logical cells, each said logical column including an OID to identify each said logical column; and

means for indexing data stored in said table.

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TLI COMMUNS. LLC V. AV AUTO., L.L.C. (FED. CIR. MAY 17, 2016)

- **Holding**:
  - Claims invalid under § 101
- **Rationale**:
  - **The panel held that the claims were directed to an abstract idea:**
    - "[T]he claims here are not directed to a specific improvement to computer functionality. Rather, they are directed to the use of conventional or generic technology in a nascent but well-known environment, without any claim that the invention reflects an inventive solution to any problem presented by combining the two. … [T]he claims, as noted, are simply directed to the abstract idea of classifying and storing digital images in an organized manner."
  - **The panel held that the claims did not contain an inventive concept:**
    - "[T]he claims' recitation of a 'telephone unit,' a 'server', an 'image analysis unit,' and a 'control unit' fail to add an inventive concept sufficient to bring the abstract idea into the realm of patentability."

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TLI COMMUNS. LLC V. AV AUTO., L.L.C. (CONT'D)

Claim 17:

A method for recording and administering digital images, comprising the steps of:

recording images using a digital pick up unit in a telephone unit,

storing the images recorded by the digital pick up unit in a digital form as digital images,

transmitting data including at least the digital images and classification information to a server, wherein said classification information is prescribable by a user of the telephone unit for allocation to the digital images,

receiving the data by the server,

extracting classification information which characterizes the digital images from the received data, and

storing the digital images in the server, said step of storing taking into consideration the classification information.

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BASCOM GLOBAL INTERNET SERVS. V. AT&T MOBILITY LLC, 2016 WL 3514158 (FED. CIR. JUNE 27, 2016)

- **Holding:**
  - **Vacated and remanded the district court's dismissal under 12(b)(6)**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea:**
    - "[T]he claims of the '606 patent are directed to the abstract idea of filtering content. . . ."
  - **The panel held that the district court erred in finding that the claims did not contain an inventive concept in the ordered combination of limitations:**
    - "We agree with the district court that the limitations of the claims, taken individually, recite generic computer, network and Internet components, none of which is inventive by itself."
    - "BASCOM has alleged that an inventive concept can be found in the ordered combination of claim limitations that transform the abstract idea of filtering content into a particular, practical application of that abstract idea. We find nothing on this record that refutes those allegations as a matter of law or justifies dismissal under Rule 12(b)(6)."

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BASCOM GLOBAL INTERNET SERVS. V. AT&T MOBILITY LLC (CONT'D)

Claim 1:

A content filtering system for filtering content retrieved from an Internet computer network by individual controlled access network accounts, said filtering system comprising:

a local client computer generating network access requests for said individual controlled access network accounts;

at least one filtering scheme;

a plurality of sets of logical filtering elements; and

a remote ISP server coupled to said client computer and said Internet computer network, said ISP server associating each said network account to at least one filtering scheme and at least one set of filtering elements, said ISP server further receiving said network access requests from said client computer and executing said associated filtering scheme utilizing said associated set of logical filtering elements.

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RAPID LITIG. MGMT. V. CELLZDIRECT, INC. (FED. CIR. JULY 5, 2016)

- **Holding:**
  - **Vacated and remanded the district court's grant of summary judgment that the claims were invalid under § 101**
- **Rationale:**
  - **The panel held that the district court erred in finding that the claims were directed to a law of nature:**
    - "The district court identified in these claims what it called a 'natural law'—the cells' capability of surviving multiple freeze-thaw cycles."
    - "We need not decide in this case whether the court's labeling is correct. It is enough in this case to recognize that the claims are simply not directed to the ability of hepatocytes to survive multiple freeze-thaw cycles. Rather, the claims of the '929 patent are directed to a new and useful laboratory technique for preserving hepatocytes. This type of constructive process, carried out by an artisan to achieve 'a new and useful end,' is precisely the type of claim that is eligible for patenting."

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McRO, INC. V. BANDAI NAMCO GAMES AMERICA, NO. 2015-1080 (FED. CIR. SEPTEMBER 13, 2016)

- **Holding:**
  - **Claims valid under § 101**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - "The claimed rules [speech to lip synchronization/facial expressions] here, however, are limited to rules with certain common characteristics, i.e., a genus. … We therefore look to whether the claims in these patents focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery."
    - "By incorporating the specific features of the rules as claim limitations, claim 1 is limited to a specific process for automatically animating characters using particular information and techniques and does not preempt approaches that use rules of a different structure or different techniques. When looked at as a whole, claim 1 is directed to a patentable, technological improvement over the existing, manual 3-D animation techniques. The claim uses the limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice. Claim 1 . . . Is not directed to an abstract idea."

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McRO, INC. V. BANDAI NAMCO GAMES AMERICA (CONT'D)

Claim 1: **U.S. No. 6,307,576**

A method for automatically animating lip synchronization and facial expression of three dimensional characters comprising:

obtaining a first set of rules that define output morph weight set stream as a function of phoneme sequence and time of said phoneme sequence;

obtaining a timed data file of phonemes having a plurality of sub-sequences;

generating an intermediate stream of output morph weight sets and a plurality of transition parameters between two adjacent morph weight sets by evaluating said plurality of sub-sequences against said first set of rules;

generating a final stream of output morph weight sets at a desired frame rate from said intermediate stream of output morph weight sets and said plurality of transition parameters; and

applying said final stream of output morph weight sets to a sequence of animated characters to produce lip synchronization and facial expression control of said animated characters.

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AMDOCS V. OPENET TELECOM, NO. 2015-1180 (FED. CIR. NOVEMBER 1, 2016)

- **Holding:**
  - **Claims of four patents found not invalid under § 101**
- **Rationale:**
  - **Assumed the existence of an abstract idea:**
    - "For argument's sake we accept the district court's view of the disqualifying abstract ideas"
  - **Claims found valid in light of specification:**
    - "The dissent concedes that the written description discloses a network monitoring system 'eligible for patenting….' We agree. Unlike the dissent, however, we find the claims at issue, understood in light of that written description, to be eligible for patenting."
    - "[W]e construed 'enhance' as being dependent upon the invention's distributed architecture."
    - "As explained in the patent, the distributed enhancement was a critical advancement over the prior art."

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AMDOCS V. OPENET TELECOM, NO. 2015-1180 (FED. CIR. NOVEMBER 1, 2016)

Claim 1: **U.S. No. 7,631,065**

A computer program product embodied on a computer readable storage medium for processing network accounting information comprising:

computer code for receiving from a first source a first network accounting record;

computer code of correlating the first network accounting record with accounting information available from a second source; and

computer code for using the accounting information with which the first network accounting record is correlated to <u>enhance</u> the first network accounting record.

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THALES VISIONIX V. UNITED STATES, N0. 2015-5150 (FED. CIR. March 8, 2017)

- **Holding:**
  - **Claims valid under § 101**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - The clams of the '159 patent are "nearly indistinguishable" from those of Diehr for purposes of the § 101 inquiry.
    - "[T]he claims are directed to systems and methods that use inertial sensors in a non-conventional manner to reduce errors in measuring the relative position and orientation of a moving object on a moving reference frame." In the Court's view, the invention applied laws of physics to solve this problem, and the mere presence of a mathematical equation in the solution "does not doom the claims to abstraction." Therefore, the claims are not directed to an abstract idea, and the Court did not have to proceed to part two of Alice."

THALES VISIONIX V. UNITED STATES (CONT'D)

Claim 1: **U.S. No. 6,474,159**

A system for tracking the motion of an object relative to a moving reference frame, comprising:

a first inertial sensor mounted on the tracked object;

a second inertial sensor mounted on the moving reference frame; and

an element adapted to receive signals from said first and second inertial sensors and configured to determine an orientation of the object relative to the moving reference frame based on the signals received from the first and second inertial sensors.

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VISUAL MEMORY LLC V. NVIDIA CORP., N0. 2016-2254 (FED. CIR. August 15, 2017)

- **Holding:**
  - **Rule 12(b)(6) dismissal was improper because the claims are not directed to patent ineligible subject matter under § 101**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - "[T]he key question is whether the focus of the claims is on the specific asserted improvement in computer capabilities…or, instead, on a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool."
    - The claims "are directed to a technological improvement: an enhanced computer memory system," and, more specifically to "[c]onfiguring the memory system based on the type of processor connected to the memory system."
    - The claims "do not simply require a 'programmable operational characteristic' but require "a memory system with a main memory and a cache, … where the memory system is configured by a computer to store a type of data in the cache memory based on the type of processor connected to the memory system."

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VISUAL MEMORY LLC V. NVIDIA CORP. (CONT'D)

Claim 1: **U.S. No. 5,953,740**

A computer memory system connectable to a processor and having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor, wherein said system is connectable to said processor by a bus, said system comprising:

a main memory connected to said bus; and

a cache connected to said bus;

wherein a programmable operational characteristic of said system determines a type of data stored by said cache.

SECURED MAIL SOLUTIONS LLC V. UNIVERSAL WILDE, INC., N0. 2016-1728 (FED. CIR. October 16, 2017)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea, and do not amount to significantly more:**
    - "The claims embrace the abstract idea of using a marking affixed to the outside of a mail object to communicate information about the mail object, i.e., the sender, recipient, and contents of the mail object."
    - "The claim language does not provide any specific showing of what is inventive about the identifier or about the technology used to generate and process it … the sender-generated identifier is not a sufficiently inventive concept.

SECURED MAIL SOLUTIONS LLC V. UNIVERSAL WILDE, INC. (CONT'D)

Claim 1: **U.S. No. 7,818,268**

A method of verifying mail identification data, comprising:

affixing mail identification data to at least one mail object, said mail identification data comprising a single set of encoded data that includes at least a unique identifier, sender data, recipient data and shipping method data, wherein said unique identifier consists of a numeric value assigned by a sender of said at least one mail object;

storing at least a verifying portion of said mail identification data;

receiving by a computer at least an authenticating portion of said mail identification data from at least one reception device via a network, wherein said authenticating portion of said mail identification data comprises at least said sender data and said shipping method data; and

providing by said computer mail verification data via said network when said authenticating portion of said mail identification data corresponds with said verifying portion of said mail identification data.

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SMART SYSTEMS INNOVATIONS LLC. V. CHICAGO TRANSIT AUTHORITY, N0. 2016-1233 (FED. CIR. October 18, 2017)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea and do not recite an inventive concept:**
    - The Court found that the "patents involve acquiring identification data from a bankcard, using the data to verify the validity of the bankcard, and denying access to a transit system if the bankcard is invalid."
    - The claims "are not directed to a new type o"Stripped of the technical jargon that broadly describe non-inventive elements (e.g., the "interfaces" and "processing systems"), and further shorn of the typically obtuse syntax of patents, the patents here really only cover an abstract concept: paying for a subway or bus ride with a credit card."
    - f bankcard, turnstile, or database, nor do the claims provide a method for processing data that improves existing technological processes. Rather, the claims are directed to the collection, storage, and recognition of data. "
    - "<u>We agree with the District Court that the Asserted Claims recite the abstract idea of collecting financial data using generic computer components</u>."

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SMART SYSTEMS INNOVATIONS LLC. V. CHICAGO TRANSIT AUTHORITY (CONT'D)

- **Claim 14 of '003 Patent:**

14. A method for validating entry into a first transit system using a bankcard terminal, the method comprising:

downloading, from a processing system associated with a set of transit systems including the first transit system, a set of bankcard records comprising, for each bankcard record in the set, an identifier of a bankcard previously registered with the processing system, and wherein the set of bankcard records identifies bankcards from a plurality of issuers;

receiving, from a bankcard reader, bankcard data comprising data from a bankcard currently presented by a holder of the bankcard, wherein the bankcard comprises one of a credit card and a debit card;

determining an identifier based on at least part of the bankcard data from the currently presented bankcard;

determining whether the currently presented bankcard is contained in the set of bankcard records;

verifying the currently presented bankcard with a bankcard verification system, if the bankcard was not contained in the set of bankcard records; and

denying access, if the act of verifying the currently presented bankcard with the bankcard verification system results in a determination of an invalid bankcard.

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TWO-WAY MEDIA LTD. V. COMCAST CABLE COMMUNICATIONS, N0s. 2016-2531, 2016-2532 (FED. CIR. November 1, 2017)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea and do not recite an inventive concept:**
    - “We look to whether the claims in the patent focus on a specific means or method, or are instead directed to a result or effect that itself is the abstract idea and merely invokes generic processes and machinery.”
    - “The claim requires the functional results of converting, routing, controlling, monitoring, and accumulating records, but does not sufficiently describe how to achieve these results in a non-abstract way.“
    - “The main problem that Two-Way Media cannot overcome is that the claim—as opposed to something purportedly described in the specification—is missing an inventive concept.”
    - “Nothing in the claims … requires anything other than conventional computer and network components operating according to their ordinary functions.”
    - “The claim uses a conventional ordering of steps—first processing the data, then routing it, controlling it, and monitoring its reception—with conventional technology to achieve its desired result."

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TWO-WAY MEDIA LTD. V. COMCAST CABLE COMMUNICATIONS (CONT’D)

Claim 1: **U.S. No. 5,778,187**

A method for transmitting message packets over a communications network comprising the steps of:

converting a plurality of streams of audio and/or visual information into a plurality of streams of addressed digital packets complying with the specifications of a network communication protocol,

for each stream, routing such stream to one or more users,

controlling the routing of the stream of packets in response to selection signals received from the users, and

monitoring the reception of packets by the users and accumulating records that indicate which streams of packets were received by which users, wherein at least one stream of packets comprises an audio and/or visual selection and the records that are accumulated indicate the time that a user starts receiving the audio and/or visual selection and the time that the user stops receiving the audio and/or visual selection.

INVENTOR HOLDINGS LLC. V. BED BATH & BEYOND INC., N0. 2016-2442 (FED. CIR. December 8, 2017)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea and do not recite an inventive concept:**
    - "There is no uncertainty or difficulty in applying the principles set out in Alice to reach the conclusion that the … claims are ineligible."
    - The claims do not "require us to engage in a difficult line-drawing exercise for a claimed invention resting on, or anywhere near, the margins of patent-eligibility; rather, the patent claims here are directed to a fundamental economic practice [paying for a remote seller's items at a third-party's local establishment], which Alice made clear is, without more, outside the patent system … In addition, here, as in Alice, the patentee is attempting to broadly monopolize an abstract idea as implemented using generic computer technology. IH's asserted claims were plainly invalid in view of Alice and its reasoning."

INVENTOR HOLDINGS LLC. V. BED BATH & BEYOND INC. (CONT'D)

Claim 8: **US. No. 6,381,582**

A method of processing a payment for a purchase of goods, comprising the steps of:

receiving at a point-of-sale system a code relating to a purchase of goods;

determining if said code relates to a local order or to a remote order from a remote seller;

if said code relates to a remote order, then

determining a price for said remote order,

receiving a payment for said remote order, and

transmitting to said remote seller data indicating that said payment has been received for said remote order.

Maier & Maier

FINJAN, INC. V. BLUE COAT SYS. INC., N0. 2016-2520 (FED. CIR. January 10, 2018)

- **Holding:**
  - **Claims valid under § 101**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - Regarding step one: "In cases involving software innovations, this inquiry often turns on whether the claims focus on 'the specific asserted improvement in computer capabilities … or, instead, on a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool."
    - "The question, then, is whether this behavior-based virus scan … constitutes an improvement to computer functionality. We think it does."
    - The Fed Cir stated that behavior-based virus scanning was an improvement over prior art code-based approaches and enabled "a computer security system to do things it could not do before."

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FINJAN, INC. V. BLUE COAT SYS. INC. (CONT'D)

Claim 1: **U.S. No. 6,154,844**

A method comprising:

receiving by an inspector a Downloadable;

generating by the inspector a first Downloadable security profile that identifies suspicious code in the received Downloadable; and

linking by the inspector the first Downloadable security profile to the Downloadable before a web server makes the Downloadable available to web clients.

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CORE WIRELESS LICENSING V. LG ELECS. INC., N0. 2017-1922 (FED. CIR. January 25, 2018)

- **Holding:**
  - **Claims valid under § 101**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - Determined that the claimed invention was an improved user interface, rather than the abstract idea of an index.
    - The claims "are directed to a particular manner of summarizing and presenting information in electronic devices."
    - The claims disclose a specific manner of displaying a limited set of information to the user, rather than using conventional user interface methods to display a generic index on a computer.
    - The Court analyzed the patents' specifications, and observed that they teach of the problems associated with prior art interfaces, especially with respect to displaying information on devices with small screens.

CORE WIRELESS LICENSING V. LG ELECS. INC. (CONT'D)

Claim 1: **U.S. No. 8,434,020**

A computing device comprising a display screen, the computing device being configured to display on the screen a menu listing one or more applications, and additionally being configured to display on the screen an application summary that can be reached directly from the menu, wherein the application summary displays a limited list of data offered within the one or more applications, each of the data in the list being selectable to launch the respective application and enable the selected data to be seen within the respective application, and wherein the application summary is displayed while the one or more applications are in an un-launched state.

