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Intellectual Property Law Update

NEWSLETTER

IP Law Update: March 2016
Volume 5, Issue 1

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We hope everyone is having an excellent spring season! To improve your business prospects, please consider these topics that are of great current significance:

- Possible constitutional limitation on oversight of disparaging trademarks and potential marketing benefit;
- Potential replacement for old US-EU data transfer Safe Harbor and meaning of Apple controversy;
- What website operators and copyright owners need to know about the Digital Millennium Copyright Act;
- The special considerations associated with patents for computer-related inventions.

License to Disparage via Trademark? More freedom for marketing?

An en-banc panel of the US Court of Appeals for the Federal Circuit has held that trademarks are expressive speech entitled to First Amendment protection. In *In re Tam*, the court struck down the "disparagement" clause of the Lanham Act as unconstitutional. The USPTO had refused to register Mr. Tam's trademark, THE SLANTS, for a band name under the "disparagement" clause of the Lanham Act. The court held that the refusal to register the mark as "disparaging" amounted to viewpoint discrimination which is impermissible under the strict scrutiny review appropriate for government regulation of message or viewpoint.

Unless overturned by the US Supreme Court, this decision provides additional latitude for trademark owners to select a name which they feel best serves their marketing objectives. Registration of a mark on the Principal Register carries with it numerous procedural and substantive legal advantages over reliance on common law rights. The incentives to pursue federal registration – e.g. greater perceived marketplace value and much greater ability to deal with infringement - are usually so significant in absolute terms and relative to their cost as to make federal registration highly desirable for any owner making an informed decision about its trademark rights. Denial of these benefits creates a serious disincentive to adopt a mark the government might deem offensive or disparaging.

The government may not deny "benefits" based on message-based disapproval of private speech that is not part of a governmental speech program. Denial of an otherwise available benefit is unconstitutional at least where, as here, it has a chilling effect on private speech.

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Many of these same issues are before the court deciding the widely publicized question of whether the Washington Redskins' trademarks are entitled to First Amendment protection. This case provides some hope that the court will rule in the Redskins' favor.

Assuming that this decision stands in the Redskins' case and otherwise, it will be important to observe how the USPTO handles similar applications and how the courts address efforts to 'police' marks which can be considered disparaging. As this went to press, the USPTO announced a 'suspension' of its policy of refusing registration of disparaging marks.

Should you have any questions about this about how this decision may impact your company's own current or prospective trademarks, a Fisher Broyles partner can assist.

Privacy and Security: Shields, Apples and Opt-Ins

Those in the US involved with receipt of data transfers pertaining to European citizens must take heed of the pending replacement for the invalidated Safe Harbor which previously governed such transfers. While the replacement, known colloquially as the 'Data Shield' has not been finally adopted, and its confines are not altogether clear, there is at least some guidance presently available.

Among other things, it is important for US companies to publish their commitments pertaining to the handling of personal data. Presumably, such commitments will need to be in a prominent place on company websites. While it is not yet clear as to what should be included in such publications, it presently appears that they should encompass both security measures, such as encryption, if applicable, and sharing of material with government and/or business partners. Of course, it remains essential that actual practice conform to such commitments.

Companies previously registered under the old Safe Harbor will have to take new action to utilize the Data Shield benefits. We will have more to say as the situation unfolds.

In the meantime, the noisy controversy associated with the effort to force Apple to 'unlock' the encrypted data on the phone used by one of the perpetrators of the San Bernardino massacre must NOT dissuade anyone from taking strong measures to secure from fraudsters the personal data, including both financial and health data, which they receive. The same governmental admonitions which we have discussed on these pages remain unaffected by the Apple controversy and companies failing to take meaningful measures to secure data are at much greater risk from a data breach and subsequent legal action than they are from the concerns of the civil libertarians who are weighing in so vociferously on the Apple situation.

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Very few companies will be involved in interaction with law enforcement in the same manner as Apple. All are at risk of a data breach.

The Apple situation most definitely has major public policy ramifications which warrant the debate which is occurring. However, this debate is irrelevant to day-to-day commercial practice, where strong security measures for personal data remain the order of the day. The California Attorney General has published useful guidance as to the nature of such security practice : https://oag.ca.gov/breachreport2016.

On another note, a recent settlement involving Verizon's use of cellphone tracking data illustrates how those obtaining such data need to be very careful with how they use it. Verizon paid $1.4 million to settle allegations relating to its use of 'supercookies' – difficult to remove code used to obtain cellphone users' location data and use it to deliver targeted ads. The company also agreed to enhance its disclosures and limit some of such use to customers who affirmatively authorized them to do so.

Have a Website? Got a Copyright Agent? If not, You May Have a Problem!