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BERKHEIMER V. HP, INC., N0. 2017-1437 (FED. CIR. February 8, 2018)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea:**
    - The Court noted "[t]hat the parser transforms data from source to object code does not demonstrate non-abstractness without evidence that this transformation improves computer functionality in some way." In support, the Court indicated that Berkheimer had admitted that parsers existed well before the priority date of the '713 patent.
    - "Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination. Whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. ***The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.***"

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BERKHEIMER V. HP, INC. (CONT'D)

Claim 1: **U.S. No. 7,447,713**

A method of archiving an item comprising in a computer processing system:

presenting the item to a parser;

parsing the item into a plurality of multi-part object structures wherein portions of the structures have searchable information tags associated therewith;

evaluating the object structures in accordance with object structures previously stored in an archive;

presenting an evaluated object structure for manual reconciliation at least where there is a predetermined variance between the object and at least one of a predetermined standard and a user defined rule.

AATRIX SOFTWARE, INC. V. GREEN SHADES SOFTWARE, INC., N0. 2017-1452 (FED. CIR. February 14, 2018)

- **Holding:**
  - **Remanded to District Court**
- **Rationale:**
  - The Court found that the District Court erred in its determination that Claim 1 is not directed to a tangible embodiment because Aatrix's system claim "requires a computer operating software, a means for viewing and changing data, and a means for viewing forms and reports."
  - The Court also found that the District Court erred in denying Aatrix the opportunity to amend its complaint. The Court viewed the second amended complaint (which included discussions of technical improvements of the claimed invention) as including factual allegations that "if accepted as true, establish that the claimed combination contains inventive components and improves the workings of the computer."

AATRIX SOFTWARE, INC. V. GREEN SHADES SOFTWARE, INC. (CONT'D)

- **Claim 1:** **U.S. No. 7,171,615**

A data processing system for designing, creating, and importing data into, a viewable form viewable by the user of the data processing system, comprising:

(a) a form file that models the physical representation of an original paper form and establishes the calculations and rule conditions required to fill in the viewable form;

(b) a form file creation program that imports a background image from an original form, allows a user to adjust and test-print the background image and compare the alignment of the original form to the background test-print, and creates the form file;

(c) a data file containing data from a user application for populating the viewable form; and

(d) a form viewer program operating on the form file and the data file, to perform calculations, allow the user of the data processing system to review and change the data, and create viewable forms and reports.

AUTOMATED TRACKING SOLUTIONS, LLC V. THE COCA-COLA CO., N0. 2017-1494 (FED. CIR. February 16, 2018)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea:**
    - "The claim does not recite any 'particular configuration' or specialized arrangement of the RFID system components. It does not specify the relative location of the claimed components. It only requires a single antenna, and does not specify a particular configuration for the antenna to achieve the allegedly more systematic determination of the location, identity, and movement of the transponders."
  - **The panel held that the claims do not recite an inventive concept:**
    - "[T]he claims merely disclose collecting data from a particular source—RFID transponders—and analyzing that data. Whether we view the claim elements individually or as an ordered combination, the claims do not contain an inventive concept sufficient to confer patent eligibility."

AUTOMATED TRACKING SOLUTIONS, LLC V. THE COCA-COLA CO., (CONT'D)

Claim 1: **U.S. No. 7,834,766**

A system for locating, identifying and/or tracking of an object, the system comprising:

a first transponder associated with the object;

a reader that is configured to receive first transponder data via a radio frequency (RF) signal from the first transponder;

an antenna in communication with the reader and having a first coverage area;

a processor coupled to the reader, wherein the processor is configured to receive the first transponder data from the reader and to generate detection information based on the received first transponder data, the detection information comprising first sighting and last sighting of the first transponder in the first coverage area; and

a storage device that is configured to store the detection information.

EXERGEN CORP. V. KAZ USA, INC., N0. 2016-2315, 2016-2341 (FED. CIR. March 8, 2018)

- **Holding:**
  - **Claims valid under § 101**
- **Rationale:**
  - **The panel held that the claims were patent eligible:**
    - "The question of whether a claim element is well understood, routine, and conventional to a skilled artisan in the relevant field is a question of fact and deference must be given to the determination made by the fact finder on this issue. ***Something is <u>not</u> well-understood, routine, and conventional merely because it is disclosed in a prior art reference.***"
    - "There are many obscure references that nonetheless qualify as prior art. This type of evidence, for example, ***would <u>not</u> suffice*** to establish that something is 'well-understood, routine, and conventional activity previously engaged in by scientists who work in the field.'"
    - The claims provide a "calculated coefficient for translating measurements taken at the forehead into core body temperature readings" which was not routine, well understood or conventional in the prior art.

EXERGEN CORP. V. KAZ USA, INC., (CONT'D)

Claim 48: **U.S. No. 6,292,685**

A body temperature detector comprising:
a radiation detector; and
electronics that measure radiation from at least three readings per second of the radiation detector as a target skin surface over an artery is viewed, the artery having a relatively constant blood flow, and that process the measured radiation to provide a body temperature approximation, distinct from skin surface temperature, based on detected radiation.

Claim 14: **U.S. No. 7,787,938**

A method of detecting human body temperature comprising making at least three radiation readings per second while moving a radiation detector to scan across a region of skin over an artery to electronically determine a body temperature approximation, distinct from skin surface temperature.

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VANDA PHARMA . V. WEST-WARD PHARMA., N0. 2016-2707, 2016-2708 (FED. CIR. April 13, 2018)

- **Holding:**
  - **Claims invalid under § 101**
- **Rationale:**
  - **The panel held that the claims were not patent eligible:**
    - This case was distinguished from Mayo -- the preamble in Mayo directed the claims toward "a method of optimizing therapeutic efficacy" while the Vanda claims are directed to "a method for treating a patient."
    - The inventors recognized the relationships between iloperidone, CYP2D6 metabolism, and QTc prolongation, but that is not what they claimed. They claimed an application of that relationship.
    - Unlike the claim at issue in Mayo, the claims at issue require a treating doctor to administer iloperidone in the amount of either (1) 12 mg/day or less or (2) between 12 mg/day to 24 mg/day, depending on the result of a genotyping assay.
    - The claims at issue are "a new way of using an existing drug" that is safer for patients because it reduces the risk of QTc prolongation.

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VANDA PHARMA . V. WEST-WARD PHARMA., (CONT'D)

Claim 1: **U.S. No. 8,586,610**

A method for treating a patient with iloperidone, wherein the patient is suffering from schizophrenia, the method comprising the steps of:

determining whether the patient is a CYP2D6 poor metabolizer by:

obtaining or having obtained a biological sample from the patient; and

performing or having performed a genotyping assay on the biological sample to determine if the patient has a CYP2D6 poor metabolizer genotype; and

if the patient has a CYP2D6 poor metabolizer genotype, then internally administering iloperidone to the patient in an amount of 12 mg/day or less, and

if the patient does not have a CYP2D6 poor metabolizer genotype, then internally administering iloperidone to the patient in an amount that is greater than 12 mg/day, up to 24 mg/day,

wherein a risk of QTc prolongation for a patient having a CYP2D6 poor metabolizer genotype is lower following the internal administration of 12 mg/day or less than it would be if the iloperidone were administered in an amount of greater than 12 mg/day, up to 24 mg/day.

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Denied Certiorari on § 101

- In October 2017, the Supreme Court denied Certiorari in three pending patent cases:
  - *Synopsys, Inc. v. Mentor Graphics Corporation*
  - *Arunachalam v. SAP America, Inc.*
  - *Oleksy v. General Electric Co.*

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CONCLUSIONS/SUGGESTIONS

- Claims eligible in Step 2A
- Core Wireless (GUI for mobile devices that displays commonly accessed data on main menu) • DDR Holdings (matching website “look and feel”) see Example 2 • Enfish (self-referential data table)
- Finjan v. Blue Coat Sys. (virus scan that generates a security profile identifying both hostile and potentially hostile operations)

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CLAIMS ELIGIBLE IN STEP 2A

- McRO (rules for lip sync and facial expression animation) •
- Thales Visionix (using sensors to more efficiently track an object on a moving platform) •
- Trading Tech. v. CQG † (GUI that prevents order entry at a changed price) • Visual Memory (enhanced computer memory system)

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CLAIMS ELIGIBLE IN STEP 2B

- Abele (tomographic scanning) •
- Amdocs (field enhancement in distributed network) •
- BASCOM (filtering Internet content) see Example 34

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The USPTO's Post-Alice Treatment of 35 U.S.C. § 101

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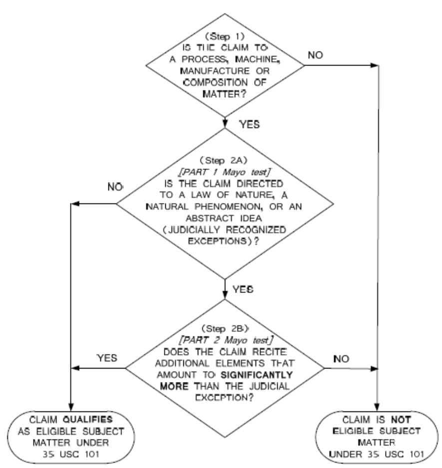
2014 INTERIM GUIDANCE ON PATENT SUBJECT MATTER ELIGIBILITY



SAFE HARBORS

- "Significantly More" Considerations
  - Improvements to another technology or technical field
  - Adding a specific limitation other than what is well-understood, routine and conventional in the field, or adding unconventional steps that confine the claim to a particular useful application
  - Other meaningful limitations beyond generally linking the use of the judicial exception to a particular technological environment

MAY 2016 SUBJECT MATTER ELIGIBILITY UPDATE– 81 FR 27381

- Outlines recent USPTO memorandums and guidance
- Establishes an open-ended comment period on subject matter eligibility
  - "The USPTO is now seeking public comment on subject matter eligibility on an on-going basis."
  - "The comment period is open-ended, and comments will be accepted on an ongoing basis."
  - "The USPTO is particularly interested in public comments addressing the progress the USPTO is making in the quality of correspondence regarding subject matter eligibility rejections."

MAY 4, 2016 MEMORANDUM

- Subject: Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection
  - Formulating a § 101 Rejection
    - When making a rejection, identify and explain the judicial exception recited in the claim (Step 2A)
    - When making a rejection, explain why the additional claim elements do not result in the claim as a whole amounting to significantly more than the judicial exception (Step 2B)
    - Examples should not be relied upon in § 101 rejections

MAY 4, 2016 MEMORANDUM (CONT'D)

- Subject: Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection
  - Evaluating Applicant's Response
    - If the examiner's abstract idea determination is challenged: (1) withdraw rejection or (2) provide comparison to Supreme Court or Federal Circuit case
    - If the examiner's determination that something is well-known is challenged: (1) withdraw rejection or (2) consider whether rebuttal evidence should be provided

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MAY 19, 2016 MEMORANDUM

- Subject: Recent Subject Matter Eligibility Decisions (*Enfish, LLC v. Microsoft Corp.* and *TLI Communications LLC v. A.V. Automotive, LLC*)
  - "[W]hen performing an analysis of whether a claim is directed to an abstract idea (Step 2A), examiners are to continue to determine if the claim recites (i.e., sets forth or describes) a concept that is similar to concepts previously found abstract by the courts."
  - "The fact that a claim is directed to an improvement in computer-related technology can demonstrate that the claim does not recite a concept similar to previously identified abstract ideas."

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JULY 14, 2016 MEMORANDUM

- Subject: Recent Subject Matter Eligibility Rulings (*Rapid Litigation Management v. CellzDirect* and *Sequenom v. Ariosa*)
  - "[T]he USPTO's current subject matter eligibility guidance and training examples are consistent with the Federal Circuit's panel decisions in Rapid Litigation Management and Sequenom."
  - "Life sciences method claims should continue to be treated in accordance with the USPTO's subject matter eligibility guidance (most recently updated in May of 2016)."

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NOVEMBER 2, 2016 MEMORANDUM

- Subject: Recent Subject Matter Eligibility Decisions (*McRO* and *BASCOM*)
  - "An 'improvement in computer-related technology' is not limited to improvements in the operation of a computer or a computer network per se, but may also be claimed as a set of 'rules' (basically mathematical relationships) that improve computer-related technology by allowing computer performance of a function not previously performable by a computer."
  - USPTO acknowledged that the Federal Circuit emphasized the patent's specification, particularly that the Court relied on "the specification's explanation of how the claimed rules enabled the automation of specific animation tasks that previously could not be automated when determining that the claims were directed to improvements in computer animation instead of an abstract idea."

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NOVEMBER 2, 2016 MEMORANDUM (CONT'D)

- Subject: Recent Subject Matter Eligibility Decisions (*McRO* and *BASCOM*)
  - "[T]he claims at issue described a specific way (use of particular rules to set morph weights and transitions through phonemes) to solve the problem of producing accurate and realistic lip synchronization and facial expression in animated characters, rather than merely claiming the idea of a solution or outcome."
  - "If an examiner still determines that the claim is directed to a judicial exception, the examiner should then reconsider in Step 2B of the eligibility analysis whether the additional elements **in combination** (as well as individually) are more than the non-conventional and non-generic arrangement of known, conventional elements."

NOVEMBER 2, 2016 MEMORANDUM (CONT'D]

- USPTO has taken the position that using a computer to perform a task that produces an otherwise-unobtainable result can be eligible if the steps to perform the task are well-specified.
- Non-precedential decisions
  - "[E]xaminers should avoid relying upon or citing non-precedential decisions (e.g., *SmartGene*, *Cyberfone*) unless the facts of the application under examination uniquely match the facts at issue in the non-precedential decision."

APRIL 2, 2018 Memo. Re: Recent Caselaw

- *Finjan, Inc. v. Blue Coat Systems, Inc.*, 879 F.3d 1299 (Fed. Cir. 2018)(virus scanning filtering app. program outside firewall)
- Core Wireless Lic. *SARL v. LG Electronics, Inc.*, 880 F.3d 1356 (Fed. Cir. 2018)(GUI that displays app. summary in unlaunched state)
- Software-related inventions focused on improving computer technology are subject matter eligible

April 19, 2018 Memo. Re: 'Well-Understood, Routine, Conventional'

- Addresses *Berkheimer*, *Aatrix* and *Exergen* decisions impact on MPEP § 2106(d)(I)
- Specification admissions
- Court decisions
- Publication cites
- Official notice
- Evaluating applicant responses

PRACTICE TIPS

- Overcoming a § 101 Rejection at the USPTO
  - Provide specificity to the claims
    - Include claim limitations that establish a basis of patentability that is separate from the abstract idea
    - Describe the key inventive steps/elements with specificity
    - Use the specification and prosecution history to demonstrate how the claimed invention improves upon the prior art

PRACTICE TIPS (CONT'D)

- Overcoming a § 101 Rejection at the USPTO
  - Don't Concede That There's an Abstract Idea
  - Zero in on the Examiner's Evidence, or Lack Thereof
  - Showcase Improvements in Technology
  - Know When to Appeal

PRACTICE TIPS FROM *McRO*

1. Rely on the underlying mathematical nature of the rules to demonstrate non-preemption. It is the incorporation of the claimed rules, not use of the computer that "improved the existing technological process." Preemption should be based on the objective perspective of the POSITA not a lay court or patent examiner.
2. The improvement need not be in the functioning of the computer. Improvements in computer tools that make them easier to use or that save user's effort or time or otherwise improve their performance, are all sufficient "improvements" under Mayo.

PRACTICE TIPS FROM *McRO* (CONT'D)

3. The invention improved the result as experienced by the user. It improved the design framework in the tools used to create the product.

4. McRo pushes back on the mental steps doctrine. The rules applied in the algorithm were different from what animators did manually.

5. Eligibility does not require tangibility. MOT is but a clue to patent eligibility, but is not the only test per Bilski.

PRACTICE TIPS FROM *McRO* (CONT'D)

6. Focus on the claims as a whole with the limitations working and don't dissect the limitations into conventional steps.

7. Distinguish SmartGene v. Advanced Biological Labs by claiming the rules that were not used by conventional users.

PRACTICE TIPS FROM AMDOCS

1. Ensure claims represent an unconventional technical solution narrowly tailored to address a technological problem.
2. Include a complete description of the technical problem and solution in the specification especially if 101 may be of concern.
3. Providing additional structural elements (even if generic) may help in an eligibility determination if the arrangement of the elements represents a unique approach that is beneficial over the art.
4. Reciting "computer code for" doing something specific may help support eligibility.

PRACTICE TIPS FROM AMDOCS (CONT'D)

5. When writing computer program product claims, recite the elements in the body of the claim as computer code-plus-function limitations (*Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F. 3d (Fed. Cir. 2016) rather than recite the elements in the body of the claim as method steps (*CyberSource v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011). By doing so, it requires the decision-maker to interpret the claim limitations by reading in the corresponding structure and function from the specification when determining subject matter eligibility.

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PTAB Final Decisions Data Base

- https://e-foia.uspto.gov/Foia/DispatchBPAIServlet?Objtype=ser&SearchId=&SearchRng=decDt&txtInput_StartDate=&txtInput_EndDate=&docTextSearch=reis&page=60
- Natural language search

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Ex Parte Hafner, Appeal 2015-002200 (January 31, 2017)

Consistent with *DDR Holdings, LLCv. Hotels.com, L.P.,* 773 F.3d 1245 (Fed. Cir. 2014), the Appellants explain how "[t]he improvement over existing solutions in the field of electric vehicle charging is in the form of an energy transaction plan which is explicitly used to control aspects of the electric vehicle charging transaction." (Reply Br. 4); that is,[t]he energy transaction plan is a particular object which did not existpreviously but is created by an implementation of the claimed method. The energy transaction plan is a synthesized object comprising particular elements including an identification of the electric vehicle, an identification of a principle in the set of principles to pay for the charging transaction, an identification of at least one electric power provider associated with the charging transaction, an owner of the charging station, charging transaction time driven event sequences that indicate the electric flow direction relative to the electric vehicle and rate of flow at each of a time mark and that specifies start and end times for the charging transaction. The energy transaction plan is accordingly a "logical controller" used to control each of charging, discharging, and storing operations with the electric vehicle, and includes terms of the charging transaction to account for each of charging, discharging, and storing electric power. The "controller" aspect of the energy transaction plan is accordingly used to maximize, minimize, or optimize each preference in accordance with the weighting value assigned to each preference, to control charging, discharging, and storing electric power. An implementation of the claimed method to produce the energy transaction plan effectively transforms the computer on which the method is implemented and the plan materialized into an electric power charging, discharging, and storing controller.

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Ex Parte Hafner (CONT'D)

The software-related language in the claims, as we have
already pointed out for claim 1, reflects what the Appellants are arguing.
See Trading Technologies International v. *CQG Inc.* (Fed. Cir., 2016-1616,
1/18/2017).
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For some computer-implemented methods, software may
be essential to conduct the contemplated improvements. *[Enfish
LLC* v. *Microsoft Corp.,* 822 F.3d 1327, 1339 (Fed. Cir.
2016)](“Much of the advancement made in computer
technology consists of improvements to software that, by their
very nature, may not be defined by particular physical features
but rather by logical structures and processes.”). Abstraction is
avoided or overcome when a proposed new application or
computer-implemented function is not simply the generalized
use of a computer as a tool to conduct a known or obvious
process, but instead is an improvement to the capability of the
system as a whole.
Id. at 1336.

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EX PARTE FAITH AND HAMMAD, APPEAL 2017-004510 (PTAB September 20, 2017)

- **Holding:**
  - **The Examiner erred with respect to the rejection under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea, but recite significantly more:**
    - “We agree with the Examiner that the claims … are directed to the abstract idea of generating a verification value in response to a transaction, which we find to be an economic practice.”
    - “We find the claimed transaction authentication, while abstract itself, improves the underlying technology involved with fraud-prevention, and therefore adds "significantly more" than merely implementing the abstract idea of generating a verification value.

EX PARTE FAITH AND HAMMAD (CONT'D)

Claim 9: **U.S. App. No. 13/919,900**

A method for conducting a transaction, comprising:

generating, by a portable consumer device, a verification value in response to a transaction involving an access device;

sending, by the portable consumer device, the verification value and a portion of a first dynamic data element to the access device, the portion of the first dynamic data element including data included in a fixed position of the first dynamic data element, the verification value being different from the portion of the first dynamic data element; and

communicating, by the access device, the verification value and the portion of the first dynamic data element to a service provider computer;

wherein the service provider computer determines a plurality of candidate dynamic data elements using the portion of the first dynamic data element in response to determining that the verification value does not match a second verification value independently generated by the service provider computer, determines a plurality of candidate verification values from the plurality of candidate dynamic data elements, and determines whether the verification value matches any of the plurality of candidate verification values;

wherein, each of the plurality of candidate verification values is unique to a corresponding candidate dynamic data element of the plurality of candidate dynamic data elements; and

wherein the transaction is thereafter authenticated when the verification value matches any of the plurality of candidate verification values.

GLOBAL TEL LINK CORP. V. SECURUS TECHNOLOGIES INC., CASES CBM 2017-00043 AND CBM 2017-00044 (PTAB Oct. 2, 2017)

- **Holding:**
  - **Denied Institution of Covered Business Method Patent Review 37 C.F.R. § 42.208**
- **Rationale:**
  - **The panel held that:**
    - (1) the patents are eligible for review under the transitional program for covered business method patents; but (2) there is no showing that it is more likely than not that the claims are directed to patent ineligible subject matter under 35 U.S.C. §101.
    - Each of the patented inventions is "not sufficient to constitute a technological invention exempt from covered business method patent review," in the first part of the analysis, and that each of the patented inventions indeed "recite [a] technological invention," under the second part of the analysis.

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GLOBAL TEL LINK CORP. V. SECURUS TECHNOLOGIES INC. (CONT'D)

- The PTAB agreed with the Patent Owner that the Petitioner "does not explain sufficiently 'how any human could possible implement the claimed systems or perform the claimed method without interacting with numerous discrete features of a computer network and telephone system.'"
- The PTAB also concurred with the Patent Owner's assertion that "the inventive solution used telecommunication means that combined various systems into one computer-based system using VoIP data links, call processing gateways to interface with multiple facilities, and as an external interface with a telephone carrier network to connect calls."
- In view of the above, the PTAB concluded that the Petitioner failed to "demonstrate that it is more likely than not, that the claims 'merely apply a fundamental economic practice or mathematical equation to a general-purpose computer.'"

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EX PARTE KREBS, APPEAL 2017-006095 (PTAB February 15, 2018)

- **Holding:**
  - **The Examiner erred with respect to the rejection under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - "Appellants' claimed invention is a 'specific asserted improvement in computer capabilities' rather than 'a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool.'"
    - "[B]ecause 'the claims are directed to a specific implementation of a solution to a problem in the software arts,' claim 16 is not [directed] toward an abstract idea."

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EX PARTE KREBS (CONT'D)

Claim 16: U.S. App. No. 14/484,603

A method comprising:

selecting, with a computer, a subset of measured data as an approximation in a computer implemented iterative geophysical data inversion, wherein the measured data correspond to active seismic sources;

executing, with the computer, a first cycle of the iterative geophysical data inversion that uses the subset of measured data as the approximation, wherein the first cycle produces an intermediate subsurface model;

varying, with the computer, the subset of measured data that is selected for processing in the iterative geophysical data inversion in at least one subsequent iterative cycle of the iterative geophysical data inversion, wherein the varying reduces an artifact in a subsequent subsurface model produced by the iterative geophysical data inversion relative to the intermediate subsurface model,

wherein the varying reduces the artifact in a final subsurface model, generated from the intermediate subsurface model through the iterative geophysical data inversion, by causing the artifact in updated subsurface models to not coherently add in leading to the final subsurface model as the iterative geophysical data inversion progresses; and

displaying, with the computer, an image of a subsurface region generated with the final subsurface model.

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EX PARTE KOTANKO, APPEAL 2017-006699 (PTAB March 20, 2018)

- **Holding:**
  - **The Examiner erred with respect to the rejection under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter**
- **Rationale:**
  - **The panel held that the claims were not directed to an abstract idea:**
    - The panel indicated that it was "persuaded by Appellants' arguments that the claimed method is not an abstract idea, because the claims 'have the particular practical application of identifying a patient as having an increased risk of death and treating the patient to decrease the risk of death.'"
    - "Although the claim includes steps that can be performed mentally, 'treating the patient . . . to decrease the patient's risk of death' is not a phenomenon of nature, mental process, or abstract intellectual concept. This is a specific type of treatment, as opposed to, for example, treating only to alleviate pain. The claim as a whole is directed to more than just steps capable of being performed mentally."

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EX PARTE KOTANKO (CONT'D)

Claim 1: **U.S App. No. 12/959,017**

A method of identifying and treating a patient undergoing periodic hemodialysis treatments at increased risk for death, comprising:

a) determining at least one clinical or biochemical parameter associated with an increased risk of death of the patient and monitoring said parameter periodically before and/or after the patient is undergoing hemodialysis treatments;

b) determining a significant change in the rate of change of the at least one clinical or biochemical parameter from a retrospective record review of parameter values of the patient determined at prior hemodialysis treatments;

c) identifying the patient as having an increased risk for death because the patient has the significant change in the rate of change of the at least one clinical or biochemical parameter; and

d) treating the patient having an increased risk for death within a sufficient lead time to decrease the patient's risk of death.

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EX PARTE JOHNSON, APPEAL 2016-004623 (PTAB Jan 18, 2018)

- **Holding:**
  - **The Examiner's rejection under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter was affirmed.**
- **Rationale:**
  - **The panel held that the claims were directed to an abstract idea:**
    - "We are aware of no controlling authority that requires the Office to provide factual evidence to support a finding that a claim is directed to an abstract idea."
    - "That the claims relate to managing the cancellation of an Internet-based service merely limits the use of the abstract idea to a particular technological environment, which the Court made clear in Alice is insufficient to transform an otherwise patent-ineligible abstract idea into patent-eligible subject matter."
    - "We find as did the Examiner, that claim 1 is directed to the abstract idea of 'managing customer discounts following the [receipt] of a cancellation request by a customer.' As described above, narrowing that abstract idea to Internet-based services merely limits the use of the abstract idea to a particular technological environment, which is not enough for patent eligibility."

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EX PARTE JOHNSON (CONT'D)

Claim 1: **U.S. App. No. 13/191,583**

A computer system comprising: at least one server computer, wherein the at least one server computer includes at least one program stored thereon, said at least one program being capable of performing the following steps:

displaying a first web page in a web-based interface linked to a web portal in an Internet, to an Internet visitor currently logged into the web portal by a web browser, wherein the displayed first web page comprises: (i) a list of servers providing respectively associated Internet-based services currently available to the Internet visitor from an Internet service provider that provides the servers and the respectively associated Internet-based services to the Internet visitor via the web-based interface and (ii) a clickable cancellation link for each listed server, and wherein the web-based interface is on a computer screen surface;

receiving a first click by the Internet visitor in the first web page, on a first cancellation link for a first server selected from the list of servers on the web-based user interface, wherein the received first click communicates that a first Internet-based service associated with the selected first server is being cancelled by the Internet visitor;

in response to said receiving the first click on the first cancellation link, automatically displaying to the Internet visitor, on the web-based user interface, a second web page that includes a service cancel link and a list of selectable reasons for cancelling the first Internet-based service associated with the selected first server;

EX PARTE JOHNSON (CONT'D)

Claim 1 (CONT'D): **U.S. App. No. 13/191,583**

after said displaying the second web page, receiving a second click on the service cancel link, by the Internet visitor in the second web page, and further receiving one or more reasons for cancelling the first Internet-based service associated with the selected first server, said one or more reasons having been selected by the Internet visitor from the list of selectable reasons on the second web page;

in response to said receiving the second click on the service cancel link: (i) automatically generating a service cancellation request for cancelling the first Internet-based service associated with the selected first server, (ii) automatically creating a cancellation request record in a table of a cancellation request database of the Internet service provider, wherein the cancellation request record comprises a status of the service cancellation request, and (iii) automatically generating a ticket for tracking the service cancellation request;

storing a ticket record in a table of a ticket database of the Internet service provider, wherein the ticket record includes ticket information on content of the ticket and further includes a

status of the ticket, and wherein the cancellation request record includes a foreign key that points to the ticket;

generating a cross reference lookup table that links the ticket to the first Internet-based service associated with the selected first server, wherein a service database of the Internet service provider comprises information specific to the first Internet-based service associated with the selected first server;

EX PARTE JOHNSON (CONT'D)

Claim 1: **U.S. App. No. 13/191,583**

linking the first Internet-based service associated with the selected first server to the cancellation request record;

creating a cancellation request item record in a table of a cancellation request items database of the Internet service provider, wherein the cancellation request item record comprises a status of a billing item associated with the first Internet-based service associated with the selected first server and further comprises a requested cancellation date for cancelling the first Internet-based service associated with the selected first server, and wherein the billing item includes billing information pertaining to the first Internet-based service associated with the selected first server, wherein the cancellation request item record comprises a first foreign key and a second foreign key, wherein the first foreign key points to the cancellation request record, wherein the second foreign key points to the billing item, wherein records in the cancellation request item database are used to link to records in a billing item database of the Internet service provider, and wherein the records in the billing item database comprise a billing item record;

moving the ticket to a service queue;

after said moving the ticket to the service queue, displaying to the Internet visitor, on the web-based user interface, a third web page that presents to the Internet visitor a discount offer of a discount amount for the first Internet-based service associated with the selected first server;

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EX PARTE JOHNSON (CONT'D)

Claim 1: **U.S. App. No. 13/191,583**

after said displaying the third web page, receiving a third click by the Internet visitor in the third web page denoting the Internet visitor's acceptance of the discount offer and in response, displaying in another web-based interface on another computer screen surface, to a customer service representative assigned to the ticket, information pertaining to the discount amount accepted by the Internet visitor;

after said displaying, in the other web-based interface, the information pertaining to the discount amount, receiving an entry, in the other web-based interface from the customer service

representative, data comprising the discount amount and receiving a click by the customer service representative of a checkbox in the other web-based interface which triggers updating the ticket with the discount amount and generating an invoice, reflecting the discount amount, for the Internet-based service; and

after said updating the ticket with the discount amount and said generating the invoice, closing the ticket.

Ex Parte Gershfang, Appeal 2016-006099 (PTAB Mar. 26, 2018)

Claim 1: **U.S. App. No. 12/628,383**

A method for navigating an avatar into a proximity and directionality favorable for viewing advertising content in a Virtual Universe (VU) of a multiplayer online game managed by at least one server, the method comprising:

registering, by the at least one server, a visit by the avatar to a region of the VU that includes a target advertising content;

determining, by the at least one server, a proximity to the target advertising content by the avatar;

determining, by the at least one server, an avatar directionality of the avatar with respect to the target advertising content;

determining, by the at least one server, a time with respect to which the avatar may be exposed to the target advertising content in the region;

assigning, by the at least one server, at least one score to the visit, the proximity, the directionality, and the time;

calculating, by the at least one server, an effectiveness score based on the at least one score;

evaluating, by the at least one server, an effectiveness of the target advertising content by comparing the effectiveness score to a predetermined scale;

automatically constructing, by the at least one server, a barrier blocking the avatar from moving away from the target advertising content based on the evaluating, the barrier comprising a landscape element; and

inducing, by the at least one server, using the barrier, the avatar to navigate in such a way that the proximity and the avatar directionality of the avatar favor viewing of the target advertising content.

EX PARTE BANDIC, Appeal 2016-004417 (PTAB Apr. 30, 2018)

Claim 1: **U.S. App. No. 13/036,783**

A method for characterizing an epidermis of a person, the method comprising:

[a] subjecting a first sublayer of the epidermis of the person to optomagnetic fingerprinting, yielding first wavelength difference-intensity data to characterize the first sublayer;

[b] subjecting a second sublayer of the epidermis of the person to optomagnetic fingerprinting, yielding second wavelength difference-intensity data to characterize the second sublayer;

[c] comparing the first wavelength difference-intensity data to wavelength difference-intensity data of other persons from the first sublayer of the epidermis of the other persons

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EX PARTE REIS Appeal 2017-005279 (PTAB, May 2, 2018)

Claim 1: **U.S. App. No. 13/961,567**

A method of generating and using mapping layers, comprising:

- acquiring, via a synthetic aperture radar (SAR) system, full polarity SAR data over an area containing sea ice, wherein the acquired full polarity SAR data includes X-band data and P-band data;
- storing the acquired full polarity SAR data in a SAR database;
- generating layers via a processor of the SAR system by performing interferometric processing operations on the acquired full polarity SAR data that includes the X-band data and the P-band data;
- registering, by the processor, the generated layers one to another geographically; and
- determining, by the processor, a depth of the sea ice by combining the generated layers.

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Practice Tips for Drafting and Prosecuting Applications to Withstand AIA Challenges

1. Prepare robust specification that that provides clear basis for broadest reasonable interpretation of the claims as well as 112 support for the claims.
2. Consider drafting definitions for terms to address concerns about known prior art.
3. Determine the necessity of each term in the claims.
4. Include a statement of the inventive concept as well as how the claimed invention provides a technical solution to a technical problem, improved the way a computer functions, employs new rules that improve the user experience that were not old and well-know, in the art, demonstrate a new arrangement of old elements, apply improvements from one field of technology to another and employ non-generic computer elements.

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Practice Tips to Withstand AIA Challenges (cont'd)

5. Present a range of claims from the broadest entitled to cover competitor's technology the narrowest willing to accept to avoid the prior art.
6. Focus claims on literal infringement.
7. Use specification to describe how claims will be infringed.
8. Present focused claims to all aspects of the inventions described in the specification that may include system, subsystem, components, methods of making, methods of use, species, means plus function and CRM claims written in means plus function format or that reconfigure computer memory.
9. Examiner restriction requirements help reduce patent owner estoppel when filing divisional applications.