Those with publicly available websites or who own or generate digital content such as music or movies need to understand the basic framework of the Digital Millennium Copyright Act of 1998. Enacted to augment the 'regular' copyright act in a digital world, the law, in pertinent part provides immunity to those operating websites and providing internet access so long as they comply with various procedural steps. It also provides a redress mechanism for those who own copyrighted content and feel that it is being wrongfully made available in digital form.

We are happy to discuss specific obligations with interested readers. However, a few broad generalizations are likely to be useful as a **preliminary** matter.

For those operating websites:

- Include site terms of use which expressly prohibit submissions of copyrighted material of others (as well as material which is defamatory, racist, obscene, an incitement to violence, etc.);
- Specify and file with U.S. Copyright Office on prescribed form, name and contact info for person responsible for addressing infringement claims;
- Respond promptly to infringement notices which are received by taking down offending material unless there appears to be good reason not to do so;
- Consider and discuss with us, ongoing monitoring of site to proactively remove problematic material; however, if this is to be done, it is important to be consistent and thorough;
- Do not edit material which is submitted to site, as assertion of editorial control may be problematic;
- Do not accept financial benefit for any post; and

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- Where a particular site user is consistently posting copyrighted material, prevent them from having further site access. Cox Communications was very recently hit with a $25 million jury verdict for its failure to do so.

For those owning copyrighted content which exists in digital form, monitor where it appears without your consent. If you see it on a site where your do not want it, take prescribed steps to have it taken down. This requires written notice on a prescribed form to the agent designated by the site operator on the site for such purpose.

Our IP partners can help both site operators and content owners protect their rights under traditional copyright law and the DMCA.

Patents: Issues Found in Unlikely Places and Special Challenges of Software Patenting

Companies of all sizes and in all industries should consider patenting their computer-implemented innovations. Despite recent cases which limit patentability in this area, it is clear that some software and computer-implemented patents are being granted and withstanding in-court validity challenges.

In 2014, in Alice Corp. v. CLS Bank Int'l, the U.S. Supreme Court cast doubt on the patent eligibility of computer-related inventions that can be considered abstract ideas.

A subsequent Federal Circuit case, DDR Holdings, LLC v. Hotels, L.P., upheld claims directed to webpage display technology and suggested several strategies for drafting patent applications for computer-implemented inventions.

First, it suggests drafting new patent applications that describe and claim a solution to a computer-centric problem. The DDR Holdings invention addressed the problem of a website's visitor being directed away from the host when a user clicks on a link. The reasoning of DDR Holdings suggest that other patent applicants emphasize the technical problems solved in their patent applications. Although it is not always initially apparent, many computer-related inventions that solve business problems often also have aspects that solve computer-specific challenges. For example, it is common for a computer-related invention to have features that address processing efficiency, communication efficiency, device size limitations, storage limitations, and input-type limitations.

Second, the reasoning of DDR Holdings further suggests drafting patent applications that describe a conceptual solution and then further claim and support specific-implementations of the solution. Doing so provides express support for an argument in prosecution or litigation that the claims do not attempt to preempt every application of the idea and instead recite additional features specific to one implementation.

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In addition to guidance from the courts, the USPTO has provided instructions and examples for Examiners determining subject matter eligibility that suggest patent drafting strategies.

One USPTO example suggests drafting new patent applications that claim and support how an invention achieves a benefit that is more than calculating a value. The USPTO example related to a GUI that relocates obscured text when windows overlap one another to a more visible area. The example provides a sample of patent eligible and ineligible claims. The eligible claim claimed steps for dynamically relocating text within a window based on a detected overlap condition while the ineligible claims were directed to a series of steps for calculating a scaling factor. This reasoning suggests claiming how an invention achieves a specific benefit and, if an invention involves determining a value, claiming how that value is used.

In summary, the reasoning of the courts and USPTO examples suggests at least the following strategies for drafting patent applications related to computer-implemented inventions. Draft new patent applications that:

1. Claim and support an invention that solves a computer-centric problem.
2. Describe a conceptual solution and claim and support a more specific-implementation of that conceptual solution; and
3. Claim and support the details of how an invention achieves a benefits that is more than determining a value.

A recent suit involving a start-up company in the logistics space, Four Kites, illustrates the application of these points. The company's product is software which facilitates freight tracking. It was sued by a competitor named Macropoint which held a patent for a similar product. Four Kites was able to prevail by persuading a federal court to invalidate Macropoint's patent on the basis that the latter was "directed to the **abstract idea** of tracking freight". [emphasis added]

The existence of the case is a reminder that regardless of your industry, it is essential to take steps to avoid infringing the patents or other IP of others before investing a good deal of developmental resources. The outcome is a reminder that the drafting of patent claims requires the involvement of patent counsel with substantial familiarity with the courts' recent pronouncements and their application in the USPTO.

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