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Practice Tips to Withstand AIA Challenges (cont'd)

10. Define claim terms clearly and judiciously and use them consistently.
11. Create a prosecution history that supports the claim construction you want from the intrinsic record.
12. Submit ample prior art in IDS for patent examiner consideration to reduce reasonable likelihood of petitioner success from using prior art applied in commonly-owned domestic and foreign application prosecution. This helps in both avoiding institutions and enhances petitioner estoppel opportunities especially based on follow-on challenges
13. Use more patent owner friendly opportunities to offer substitute claims during AIA trials if issued patent fails to claims of intermediate or narrow scope. *In re Aqua Products.*

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Practice Tips to Withstand AIA Challenges (cont'd)

14. Consider filing thorough expert declarations under 37 CFR 1.132 to overcome section 103 & 112 rejections commensurate with claim scope in addition to presenting attorney argument. See *Omron Oilfield & Marine, Inc. v. MD/Totco*, IPR2013-00265, Paper 11 (PTAB Oct. 21, 2013)
15. Build up specification and file history.
16. Keep continuing applications pending, but beware of patent owner estoppel. 37 CFR 42.73(d)(3).
17. Use *In re Tanaka* reissue to add dependent claims to prepare patent for IPR attack.

Maier & Maier

For questions or comments

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ASSOCIATION

Partner, Nongfan Zhu

Dr. Nongfan Zhu's practice encompasses all aspects of intellectual property laws with emphasis on IP asset management, dispute resolutions and transactional work.

Since 1993, he has worked in the U.S. and China, serving as in-house counsel, private practitioner, and IP leader in trade associations. He advises many multinational and domestic companies in their IP strategy developments and manages their IP portfolios in China. He provides advisory service in litigations, invalidations, and administrative actions. Dr. Zhu also represents his clients in cross-border technology transfer and license negotiations.

Dr. Zhu has been recognized as leading patent specialists by many legal publications since 2008, including Managing Intellectual Property, Intellectual Asset Management, Chambers Asia Pacific Guide.

Prior to joining King & Wood Mallesons in early 2011, Dr. Zhu was president at a China Science Patent and Trademark Agent Ltd. managing the firm's daily business operations. He previously worked as senior intellectual property counsel for Asia Pacific at General Electric Company in 2000-2005 where he was responsible for IP protection and policies across the region with the main focus on China. Before he joined the company, Dr. Zhu was with the U.S. law firm of Pennie & Edmond, where he developed extensive experience and skills in IP law practice.

He also served as chairman of the American Chamber of Commerce's IP subcommittee in 2002-2005 representing multinational companies' common IP interests.

Dr. Zhu received his J.D. from New York Law School and Ph.D. from Columbia University. He is admitted to the bars of New York State and USPTO.

Selected Topics

1. Utility Model Patents
2. Supplemental Data
3. Functional Limitations
4. Software Infringement Cases
5. Litigation Considerations

2

Brief History of Patent Law

- Patent Law effective in 1985
- First Amendment (1993): China-US bilateral treaties
- Second Amendment(2001): TRIPs and WTO compliance

External driven

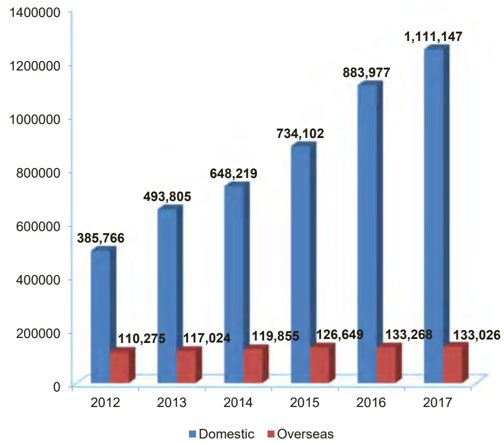
- Third Amendment (2008): National IP strategies
- Fourth Amendment (2018?): Protection of Innovations

Internal needs

China Patent Practice

1. Pro-patent country
2. China has the highest filings in the last several years
3. Establishment of IP Courts
4. BJ IP Court's designation for case law feasibility study
5. Damage awards increased with JI II in April, 2016
6. International NPEs come to China

Invention Patent Filings



R&D Investments (in 2015)
- US ($500B), China ($410B), Japan ($180B)

US Patent Filings in China in 2017: 36980
- **Qualcomm:1255 (No.1)**
- **Intel:928 (No.7)**
- **IBM:918 (No.8)**
- **GM:912 (No.10)**

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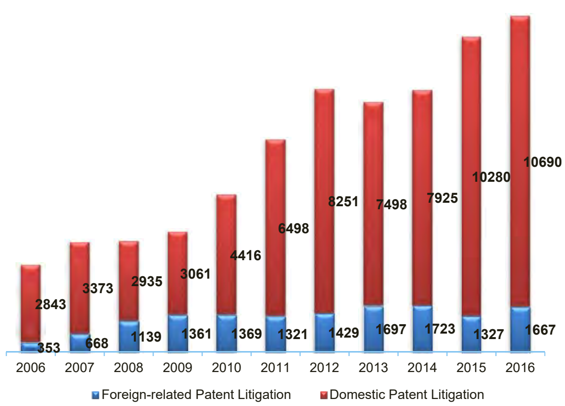
Patent Litigations

1. Huawei v. Samsung
2. Iwncomm v. Sony
3. Sogou v. Baidu
4. Qualcomm v. Apple
5. HVN v. Xiaomi



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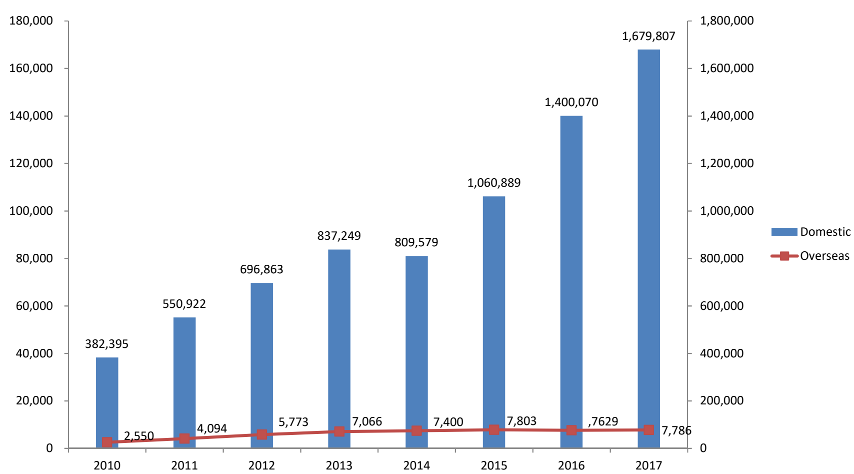
Utility Model Patents

Utility Model Patent Filings



8

Basic Information

- Definition: Any new technical solution relating to the **shape**, **structure**, or their combination, of a product, which is fit for practical use
- A process is not patentable subject matter
- 10 years protection from the filing date
- No substantive examination before grant
- Priority claim available

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Significance and Benefits

- **Perfect for products with a short commercial life or a lesser inventions**
- **Early enforcement is possible due to prompt grant of patent**
- **Same enforcement mechanism**
  - The court may require patent evaluation report to grant a stay of the case
- **Same damage award standard**
  - Example: Chint v. Schneider
- **Relatively lower inventiveness requirement in patent invalidation**
  - Invention: prominent substantive features and remarkable advancements
  - Utility model: substantive features and advancements

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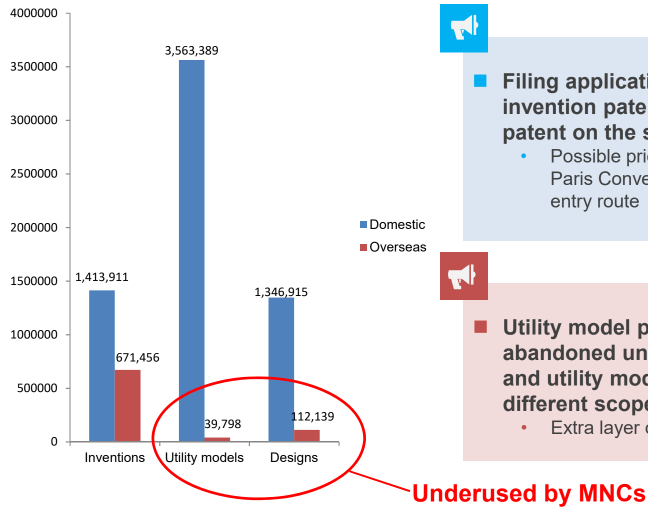
Filing Strategies



- **Filing applications for both invention patent and utility model patent on the same day**
  - Possible priority claim based on the Paris Convention, NOT PCT national entry route

- **Utility model patent should be abandoned unless invention patent and utility model patent have different scopes.**
  - Extra layer of protection

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Supplemental Data

Use of Supplemental Data

- A26.3 sufficient disclosure issue
- A26.4: support issue
- A22.3: inventiveness issue

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Changes to Examination Guidelines

Before Amendments (2017.4.1)	After Amendments (2017.4.1)
Experimental data submitted after the date of filing shall not be taken into consideration.	Post-filing supplemental data should be accepted as evidence. The technical effect to be supported by the supplemental data should be derivable from the disclosure of the specification.

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Exemplary Cases

341
- **PRB Invalidation Decision No.34432 (2017.12)**
  - ✓ The pre-condition to accept the supplemental data is that the technical effect to be supported by the data is derivable in the specification.
- **Fundamental principle: patent right in exchange for a disclosure to public**

351
- **SPC Administrative ruling (2014) ZhiXingZi No. 84**
  - ✓ Given the facts to be proved are not even stated in the original application documents, the applicant did not complete the invention with supplemental data before filing date.

361
- **Beijing High Court Decision No.X1806 (2017) overruling PRB Invalidation Decision No.22284**
  - ✓ Preliminary test data of the claimed compound is disclosed in spec
  - ✓ The authenticity of post-filing data evidence is enhanced by a scientific paper published in a reputable journal

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Recommendations

Convincingly derivable

1. Merely mentioning the technical effects in the spec is not enough
2. Specify the source and formation process of the experimental data (experimental steps, conditions and parameters, etc.)
3. Enhance the authenticity by submitting technical appraisal reports or papers
4. Stricter standards adopted by PRB or courts than by SIPO

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Functional Limitations

Functional Limitations

Conflicting Interpretations:

Patent examination standard: covers **all manners** for implementing the function

- ✓ Support by the specification (a person skilled in the art may know alternatives)
- ✓ Avoid it as much as possible-only when structure is impossible or improper

Patent claim construction standard: covers embodiment(s) described in the specification and their equivalent(s)

- ✓ Exceptions
  - ➢ A feature whose implement manner can be directly, definitely determined by the skilled in the art based on reading the claim only
  - ➢ It already becomes a tech term known in the art

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Nokia v. Shanghai Huaqin

- The term “configured for…” in claim 7 of the asserted patent triggers a presumption that the feature “message editor” defined by such “configured for…” is a functional feature.
- To interpret the functional feature “message editor configured for…,” the Shanghai High Court did not find any corresponding embodiments in the specification.
- The court concluded that it is impossible to find infringement due to the indefinite protection scope.

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Sogou v. Baidu

- Claim 1 defines "the synchronization module for keeping synchronization between the user dictionary and the dictionary data of the corresponding account in the server.
- The Beijing IP Court considers it not a functional feature as its implement manner can be directly and definitely determined by a skilled in the art based on reading the claim only.
- The court also commented that the steps as described in the specification to implement “synchronization module ” should constitute limitations to the claim, and the patentee cannot extend the protection scope of claim 1 to include other manners for implementing synchronization.

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Suggestions

Try to avoid defining a feature with pure functional terms

Example: A terminal device comprising a processor configured for…, a memory configured for…, and a transmitter configured for…

Describe as many as embodiments in the specification

Preferred to have hardware implementations

Emphasize in the specification that the meaning of a feature is known to the skilled art and various implementation manners can easily conceived

Software Infringement Cases

Software Patents

Examination Guidelines, Part II, Chapter 9:

For a computer software invention, if an apparatus claim is drafted to recite means-plus-function limitations that **exactly** correspond to steps as recited in a method claim, these means-plus-function limitations will be construed as **program modules** that must be created for implementing the **steps** in the method. Such an apparatus claim should be understood as an **architecture of program modules** for implementing the solution mainly through the computer program as described in the specification; it should **not** be understood as a **physical** apparatus for implementing the solution mainly in a hardware manner.

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Sogou v. Baidu

"Input Two Languages" patent infringement case:

- Plaintiff establishes **high probability** of infringement
  - by proving the same technical effect
  - through operation phenomenon and function
- Burden of proof **shifts** to defendant because
  - it knows truth of background program and is in control of relevant evidence
- Defendant should provide, but does not provide, evidence to prove it uses a different solution
- Infringement found

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Sogou v. Baidu

"Recover Candidates" patent infringement case:

Defendant offers evidence to prove that its background program uses a different word list

- Does not include a flag bit
- Thus, features 101 and 104 are missing

No infringement

Joint Infringement: Iwncomm v. Sony

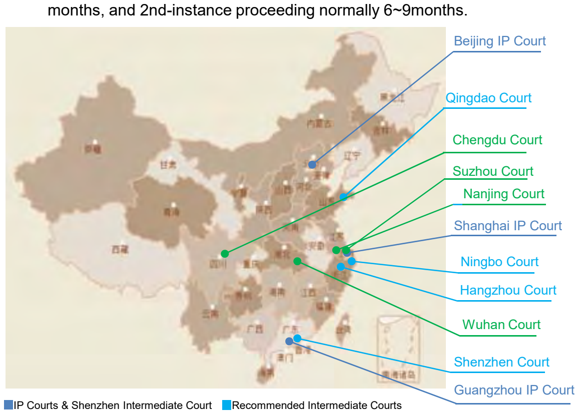
- **The patent claims a method on the interaction among a mobile terminal (MT), an access point (AP) and an authentication server (AS).**
- **Sony manufactures and sells mobile terminals only.**
- **Beijing IP Court held that the end users implements all the steps and Sony should commit contributory infringement.**
- **Beijing High Court reverses the finding because no any single entity had performed all the steps.**
- **Beijing High Court only affirmed the finding of direct infringement at the R&D stage since Sony admitted that it conducted WAPI testing with AS and AP during the R&D process.**

Litigation Considerations

Recommended Courts

Uniform Statutory Periods

- Trial of 1st instance: 6 months (*Art. 56 of Civil Procedure Law*)
- Trial of 2nd instance: 3months (*Art. 176 of Civil Procedure Law*)
- Excluding time for challenges on jurisdiction, judicial appraisal, etc.
- Statutory periods do not apply to the case involving foreign parties, and the 1st-instance proceeding normally 12~18 months, and 2nd-instance proceeding normally 6~9months.



Court Selection

IP Courts

Pros	Cons
Expertized in trials of IP cases Experienced judges	Slow pace due to heavy caseloads (except SIPC)

Recommended Intermediate Courts

Pros	Cons
Quicker procedure due to less cases Fine expertise in trying IP Cases	Not so experienced and knowledgeable as IP Courts

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Burden of Proof

- Who claims, who bears the burden of proof
- Via judicial appraisal
- The burden of proof may be shifted when preliminary evidence filed by the plaintiff shows high likelihood of infringement or the plaintiff has exhausted its efforts to gather evidence and the defendant is in possession of the evidence.
- No discovery, but can apply for evidence preservation

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Remedies

- Three models of monetary compensations
- Statutory compensation
- Shift of the burden of proof in damage calculation
- Permanent injunctions are generally granted by default
- Pre-suit or interlocutory injunction is possible

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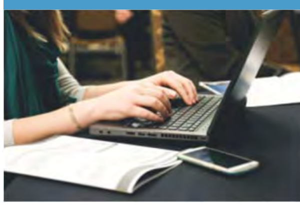
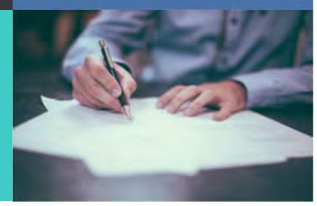
Plaintiff's Early Strikes

Preliminary injunction
- Likelihood to cause irreparable harm
  - Non-economic damages -- damages to reputation, erosion of market share etc.
- Remaining valid until the effective day of the court judgment upon the infringement case

Preservation of assets
- If it appears that a judgment may be impossible or difficult to enforce



Preservation of evidence
- When there is a likelihood that evidence may be destroyed, lost or difficult to obtain later



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Defendant's Options

Declaratory judgment suit for non-infringement
- Before the filing of infringement suit

Patent invalidation action
- At the start of infringement suit
- The Patent Reexamination Board rather than the court decides
- Stay of the infringement suit pending the outcome of the invalidation proceeding

Challenge on court's jurisdiction

Prior art defense
- Where an alleged product or method is the same in substance as that in the prior art

Prior user's right defense

Non-infringement defense

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Evolution of Legal Environment

~1990

- "Bu Zhidao"
- "Mei You"
- "Bu Keyi"
- Everything prohibited unless specifically permitted
- No transparency "neibu" regulations
- Primitive IP laws

~2005

- Reasonable transparency consultation on laws
- Major IP laws at international standard
- Increasing predictability in courts
- Some enforcements

~2020

- IP enforcement at world class levels
- Sophisticated business laws & regulations
- Predictable results from courts
- Enforcement of judgment

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TAB
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Practice Areas

- Advertising, Marketing, & Public Relations
- Branded Entertainment
- Celebrity Branding
- Charitable Organizations
- Entertainment
- Fashion
- Intellectual property

Mr. Murphy counsels some of the world's best known brands, advertising agencies, and entertainment/media companies as they develop and produce advertising and entertainment programs across all media. His practice focuses on copyright, trademark, right of publicity/right of privacy, false advertising, unfair competition, and defamation. Mr. Murphy negotiates and structures celebrity and "influencer" talent agreements, agency-client contracts, sponsorship arrangements, product integration deals, and music, film, and other content licenses. He assists clients in the development and execution of complex contests, sweepstakes, and charitable promotions and programs, including those involving user-generated content that are developed for social media, interactive, and mobile platforms. He also regularly advises clients on issues pertaining to various SAG -AFTRA collective bargaining agreements. In addition, Mr. Murphy regularly advises clients on the development and production of branded entertainment projects such as television shows, films, live events, electronic games, webisodes, and websites.

Mr. Murphy is a frequent and popular speaker on advertising, entertainment, social media, and intellectual property issues. His recent presentations cover a range of topics and include: "*The People are Revolting*: Advertising in the Age of Review Sites," "*Married to the Mob:* Crowdsourced Substantiation of Advertising Claims," "What's the Deal with Native Advertising? (and Why Should You Care?)," "Social Media and Infringement," "*Please Don't Stop the Music!:* Avoiding Infringement Claims When Using Music in Advertising," and "The Glorious SAG-AFTRA Commercials Contract."

Mr. Murphy previously taught courses on entertainment, copyright and intellectual property at Fordham University Law School and New York Law School. He is a member of the Copyright Society of the U.S.A., the Brand Activation Association, and the Association of National Advertisers. Mr. Murphy was named 2018 "Lawyer of the Year" for Advertising law by *Best Lawyers* and is recognized annually for Advertising and Entertainment. He has been named a New York-area "Super Lawyer" for First Amendment, Media, and Advertising law by *Super Lawyers* magazine, and has received praise in *Chambers USA* America's Leading Lawyers for Business, and *The Legal 500*.

Mr. Murphy is a graduate of the University of Pennsylvania (BA, magna cum laude, 1989; Phi Beta Kappa) and New York University School of Law (JD, cum laude, 1992), where he was an editor of the New York University Law Review. Following law school, Mr. Murphy clerked for the Hon. Leonard B. Sand, United States District Judge in the Southern District of New York.

My Fair Lady: What *RuPaul's Drag Rac*e Can Teach Us About Fair Use

Brian G. Murphy

AOAIOIP
September 27-28, 2018

Frankfurt Kurnit Klein + Selz PC

Agenda and Topics

1. Fair Use – Policies and Purposes
2. Fair Use – Application Today
3. Transformative vs Derivative
4. Parting Thoughts

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Part 1

Fair Use:
Policies and Purposes

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Copyright & the Constitution

"Congress shall have the power …

To promote the progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"

(U.S. Const., Art. 1, § 8, Clause 8)

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The Bargain - Fair Use

- An equitable rule of reason
- Critical to further policies behind copyright:
  - Promoting production of creative works (progress of culture)
  - Promoting cultural interchange (how we view and learn from expressive works)
  - Addressing market failures (only a fool would license a critique)
- Balancing:
  - Protecting rights owners (and incentivizing production)
  - Giving new creators "breathing room" to build upon existing works

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Part 2
Fair Use:
Application Today

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Fair Use
(17 U.S.C. § 107)

The *non-exclusive* list of factors include:

1. Purpose and character of use
2. Nature of copyrighted work
3. Amount and substantiality of portion used relative to entire copyrighted work
4. Effect of use upon potential market and value of copyrighted work

Preamble Examples:

- criticism
- comment
- news reporting
- teaching
- scholarship
- research

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The Paradigm for Fair Use: Parody
Campbell v. Acuff-Rose Music, Inc. (U.S. 1994)

Transformative

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"Pretty Woman"
(Orbison/Dees)
Pretty Woman, walking down the street;
Pretty Woman, the kind I like to meet;
Pretty Woman, I don't believe you, you're not the truth!
No one could look as good as you!
Mercy!

"Pretty Woman"
(2 Live Crew)
Big hairy woman, you need to shave that stuff;
Big hairy woman, you know I bet it's tough;
Big hairy woman, all that hair it ain't legit.
'Cause you look like 'Cousin It'!
Big hairy woman …

Nature/Character of Use

1

- For what purpose was the material borrowed?
- Is the use is *transformative*?
  - Does the new work "add[] something new, with a further purpose or different character, altering the first with new expression, meaning or message"?
  - Or does the new work "merely supercede[] the objects" of the original work?
- The more transformative, the less important (perhaps) the other factors (and vice versa)

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Supreme Wisdom

"Although such transformative use *is not absolutely necessary for a finding of fair use*, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works."

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Nature/Character of Use

1

- The borrowing is more justifiable (and likely transformative) where the new work "at least in part," *comments on the substance or style original work*
- Where commentary is lacking, the borrowing may be to "*get attention* or to *avoid the drudgery* in working up something fresh," and the claim to fair use "diminishes" (or vanishes)
- Commentary must "reasonably be perceived"
- Here: commentary on the naïveté of the original ("There is no hint of wine and roses.")

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Derivative Work

(17 U.S.C. § 101)

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, *or any other form in which a work may be recast, **transformed**, or adapted*. A work consisting of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original work of authorship, is a "derivative work".

1

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Nature of the copyrighted work

2

- How close to "core of intended copyright protection" is the work in question?
  - *Expressive works* (novels, films, music)
  - *Factual works* (news reports)
  - *Factual compilations* (phone books)
- Typically, this factor not helpful in separating "the fair use sheep from the infringing goats," since expressive works are typical targets of parody

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Amount and Substantiality Taken

3

- Both a qualitative and quantitative analysis
- Justification for taking particular portions
- Factors 1 & 4 are "brakes" for how much can be taken – especially if you take more than is strictly necessary to invoke original
- Here, the amount of lyrics taken was appropriate since a parodist must take enough to "conjure up" the original (to assure identification) – including "heart" of the original work
- Case remanded for exploration of whether the repetition of bass riff was excessive

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Potential Market Harm

4

- Does the defendant's work serve as a "market substitute" (which fulfills demand) for the *original work* or potentially licensed *derivative works*?
- No presumption of market harm if the intended use is commercial (unless there is "mere duplication for commercial purposes")
- When a work is transformative, market harm is less likely:
  - Displacement (not ok) v. disparagement (ok)

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Potential Market Harm

4

- No derivative market for criticism.
- But here, “Hairy Woman” has both parodic and non-parodic characteristics.
- Remand for determination of whether “Hairy Woman” impacts the derivative market for authorized, non-parody rap songs

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Fair Use

(17 U.S.C. § 107)

The *non-exclusive* list of factors include:

1. Purpose and character of use
2. Nature of copyrighted work
3. Amount and substantiality of portion used relative to entire copyrighted work
4. Effect of use upon potential market and value of copyrighted work

Preamble Examples:

- criticism
- comment
- news reporting
- teaching
- scholarship
- research

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Transformative

A search for parody, commentary

But not everything fits into that category.

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Fair or Unfair?

Dr. Seuss Enterprises. v. Penguin (9th Cir. 1997)

- The copied work "*must* be, at least in part, an object of the parody, otherwise there would be no need to conjure up the original work"
- Defendant argues that its book … "pure shtick"
  - Comments "on the mix of frivolousness and moral gravity that characterized the culture's reaction to the events surrounding the Brown/Goldman murders"
  - Is a parody of "the mix of whimsy and moral dilemma" of *The Cat in the Hat* and its failure to "conceive the possibility of a real trickster 'cat' who creates mayhem …. and then magically cleans it up at the end, leaving a moral dilemma in his wake."

Fair or Unfair?

Lombardo v. Dr. Seuss Enterprises (2nd Cir. 2018)

- The play "is a parody, imitating the style of the Grinch for comedic effect and to mock the naive, happy world of the Whos."
- "While the Play does use the Grinch's characters, setting, plot, and style, it is in service of the parody. The Play does not copy verbatim or quote from the original book, and while it does recount the plot, it does so to invoke the original."
- Not likely to harm market for original or derivative

Fair or Unfair?

Cariou v. Prince (2nd Cir. 2013)

- "Prince's work could be transformative even without commenting on Cariou's work or on culture, and even without Prince's stated intention to do so."
- 25 of Prince's images, "have a different character, give Cariou's photographs a new expression, and employ new aesthetics with creative and communicative results distinct from Cariou's."

Fair or Unfair?

Graham v. Prince (SDNY 2017) (Pending)

- Prince claims photo used as "raw material" to convey:
  - "Commentary on the power of social media to broadly disseminate others' work"
  - An endorsement of social media's ability to generate discussion of art
  - A "condemnation of the vanity of social media."
- C0urt (on motion to dismiss):
  - Because Prince "does not make any substantial aesthetic alterations," it can't rule as a matter of law that work is transformative
  - Other factors not likely to favor Prince unless work is ultimately transformative (i.e., "commerciality sub-factor," amount used, and effect on market")

Fair or Unfair?

Kienitz v. Sconnie Nation (7th Cir. 2014)

- "We're skeptical of *Cariou*'s approach, because asking exclusively whether something is "transformative" … could override [protection for] derivative works."
- On Factor #1, defendant "chose the design as a form of political commentary."
- But … defendant "*did not need to use the [plaintiff's] copyrighted work* … the fair use privilege under §107 is *not designed to protect lazy appropriators*"

Tension

Transformative
Fair Use
[§ 107]

Exclusive Rights to
Derivative Works
[§ 106(2)]

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Part 3

Fair Use:

Transformative vs. Derivative

(Miss Vangie! Miss Vangie!)

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Fair Use
(17 U.S.C. § 107)

1

2

3

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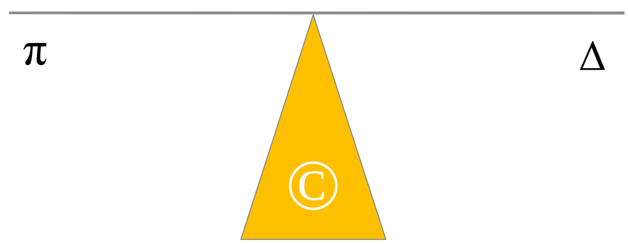

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Part 4

Fair Use:
Parting Thoughts – The Big Picture

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Fair Use reflects policy-oriented line drawing with the goal of maximizing creative production for the benefit of all.

They are not written in stone.

1. We communicate in "new" ways in 2018.

   - Fast (Immediate)
   - Short (Less is more)
   - Cumulative and collaborative (an Exchange)
   - Visual
   - Technology facilitates

2. Rules have consequences.

The Andy Warhol "Rule":

Whatever rule you adopt must accommodate Warhol's work as a fair use.

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3. The world won't end.

The world just *might* be a better place if we leave more "breathing room" for future creators.

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Simon Frankel is an experienced litigator who focuses his practice on copyright and trademark disputes, with an emphasis on the technology and consumer products sectors. He is chair of Covington's Intellectual Property Rights practice group and a member of the firm's Management Committee.

Mr. Frankel has also led defense of numerous consumer class actions, including unfair competition and false advertising claims under California Business and Professions Code Section 17200, and Internet privacy claims under the Electronic Communications Privacy Act and Computer Fraud and Abuse Act. He has served as lead counsel to numerous Internet service providers in putative class actions asserting privacy claims where we obtained dismissals at the pleading stage.

In addition to his litigation practice, Mr. Frankel assists clients on a range of digital issues, anti-counterfeiting efforts, and policy work before the U.S. Copyright Office.

He is also a recognized authority in the field of art law, where he has handled disputes involving cultural property claims, title issues, moral rights claims, and resale royalties and also advised on a range of fine art transactions. He teaches a class on Art and the Law at Stanford Law School.

Memberships and Affiliations

- Stanford Law School, Lecturer-in-Law (teaching Art and the Law) (2012-present)
- Berkeley Law School, Lecturer-in-Law (teaching Privacy Litigation (2017)
- San Francisco Arts Commission, Commissioner (2013-present)
- California State Bar Commission on Judicial Nominee Evaluation, Commissioner (2012-2015)
- Legal Aid Society-Employment Law Center, Board of

Practices

Litigation and Investigations

- Copyright and Trademark Litigation
- Class Actions
- Commercial Litigation

Regulatory and Public Policy

- Data Privacy and Cybersecurity
  - Privacy and Data Security Litigation
- Communications and Media
- Copyright and Trademark Counseling and Prosecution

Industries

- Consumer Brands
- Electronics and IT
- Media, Internet, and Technology

Education

- Yale Law School, J.D., 1991
  - *Yale Law Journal*, Book Review Editor
  - Coker Fellow, Constitutional Law
- Cambridge University, M.Phil., 1988
  - History and Philosophy of Science, National Science Foundation Fellowship
- Harvard University, B.A., 1986
  - *summa cum laude*

Judicial Clerkship

- Hon. Pierre N. Leval, U.S. District Court, Southern District of New York, 1992 - 1993

Directors (2008-2015)

- American Law Institute (Member 2007-present); Advisory Group for Restatement of the Law of Copyright (2015-present)
- Copyright Society of USA, Member (Trustee, 2012-2015; Chair, Northern California Chapter, 2009-2012)
- American Bar Association

- Hon. Stephen G. Breyer, U.S. Court of Appeals, First Circuit, 1991 - 1992

Bar Admissions

- California

The World of Color Trademarks: Lessons from *Deere v. FIMCO*

Simon J. Frankel

September 2018

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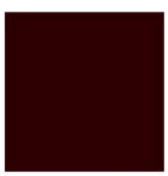
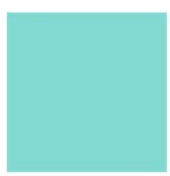
Color Trademarks



Color trademarks: Recognition

- *In re Owen-Corning Fiberglas* Corp. (Fed Cir. 1985)
- *Qualitex Co. v. Jacobson Prods. Co.* (1995)
- *Maker's Mark Distillery, Inc. v. Diageo North America, Inc.* (6th Cir. 2012)

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Deere v. FIMCO (W.D. Ky.)

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Aesthetic functionality

- General rule that trademarks cannot be functional, including aesthetically functional
  - Functional screw pattern, even if widely recognizable
  - Bright orange traffic cone
- But functional based on “matching”?

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Aesthetic functionality and "matching"

- Courts generally rejected this kind of matching theory of aesthetic functionality
  - *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc* (9th Cir. 2006): matching key chains for cars not aesthetically functional
- *But*, one case had accepted this theory
  - *Deere & Co. v. Farmhand, Inc.* (S.D. Iowa 1982): green color on Deere towed equipment functional because "farmer prefer to match their loaders to their tractor" and protection "would hinder Farmhand in competition"

Aesthetic functionality and "matching"

- But since *Farmhand*, the Supreme Court has clarified critical issues concerning aesthetic functionality, setting out a two piece standard:
  - *Qualitex* (1995): Is the mark "essential to the use or purpose of the article [or] affects [its] cost or quality"?
  - *TrafFix Devices, Inc. v. Mktg Displays,* Inc. (2001): Even if feature not essential, would protection as a trademark "impose a significant non-reputation-related competitive disadvantage"?

Aesthetic functionality and green and yellow

- Green and yellow not essential to cost or quality
- Disadvantage? Factual dispute as to whether or not most farmers sought to match or cared
- But FIMCO's witnesses testified in deposition that farmers at least identified the green and yellow colors *on their tractors* with Deere
  - And that farmers who did seek to match did so to match colors they identified *with Deere*
- So held at summary judgment: any disadvantage FIMCO might suffer from not being able to use green and yellow not "non-reputation related"

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Trademark dilution

- Dilution by blurring: similar mark causing association "that impairs the distinctiveness of the famous mark" (15 U.S.C. § 1125(c))
  - Even without any likelihood of confusion
- Under Lanham Act, dilution requires that mark be *famous*
  - Not niche fame, but among general public
- Famous *before* defendant commenced use
  - In most cases, this is not really in dispute

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When did the Deere Colors become famous?

- Here, FIMCO claimed to have used green and yellow on ag equipment since at least early 1960s, through predecessor company
- So how do you prove fame historically, back in time?
- We had strong survey evidence (but recent)
  - Net 74% of general public identified green and yellow tractor as made by Deere
- But needed historical evidence
  - Deere's sales of green and yellow equipment from early 1900s
  - Deere's advertising expenditures from early 1900s

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When did the Deere Colors become famous?

- Newspaper articles from the 1930s on (and magazine articles from 1960s on) reflect public recognition of the Deere Colors
  - Dozens of newspaper articles referred to the "familiar green and yellow colors" of Deere equipment
  - A 1950 novel, *The Reluctant Farmer*, referred to "the usual bright John Deere green and yellow"
  - Deere hosted "Days of Green and Yellow" in dozens of towns over many years in 1940s and 1950s

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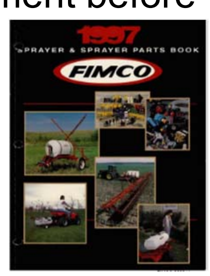
Court found Deere Colors famous from 1960s

- Court unconvinced by newspapers (or memoir), as those were "regional publications" (even though they were from many regions
- Found stories in *Forbes*, *Fortune*, and *Businessweek* from mid-1960s that referenced green and yellow to be dispositive of "actual recognition" of Deere Colors
- FIMCO was unable to establish it had used green and yellow earlier than 1998

FIMCO's historical use of green and yellow

- FIMCO showed JDD had used green and yellow in early 1960s
- But did not show it carried on business of JDD after 1966, when FIMCO founded
- No evidence, other than owner's testimony, of green and yellow equipment before 1998



Dilution factors

- Court found likelihood of dilution on statutory factors
  - Very similar marks
  - Deere's mark strong
  - Deere making "substantially exclusive use," at least with respect to tractors
  - FIMCO intended to create an association
- Actual association shown by survey
  - Net 38% and 43% in two surveys saying FIMCO equipment brought Deere to mind, nearly all saying association *because of color*
  - And, testimony re "matching" was evidence of association

Trademark infringement claim

- Infringement surveys found net 22% and 39% of respondents thought FIMCO's equipment made by Deere
- Court found relatedness of goods, similarity of mark, actual confusion, marketing channels, all favored Deere
  - Even though degree of customer care favored FIMCO



Scope of injunction?

- Deere prevailed on showing entitlement to injunction under equitable factors—what scope?
- Infringement: supports injunctive relief against use of any *confusingly similar* marks, but only on related goods
- Dilution supports injunctive relief against use of very similar mark (as requires fame), but on broader range of goods
  - So bars use of same green and yellow even on different goods
- Even though Deere's registrations were for yellow wheels and green bodies, the injunction covered agricultural equipment without wheels so long as used confusingly similar green and yellow colors

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Other recent color trademark decisions

- Color trademarks still unusual
- Courts in U.S. and EU continue to grapple with when particular color marks are protectable
- Several recent cases reflect how courts are addressing

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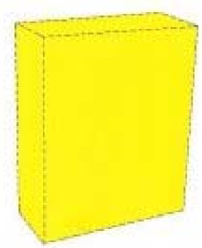
In Re General Mills IP Holdings II, LLC (TTAB 2017)

- General Mills has sold Cheerios cereal in a yellow box for 75 years
- "The mark consists of the color yellow appearing as the predominant uniform background color on product packaging for the goods. The dotted outline of the packaging shows the position of the mark and is not claimed as part of the mark."



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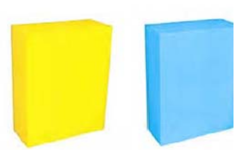
In Re General Mills IP Holdings II, LLC (TTAB 2017)



- Survey showed respondents images of blank yellow and blue boxes, asked them to identify source of yellow box
  - 52% associated yellow box with Cheerios; most respondents said they associated it with Cheerios *because of its color*
- But TTAB focused on third party uses and found not "substantially exclusive" use, so insufficient acquired distinctiveness

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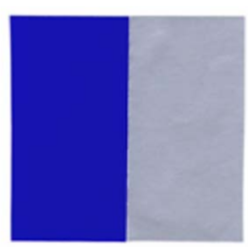
Moldex-Metric v. McKeon Products (9th Cir. 2018)

- Moldex (top) sued McKeon (bottom) for TM infringement for green color of ear plugs
- Trial court found color functional—”the reason the device works”
- Ninth Circuit: Trial court should have considered availability of alternative colors to serve same function
- Remanded for factual determination re functionality
- So *TrafFix* standard may apply a little more loosely as to colors

Color trademarks in Europe

- *Redbull v. EUIPO* (2018): Invalidated brand’s blue and silver color combination registrations for overly-broad representations and descriptions
  - Registrations simply for blue and silver, approx. 50%/50%
- Court required some kind of “systematic special arrangement of the colors”



Color trademarks in Europe

- *Louboutin v. Van Haren* (2018)
  - EU rules precludes protection of marks "consisting solely of a shape which results from the nature of the goods"
  - So what of color on shape of sole?
  - CJEU rules red soles are *not* covered by the purely functional "shape" bar to trademarks in EU, so potentially registrable

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Thank you! Questions?

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W. LaNelle Owens

W. LaNelle Owens is Senior Associate Counsel for Walmart Inc., where she is responsible for managing the global patent and trademark portfolios for Sam's Club, and handles a variety of trademark issues arising in the U.S. and Europe for Walmart U.S. and Walmart International.

Prior to joining Walmart, LaNelle was Intellectual Property Counsel for John Deere. She handled the company's global trademark portfolio in the U.S., Canada, China, India, Europe and Latin America. In 2009, LaNelle served as Senior Attorney at the National Renewable Energy Laboratory (NREL) and managed the laboratory's domestic and foreign patents, copyrights and trademarks, as well as the laboratory's intellectual property transactional activities in the U.S. and abroad.

LaNelle earned her J.D. from the Howard University School of Law, Master of Mass Communication from the University of South Carolina and her B.S. in Chemistry from the University of Illinois. She is also a registered patent attorney.

Managing Global Trademark Portfolios

In-House Perspective

September 26-27, 2018
28th All Ohio Annual Institute on Intellectual Property

Presenter- W. LaNelle Owens, Senior Associate Counsel
Walmart, Inc.

As Senior Associate Counsel for Walmart Inc., LaNelle is responsible for managing the global patent and trademark portfolios for Sam's Club, and handles a variety of trademark issues arising in the U.S. and Europe for Walmart U.S. and Walmart International.

Prior to joining Walmart, LaNelle was Intellectual Property Counsel for John Deere. She handled the company's global trademark portfolio in the U.S., Canada, China, India, Europe and Latin America. In 2009, LaNelle served as Senior Attorney at the National Renewable Energy Laboratory (NREL) and managed the laboratory's domestic and foreign patents, copyrights and trademarks, as well as the laboratory's intellectual property transactional activities in the U.S. and abroad.

LaNelle earned her J.D. from the Howard University School of Law, Master of Mass Communication from the University of South Carolina and her B.S. in Chemistry from the University of Illinois. She is also a registered patent attorney.

2

Disclaimer

- *The views and opinions expressed in this presentation are those of the presenter and do not represent official policy, position or views of Walmart Inc.*

Topic Overview

- Global Trademark Portfolio Management Strategies
  - ➢Searching and Clearance
  - ➢Prosecution and Registration
  - ➢Maintenance and Enforcement
- Periodic Assessment of a Global Portfolio
- Business Roadblocks

Audience Poll

In what capacity do you practice trademark law?

- Vote: www.menti.com
- Code: 734884

Portfolio Strategy Alignment

- The management of the portfolio should make sense!
- Alignment is key!
  - Corporate Mission
  - Industry Trends
  - Intellectual Property initiatives

- Clearance-Prosecution-Enforcement = Must be integrated with business
  - Watch notices
  - Clearance guidelines
  - Filing protocol
  - Enforcement activities

Searching and Clearance Strategies

Searching and Clearance Strategies

- Important to communicate to clients that a clearance search addresses two issues:
  - ➢ Availability
  - ➢ Registration
- Additional global considerations
  - ➢ Important to include local counsel assessment
    - ✓ Translations
    - ✓ Transliterations
- Business considerations
  - ➢ The manner in which you communicate risk is important!

Searching and Clearance Strategies

- Managing client expectations
  - Limiting number of choices
  - Train on knock-out searching
  - Explain lead time considerations

- Be in a position of influence
  - Integrate clearance protocol within business decision making process

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Developing a Global Prosecution Strategy: The 5 W Questions

Developing a Global Prosecution Strategy: The 5 W Questions

- Who
- What
- Where
- When
- Why

- Answering these questions helps to provide the road map on **<u>how</u>** you will implement your global prosecution strategy!!

Who

- It is critical to understand the IP ownership culture of the organization
  - ➢Corporate structure
    - Corporation
    - IP Holding company
    - Local corporate entity

- Understand business implications outside of IP
  - ➢Tax implications
  - ➢"Legacy" business arrangements

What

- What is filed is critical and should be aligned with overarching strategy
  - Word mark
  - Design
  - Word & Design
  - Claiming color?
  - Translation
  - Transliteration

- Other considerations
  - Domestic use?
  - International use only?

Where

- There are various business factors that will influence the portfolio jurisdiction selection process

- Factors to consider
  - Business presence: current and future
  - Counterfeit attacks
  - Manufacturing locations
  - Distribution centers
  - Competitive considerations
  - E-Commerce considerations

When

- Develop guidelines regarding the "timing of filing"
- Take advantage of filing priorities?
  - ➢ New product launch
  - ➢ House brand expansion
  - ➢ Change in legal landscape
    - ✓ Cuba
    - ✓ Canada
- Global considerations
  - ➢ Use requirements
  - ➢ Registration Regimes
  - ➢ Translation/Transliteration
  - ➢ Counterfeit Concerns

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Why

- Should be aligned with overall strategy
  - ➢ Product/Service launch
  - ➢ Defensive/countermeasure effort
  - ➢ Gap in coverage
- Renewals/Maintenance
  - ➢ In use
  - ➢ Counterfeiters
  - ➢ Allow to lapse?
  - ➢ Gaps in coverage?

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How to do the Who, What, Where, When, and Why??

- Incorporate various filing regimes when necessary
  - ➢National filings

  - ➢Registration systems
    - Madrid Protocol
    - EUTM
    - OAPI
    - ARIPO
    - Andean Pact

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Enforcement Strategies

Enforcement

- Develop a comprehensive strategy that allows for flexibility AND aligns with department budget!!
- Establish clear guidelines that align with overall strategy
- Integrate business and key contacts within the business
- Leverage government agencies and officials
  - ➢Customs
  - ➢Law Enforcement

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Enforcement: Defensive Strategies

- Registration strategies guide enforcement
  - ➢Especially for important marks and strategic business markets
- Trademark marking is important- understand local market law
- Maintain use for key marks and address non-use as soon as possible
- Address renewal deadlines early
- Monitor use
  - ➢Watch notices
  - ➢Social Media/Online presence
  - ➢Advertising

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Enforcement: Offensive Strategies

- Address prosecution roadblocks often and maintain consistency
- Co-existence agreements
  - Understand the terms
  - Be consistent (with flexibility) on what you are willing to give up
- Know who your offenders are and where they are
- Avoid selective enforcement
- Utilize watch notice service
- Review your company's app and the app marketplace

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Developing a Global Portfolio Audit Process

Periodic Assessment of Global Portfolio

- Audit the portfolio to evaluate strengths and missed opportunities
  - ➢ Tier Approach
    - Tier 1
    - Tier 2
    - Tier 3
    - Tier 4
  - ➢ Jurisdiction categories
    - Current and planned market presence
    - Manufacturing location
    - Counterfeit
    - E-commerce impact

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Business Roadblocks

Business Roadblocks

- Structure of IP Department/ Legal Organization
- Business Reporting Structure (US or global focused)
- Tax Implications
- M&A, divestitures
- Marketing: Friend or Foe?

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Questions?

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Professor Paul Fiorelli is the current Director of the Cintas Institute for Business Ethics at Xavier University. He was also selected to become part of an Ad Hoc Advisory Group to the United States Sentencing Commission, which reviewed Chapter 8 of the Federal Sentencing Guidelines regarding organizations. The Ad Hoc Advisory Group reported its recommendations to the United States Sentencing Commission on October 7, 2003. After minor revisions, these recommendations were sent to Congress on May 1, 2004 and became law on November 1, 2004.

Each year the Supreme Court, through the Supreme Court Fellows Commission, selects four individuals to work in different branches of the judiciary. Paul Fiorelli was selected as one of the 1998-1999 Supreme Court Fellows to work at the United States Sentencing Commission. During his fellowship year he researched and lectured on compliance and ethics issues, employee confidentiality questions, and how internal auditors can play a major role in compliance programs. He also received the “Thomas Clark Fellow Award” from Chief Justice William Rehnquist, and the 2007 International Compliance Award from the Society of Corporate Compliance and Ethics. In May of 2000 he was selected as a Senior Fellow for the Ethics Resource Center’s Fellow’s Program.

Professor Fiorelli received both his law and M.B.A. degrees in 1981, has taught at Xavier University since 1983 and has been a tenured, Full Professor since 1994. He has received the following teaching awards: (1) the Dean’s Award for Teaching Excellence in 2003, 2005 and 2006, (2) Teacher of the Year for the entire Williams College of Business in 1995 and 1997, (3) the Teacher of the Year for Executive MBA's in 1992, 1997 and 1999, and (4) the Lamp of Knowledge Teaching Award for the General Electric MBA program in 2002.

Professor Fiorelli has researched, lectured, and written extensively on the Federal Sentencing Guidelines and has completed a research grant regarding the Guidelines, funded by the Institute of Internal Auditors - Research Foundation. The outcome of the research has been published as a book entitled, “The Federal Sentencing Guidelines: Guidelines for Internal Auditors”. Professor Fiorelli has also authored or co-authored, numerous articles published in legal and business journals including: The Wake Forest Law Review, Michigan State Law Review, Journal of Corporation Law, Albany Law Review, Boston College Environmental Affairs Law Review, Internal Auditor and Business Horizons. These articles have been cited in law journals from Harvard, University of Chicago, Stanford, and Columbia.

Professor Fiorelli actively consults in the area of business ethics and has provided workshops and presentations to groups and companies, including: AK Steel, AIG, ALICO, Association of College and University Auditors, Bell-Textron Helicopter, BP, Cinergy, the Conference Board, the Defense Industry Initiative, Eli Lilly & Co., Ethics and Compliance Officer Association, Ethics Resource Center, Fifth Third Bank, Fort Washington Investment Advisors, General Dynamics, Great American Insurance Company, Harris Corporation, Honda of America, L’Oreal, Marathon Petroleum, Mead-Westvaco, Microsoft, Northrop Grumman, the Ohio Society of CPAs, Sears, Society of Corporate Compliance and Ethics, Toyota, the Practicing Law Institute, US Oncology, Wal-Mart, and Western-Southern Life Insurance.

WHY GOOD PEOPLE DO BAD THINGS?

The 28th All Ohio Annual Institute On Intellectual Property

AOAIOIP

PAUL FIORELLI, J.D., M.B.A., CCEP
PROFESSOR OF LEGAL STUDIES
XAVIER UNIVERSITY

QUESTIONS WE ASK WHEN SOMETHING GOES WRONG

- WHO DID THIS?
- WHAT WERE YOU THINKING?
- WHERE WILL THIS LEAD US?
- WHEN WILL IT EVER STOP?
- WHY DIDN'T I FIND OUT SOONER?

BETTER QUESTIONS

- WHO 'S IN TROUBLE?
- WHAT CAN I DO TO HELP?
- WHERE DO YOU NEED ME?
- WHEN WILL WE HAVE THE TOOLS TO WIN WHILE FOLLOWING THE RULES
- WHY DIDN'T YOU TRUST ME?

BREAKING THE RULES

- STRICT CONSTRUCTIONIST
- ALTRUISTS
- PRISONER OF CIRCUMSTANCES
- SLIPPERY SLOPE
- PRESSURE/INCENTIVES
- GROUPTHINK/AUTHORITY
- RATIONALIZERS
- GREED

Definition of *strict construction* in English:

STRICT CONSTRUCTIONIST

Syllabification: strict con·struc·tion

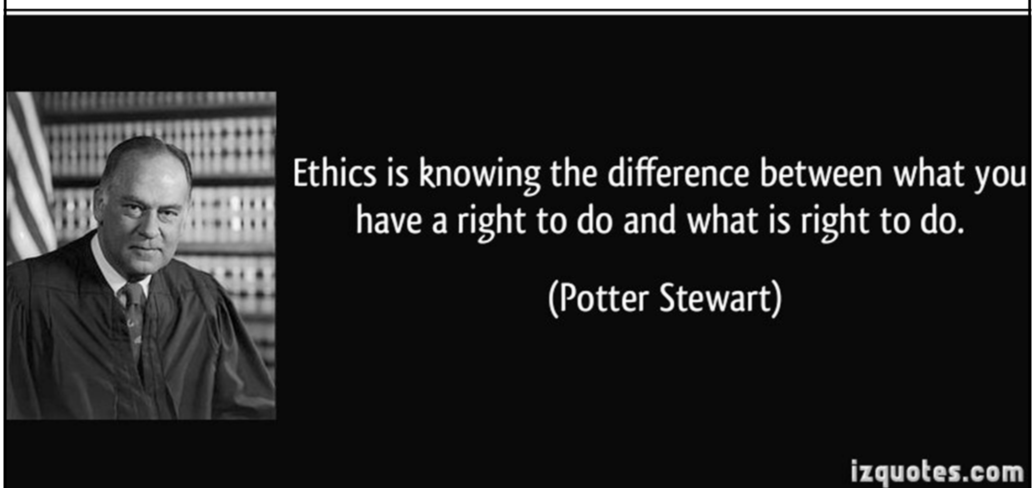
NOUN *Law*

a literal interpretation of a statute or document by a court.

STRICT CONSTRUCTIONIST

- JUST SKIMMING THE SURFACE OF LEGAL COMPLIANCE DOESN'T LEAVE ROOM FOR ERROR
  - IF LAWS ARE WHAT WE MUST DO, THEN ETHICS ARE WHAT WE OUGHT TO DO

STRICT CONSTRUCTIONIST



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Definition of *altruism* in English:

ALTRUISTS

Syllabification: al·tru·ism

Pronunciation: /ˈaltro͞oˌizəm /

NOUN

the belief in or practice of disinterested and selfless concern for the well-being of others:

'some may choose to work with vulnerable elderly people out of altruism'

MORE EXAMPLE SENTENCES

1.1 *Zoology* behavior of an animal that benefits another at its own expense.

MORE EXAMPLE SENTENCES

Derivatives

altruist

NOUN

ALTRUISTS

- HOW DO WE TREAT EMPLOYEES THAT ACT IMPROPERLY, BUT IT APPEARS TO BENEFIT THE COMPANY?
  - GOOD SOLDIER
  - STEALS FOR THE ORGANIZATION - NOT FROM IT
- LOYALTY
  - MISGUIDED

ALTRUISTS

- DO NOT WINK AT VIOLATIONS
- EXPLAIN THE IMPORTANCE OF ETHICS AND COMPLIANCE
  - EVEN WHEN THE COMPANY APPEARS TO BENEFIT FROM A BREACH
    - OUR ACTIONS HAVE CONSEQUENCES

BREAKING THE RULES

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Definition of *prisoner* in English:

PRISONER OF CIRCUMSTANCES

Syllabification: pris·on·er

Pronunciation: /ˈpriz(ə)nər /

NOUN

1 a person legally held in prison as a punishment for crimes they have committed or while awaiting trial.

MORE EXAMPLE SENTENCES

SYNONYMS

1.1 a person captured and kept confined by an enemy, opponent, or criminal:
*'the heroine was being **held prisoner** in a cave'*
*'200 rebels were **taken prisoner**'*

MORE EXAMPLE SENTENCES

SYNONYMS

1.2 a person who is or feels confined or trapped by a situation or set of circumstances:
'he's become a prisoner of the publicity he's generated'

PRISONER OF CIRCUMSTANCES

MINDING MY BUSINESS

- FORCED TO DEAL WITH PROBLEMS CAUSES BY OTHERS
- IT HAPPENED UNDER MY WATCH

PRISONER OF CIRCUMSTANCES

YOUR PROBLEM IS MY BUSINESS

- HUMAN NATURE
  - NO ONE WILL NOTICE
    - MAYBE I CAN HIDE IT
  - PROBLEM WILL GO AWAY
  - I'LL GO AWAY

PRISONER OF CIRCUMSTANCES

- ENCOURAGE OPEN COMMUNICATION & TRANSPARENCY

- DEAL WITH PROBLEMS - DON'T WISH THEM AWAY

https://www.youtube.com/watch?v=LnaEUCSFk38

BREAKING THE RULES

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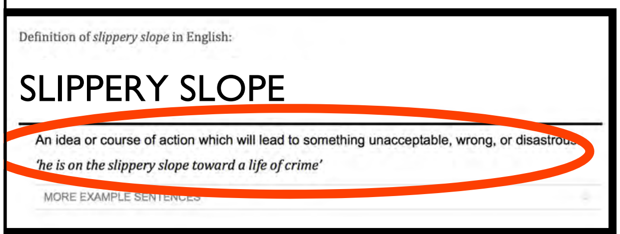

Definition of *slippery slope* in English:

SLIPPERY SLOPE

An idea or course of action which will lead to something unacceptable, wrong, or disastrou

'he is on the slippery slope toward a life of crime'

MORE EXAMPLE SENTENCES

BREAKING THE RULES

- STRICT CONSTRUCTIONIST
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Definition of *pressure* in English:

PRESSURE/INCENTIVES

Syllabification: pres·sure

Pronunciation: /ˈpreSHər/

NOUN

1 the continuous physical force exerted on or against an object by something in contact with it:

'the slight extra pressure he applied to her hand'

MORE EXAMPLE SENTENCES

1.1 the force exerted per unit area:

'gas can be fed to the turbines at a pressure of around 250 psi'

MORE EXAMPLE SENTENCES

SYNONYMS

the use of persuasion, influence, or intimidation to make someone do something:

'the proposals put pressure on Britain to drop its demand'

'the many pressures on girls to worry about their looks'

MORE EXAMPLE SENTENCES

SYNONYMS

2.1 the influence or effect of someone or something:

'oil prices came under some downward pressure'

MORE EXAMPLE SENTENCES

2.2 the feeling of stressful urgency caused by the necessity of doing or achieving something, especially with limited time:

'you need to be able to work under pressure and not get flustered'

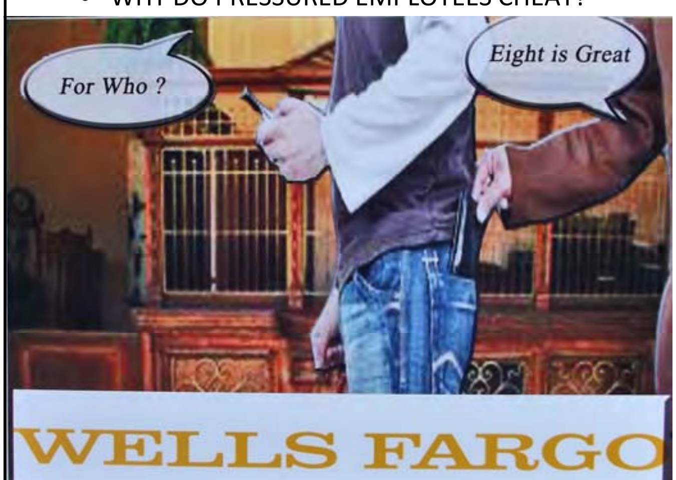
'some offenders might find prison a refuge against the pressures of the outside world'

MORE EXAMPLE SENTENCES

SYNONYMS

PRESSURE/INCENTIVES

- WHY DO PRESSURED EMPLOYEES CHEAT?



https://money.cnn.com/video/news/2018/05/05/warren-buffett-wells-fargo-orig-ts.cnnmoney/index.html

PRESSURE/INCENTIVES

- DOES NOT LIVE UP TO BOSSES EXPECTATIONS
  - ARE THE EXPECTATIONS REALISTIC?
- CAN SET AGGRESSIVE GOALS
  - MUST BE ABLE TO ACCOMPLISH WITH REASONABLE - ETHICAL EFFORTS, CONSISTENT WITH THE MISSION OF THE COMPANY

BREAKING THE RULES

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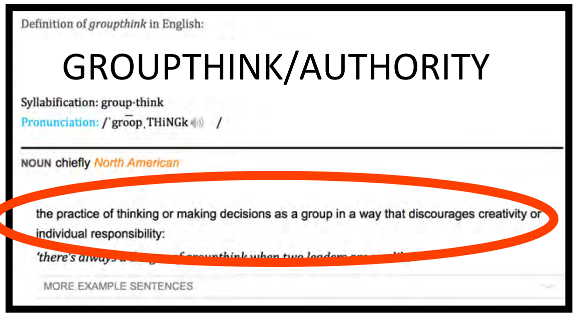
GROUPTHINK/AUTHORITY


Definition of *groupthink* in English:

Syllabification: group·think

Pronunciation: /ˈgroop͞ˌTHiNGk/

NOUN chiefly *North American*

the practice of thinking or making decisions as a group in a way that discourages creativity or individual responsibility:

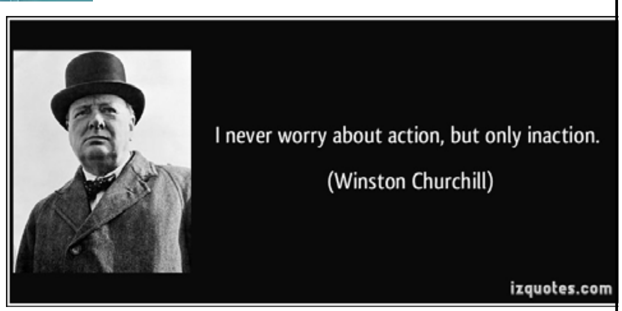
'there's always

MORE EXAMPLE SENTENCES

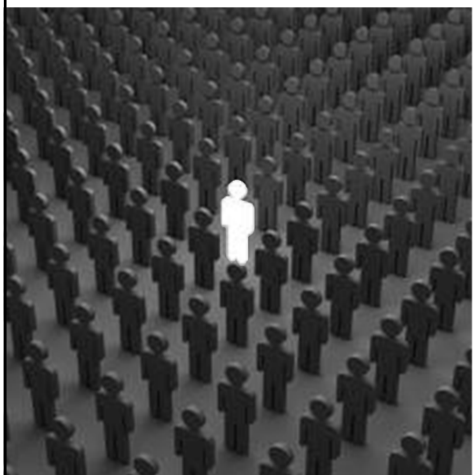
GROUPTHINK/AUTHORITY

RETALIATION

INACTION



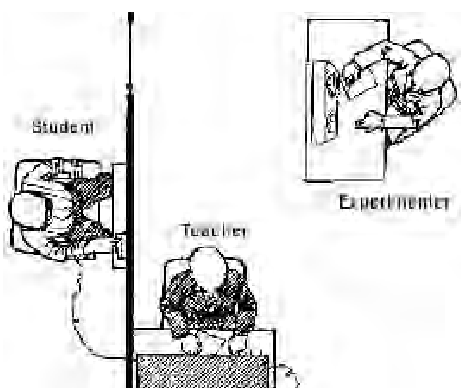
GROUPTHINK/AUTHORITY



- BE WILLING TO STAND OUT IN A CROWD
- DON'T JUST GO WITH THE GROUP ANSWER
- YOUR TEAM MAY BE STRONGER BY HAVING DIVERSE PERSPECTIVES

GROUPTHINK/AUTHORITY

MILGRAM EXPERIMENT



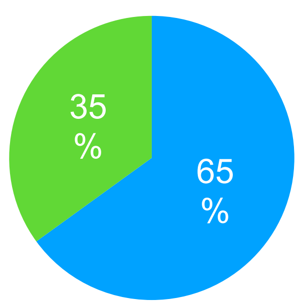
Prod 1: Please continue.

Prod 2: The experiment requires you to continue.

Prod 3: It is absolutely essential that you continue.

Prod 4: You have no other choice but to continue.

65% willing to shock up to 450 volts



GROUPTHINK/AUTHORITY

- RESPECTFULLY QUESTION AUTHORITY
- ASK FOR AN EXPLANATION
- “THAT’S HOW WE DO IT HERE”, OR “THAT’S HOW WE’VE ALWAYS DONE IT” ISN’T GOOD ENOUGH

SHEPARD FAIREY

BREAKING THE RULES

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- GREED

Definition of *rationalize* in English:

RATIONALIZERS

Syllabification: ra·tion·al·ize
Pronunciation: /ˈraSHənl,īz, ˈraSHnə,līz/

VERB

[WITH OBJECT]

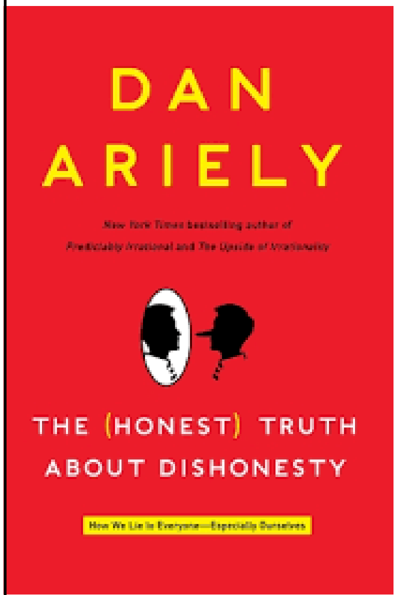
attempt to explain or justify (one's own or another's behavior or attitude) with logical, plausible reasons, even if these are not true or appropriate:

'she couldn't rationalize her urge to return to the cottage'

MORE EXAMPLE SENTENCES

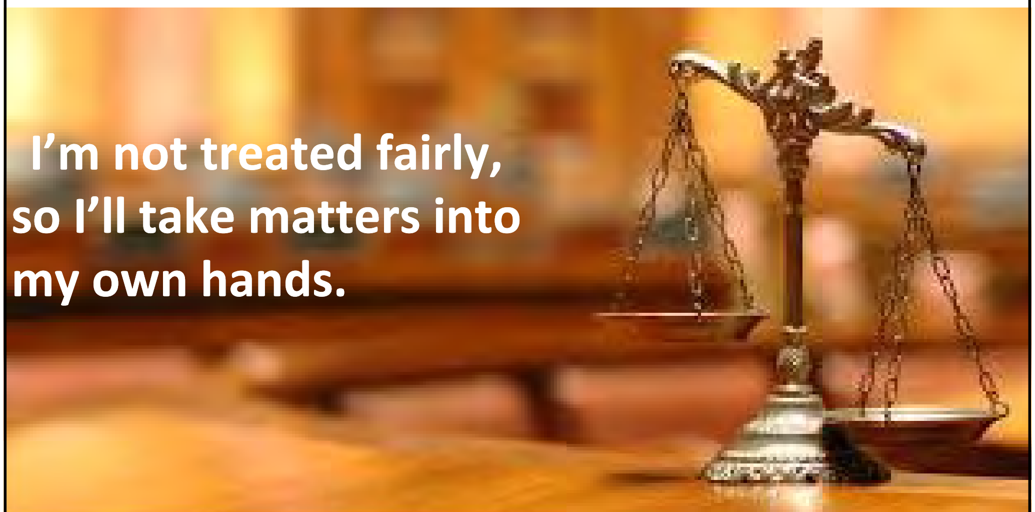
SYNONYMS

RATIONALIZERS



RSA ANIMATE: The Truth About Dishonesty - https://www.youtube.com/watch?v=XBmJay_qdNc

RATIONALIZERS/JUSTICE



Capucin Monkeys Reject Unequal Pay -https://www.npr.org/sections/13.7/2014/02/27/283348422/that-s-unfair-you-say-this-monkey-can-relate

RATIONALIZERS

- THEY'LL NEVER MISS IT
- THEY'LL NEVER FIND OUT
- EVERYONE IS DOING IT!

RATIONALIZERS

- CONVINCE THEM YOU:
  - SHARE VALUES
  - SHARE CONCERNS
  - APPRECIATE THEIR WORTH
    - AS MUCH AS POSSIBLE
  - NOT "EVERYONE" IS DOING IT

Right is right even if everyone is against it.
Wrong is wrong, even if everyone is for it.
William Penn

BREAKING THE RULES

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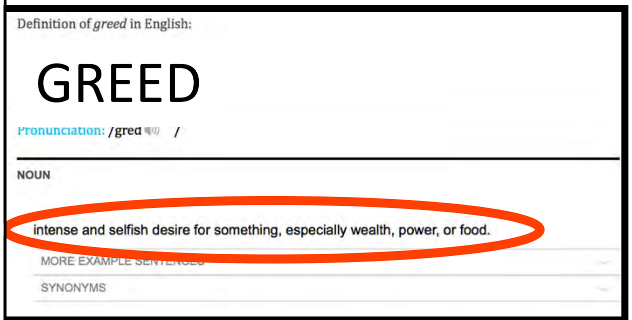

Definition of *greed* in English:

GREED

Pronunciation: /gred/

NOUN

intense and selfish desire for something, especially wealth, power, or food.

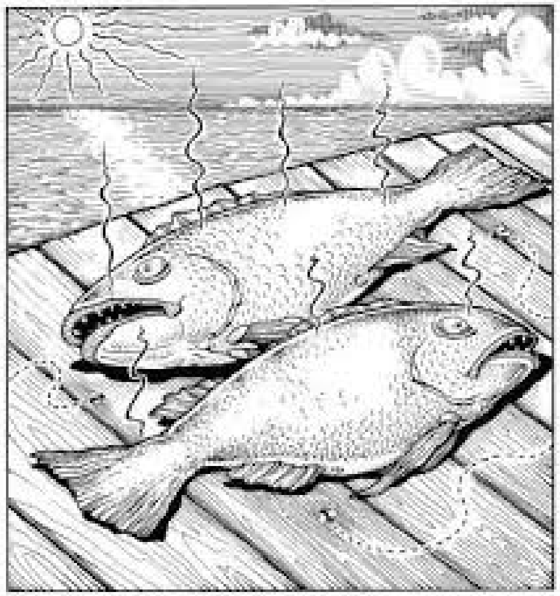
MORE EXAMPLE SENTENCES

SYNONYMS

GREED

- DON'T THINK PHILANTHROPY WILL KEEP YOU OUT OF TROUBLE
  - "Mr Gupta is a good man", said Judge Rakoff. "But the history of the country and the world is filled with good men who do bad things." Rajat Gupta, "McKinsey, Goldman, jail". 10/25/12 Economist.
- BETTER BOARD OVERSIGHT & GOVERNANCE REGARDING SENIOR EXECUTIVES
- HIRE AND PROMOTE FOR MISSION
  - BETTER BACKGROUND CHECKS
- BETTER INTERNAL CONTROLS
- ADDITIONAL REPORTING MECHANISMS
  - PEERS VS. AUDITORS

SOME PEOPLE ARE JUST BAD

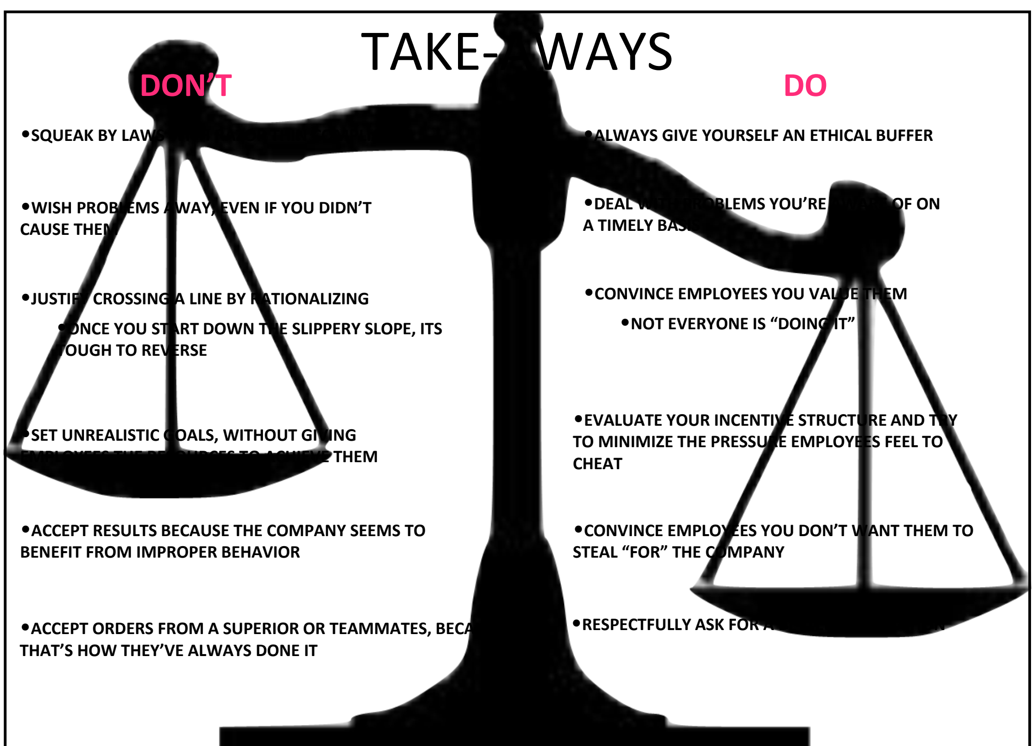


"He is a man of splendid abilities but utterly corrupt. He shines and stinks like rotten mackerel by moonlight."

Around 1800, John Randolph had this description of Representative Edward Livingston of New York

39

TAKE-AWAYS



DON'T

- SQUEAK BY LAW
- WISH PROBLEMS AWAY, EVEN IF YOU DIDN'T CAUSE THEM
- JUSTIFY CROSSING A LINE BY RATIONALIZING
  - ONCE YOU START DOWN THE SLIPPERY SLOPE, ITS TOUGH TO REVERSE
- SET UNREALISTIC GOALS, WITHOUT GIVING ... THEM
- ACCEPT RESULTS BECAUSE THE COMPANY SEEMS TO BENEFIT FROM IMPROPER BEHAVIOR
- ACCEPT ORDERS FROM A SUPERIOR OR TEAMMATES, BECA... THAT'S HOW THEY'VE ALWAYS DONE IT

DO

- ALWAYS GIVE YOURSELF AN ETHICAL BUFFER
- DEAL ... PROBLEMS YOU'RE ... OF ON A TIMELY BAS...
- CONVINCE EMPLOYEES YOU VALUE THEM
  - NOT EVERYONE IS "DOING IT"
- EVALUATE YOUR INCENTIVE STRUCTURE AND TRY TO MINIMIZE THE PRESSURE EMPLOYEES FEEL TO CHEAT
- CONVINCE EMPLOYEES YOU DON'T WANT THEM TO STEAL "FOR" THE COMPANY
- RESPECTFULLY ASK FOR ...

TAB
L

Cincinnati Bar
ASSOCIATION

Bernard (Bernie) J. Knight, Jr.: Bernie is a lawyer, licensed professional counselor and certified coach. Bernie has a counseling/coaching practice and provides ethics, career and wellness coaching to corporate executives and legal teams. Recently, he was a partner and senior counsel at McDermott Will & Emery specializing in complex patent litigation. Bernie served as General Counsel at the USPTO from 2010 to 2013. In this role, he supervised litigation on intellectual property cases before the United States Supreme Court and provided oversight on patent and trademark cases before numerous Federal courts. Additionally, he served as Acting General Counsel of the U.S. Department of Treasury leading the Treasury legal team during the Administration's financial markets crisis response efforts, and as Deputy General Counsel at the USPTO from 2001 to 2006. As a result of his accomplishments, Mr. Knight was named an "Intellectual Property Trailblazer" by the *National Law Journal*.

Bernie Knight

Ethics in 2018—UNDERSTANDING THE BEHAVIOR AS WELL AS THE RULES

Questions we will answer

- Is the law free from emotion?
- What is Emotional Intelligence?
- What is the relationship between ethics and EI?
- If I learn EI, what are the benefits?
- What are the components of EI?
- What specific EI strengths are associated with the most successful lawyers?
- How can EI help avoid an OED ethics violation?
- What is the new OED diversion program?

Are you too smart?

"The higher the rank of the person considered to be a star performer, the more emotional intelligence capabilities showed up as the reason for his or her effectiveness." D. Goleman, *What Makes a Leader: Why Emotional Intelligence Matters,* p. 4.

Is the Law Free from Emotion?

Does this sort of interaction really work?

Is the professor or the student showing much empathy for Ms. Woods?

Have we as lawyers grown to expect that this sort of interaction is acceptable?

Making Ethical Decisions in Real Time

- **Is ethics just following the rules and knowing the bounds of liability?**
- **Do you have a personal code of ethics or core values that guide your actions?**
- **What makes people act in ways that don't seem reasonable when looked at from afar?**
- **Can we help ourselves and our employees to act in a more thoughtful and responsive manner?**

EI And Ethics

- Poor client interaction and communication is the #1 reason for ethics violations.
- Studies show that lawyers score high in IQ and lower than average in EI.
- Lawyers are taught to orient toward facts, not feelings.
- This delta is likely greater for patent lawyers who need to focus more on science than on feelings.
- Unable to properly assess risks when you cannot read other people accurately.

Why EI And Ethics?

- Impossible to memorize all of the USPTO ethics rules and state bars.
- Need another mechanism to help, especially in stressful situations.
- Impulse Control, Reality Testing & Empathy are keys to ethical behavior.
- Impulse Control – allows us to stop and think.
- Reality Testing – enables us to realistically evaluate the facts as they are presented, not as we wish them to be.
- Empathy – gives us key insights into how another feels. It helps us to avoid offending others.

What Is EI?

Emotional and social skills that affect our thoughts, interactions, coping strategies, motivations and general psychological well-being.

It can be measured. EQ-$i^{2.0}$ is an assessment tool composed of 16 elements

Relates to potential for performance—not a performance measure itself.

It can be trained (learned) and altered (increased or decreased).

Benefits of EI

Stronger interpersonal communications	Perceived as more positive, more pleasant to be around	Stronger family and intimate relationships
Higher academic achievement	More success at work and stronger work relationships	Greater life satisfaction
Higher self-esteem	Less depression	Greater competence socially

Mayer, John D (2008). "Human Abilities: Emotional Intelligence". Annual Review of Psychology. 59: 507–536.

How Can Lawyers Gain?

- Stronger Ethical Compass.
- Better and More Empathic Communication.
- Effective Client Presentations and Interactions.
- Strong Team Management Skills.
- Enhanced Connections to Firm Colleagues.
- Ability to Stay Motivated and Keep Others Motivated.
- More Effective Problem Solving Skills.
- Enhanced Stress Management and Less Burnout.
- Better Hiring and Promotion Decisions.

Can You Measure & Increase EI?

- Yes!!!
- EQ-i measures EI on 5 scales and 15 subscales.
- The subscales have been linked to those that differentiate top performers in many fields.
- Unlike IQ, EI can be learned and improved over the life span.
- EI strengthening requires (1) awareness and (2) practice.

EQ-I 2.0 Model

EI in A Nutshell

Self Awareness-how your feelings and emotions affect your decisions, relationships with others and job performance.

Impulse Control-managing your emotions and actions with others creates trust and a sense of fairness. Characterized by thoughtfulness and reflection.

EI in A Nutshell

Self Actualization—the ability to motivate ourselves towards goals. Virtually all effective leaders have this ability. This is a drive to achieve for its own sake. The fun is in setting goals and achieving them.

Empathy—ability to appreciate another's perspective and feelings. Important to making good decisions and making others feel appreciated and heard. Allows you to be sensitive to other cultures and ethnicities.

EI in a Nutshell

Interpersonal Relationships-leaders and lawyers need to establish and manage relationships effectively. Motivation and empathy are not very useful if you don't have an opportunity to use it.

Optimism-the ability to see hope and expect the best in the face of adversity. This is the core quality of resilience. These folks keep going!

Ei in a nutshell

Stress Tolerance-the ability to function well in challenging situations.   It's the ability to work under stress without being overwhelmed.

Assertiveness-the ability to express your thoughts or opinions even when doing so might invite opposition or conflict.

Impulse Control

"Everything that comes up does not have to come out."

Too little impulse control causes us to say things that we wish we hadn't.

It allows us to give a thoughtful response not driven by our immediate emotional state.

Impulse control

1. Think …before acting.
2. Identify…the emotions behind the thought.
3. Rephrase…your response.

Self-Regard

Low: doubt self, lack of self confidence, burdened with thoughts of inferiority.

High: feelings of acceptance, self-esteem.

Too Active: arrogant, narcissistic, over-confident.

What EI Factors Differentiated the Most Successful Lawyers?

- Self-Actualization (goal setting and achievement)
- Optimism (enthusiasm, enjoyment)
- Stress Tolerance (ability to handle adversity, staying calm and in control in stressful situations)
- Assertiveness (ability to express views or feelings even when it may be risky)
- Social Responsibility (acting on behalf of a greater group than yourself)

What Else Do Good Lawyers Need?

- Self Regard (to instill client confidence)
- Reality Testing (do the facts support a hoped-for position; risk assessment)
- Impulse Control (think before you act/advise)
- Empathy (know your client's concerns)
- Interpersonal Relationships (relate to client and manage law firm team)
- Problem Solving (ability to solve client's issue in spite of emotions)

Disreputable or Gross Misconduct

In re Schroeder, Proceeding No. D2014-08 (USPTO May 18, 2015).

Patent Attorney

- Submitted unprofessional remarks in two separate Office action responses.
- Remarks were ultimately stricken from application files pursuant to 37 C.F.R. § 11.18(c)(1).
- Order noted that behavior was outside of the ordinary standard of professional obligation and client's interests.
- Aggravating factor: has not accepted responsibility or shown remorse for remarks.
- Default: 6-month suspension.
- Rule highlights:
  - 37 C.F.R. § 10.23(a) – Disreputable or gross misconduct.
  - 37 C.F.R. §10.89(c)(5) – Discourteous conduct before the Office.
  - 37 C.F.R. §10.23(b)(5) – Conduct prejudicial to the administration of justice.
  - 37 C.F.R. §11.18 – Certification upon filing of papers.

Lack of Impulse Control and Empathy

Disreputable or Gross Misconduct

In re Tassan, Proceeding No. D2003-10 (USPTO Sept. 8, 2003):

Patent Attorney

- He became upset when a case was decided against his client, and left profane voicemail messages for TTAB judges.
- Called and apologized one week later; said he had the flu and was taking strong cough medicine.
- He also had a floral arrangement and an apology note sent to each judge.
- Mitigating Factors: private practice for 20 years with no prior discipline; cooperated fully with OED; showed remorse and voluntarily sought and received counseling for anger management.
- Settlement: Reprimanded; ordered to continue attending anger management; and have no contact with Board judges for 2 years.

Dishonesty, Fraud, Deceit or Misrepresentation

In re Throne, Proceeding No. D2015-19 (USPTO April 22, 2015):

- Patent attorney was sentenced to nearly 6 years in prison for swindling about $5 million from window-covering company Hunter Douglas while employed as one of the company's leading patent attorneys.
- After learning of the civil complaint filed against Mr. Throne by Hunter Douglas, OED opened an investigation into the allegations of misconduct.
- In response to OED's inquiry, Mr. Throne voluntarily resigned from practice before the USPTO, and was excluded on consent.

Disciplinary Jurisdiction Office of Enrollment and Discipline

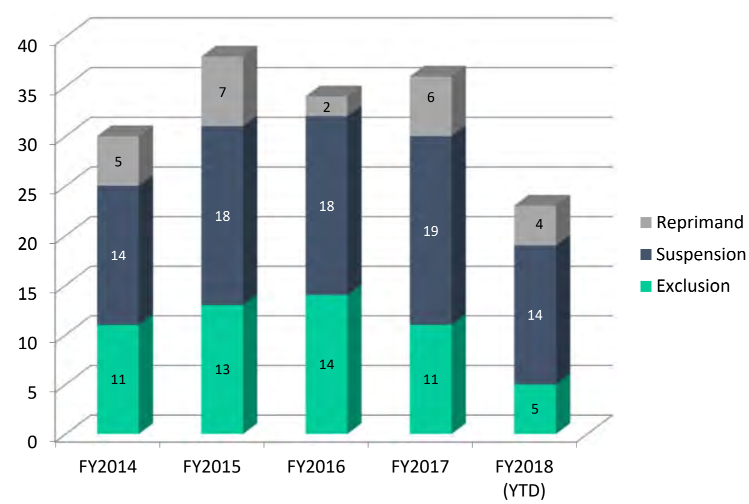
All practitioners engaged in practice before the USPTO: patent attorneys, trademark attorneys, and patent agents. *See* 37 C.F.R. §11.19.

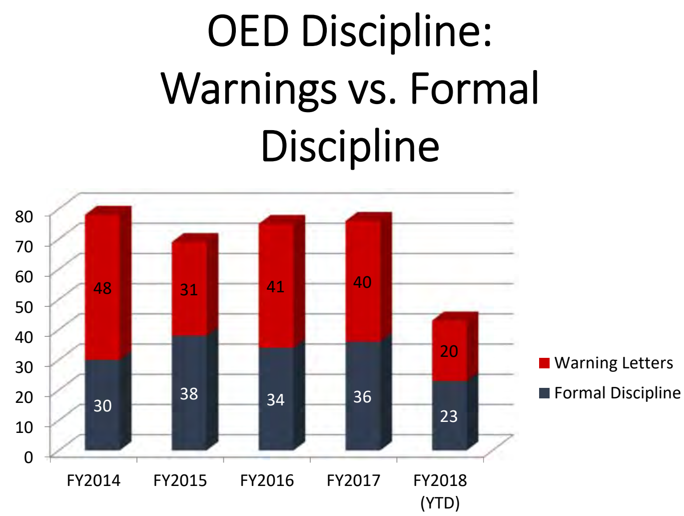
The OED Director is authorized to investigate possible grounds for discipline.

An investigation of possible grounds for discipline may be initiated by the receipt of a grievance. *See* 37 C.F.R. § 11.22(a).

A grievance is "a written submission from any source received by the OED Director that presents possible grounds for discipline of a specified practitioner." *See* 37 C.F.R. § 11.1.

USPTO Disciplinary Decisions





What is Well-Being and What Does It Have To Do With Lawyering?

In 2016, the ABA Commission on Lawyer Assistance Programs and Hazelden Betty Ford Foundation surveyed close to 13,000 currently practicing attorneys and found the following:

- 21 to 36 percent of lawyers qualify as problem drinkers.
- Approximately 28 percent of lawyers are struggling with some level of depression.
- Younger lawyers in their first 10 years of practice and those working in private firms experience the highest rates of problem drinking and depression, which represents a shift from earlier research.

Fifteen law schools and more than 3,300 law students participated in a 2016 survey related to student well-being. Findings are:

- 17 percent of law students experienced some level of depression.
- 14 percent experienced severe anxiety.
- 43 percent reported binge drinking at least once in the prior two weeks.

https://www.americanbar.org/content/dam/aba/images/abanews/ThePathToLawyerWellBeingReportFINAL.pdf

Diversion (*"Before The Wheels Come Off"*)

- In late 2017, OED initiated a Diversion Pilot Program for those practitioners whose physical, mental, or emotional issues resulted in minor misconduct with little or no harm to clients. Program provides the impaired practitioner an opportunity to remedy the underlying cause of the minor misconduct outside of the formal disciplinary process.
- Criteria for Participation:
  1) No public discipline in the past 3 years;
  2) Misconduct cannot involve misappropriation, dishonesty, fraud or misrepresentation;
  3) Misconduct results in substantial prejudice to anyone;
  4) Misconduct constitutes a serious crime; or
  5) Misconduct is similar to misconduct that led to discipline within the past 5 years.

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