

## NEW YORK INTELLECTUAL PROPERTY LAW REVIEW

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## I. INTRODUCTION

This review of New York appeals in the area of intellectual property law covers copyright, trademark, and patent cases. Since federal statutes control many legal issues involving intellectual property law, the most significant decisions emanate from federal courts. This discussion will address intellectual property cases in the Second Circuit and their impact beyond this jurisdiction.

In the area of copyright law, the Second Circuit Court of Appeals' decision in *Barclays Capital, Inc. v. Theflyonthewall.com, Inc.*, addresses the issue of copyright preemption as it is applied to New York's common law doctrine of "hot news" misappropriation.<sup>1</sup> The Second Circuit's decision in *Salinger v. Colting* modifies the standard for obtaining a preliminary injunction in a copyright infringement case, making it consistent with the standard applied by the U.S. Supreme Court in patent infringement cases.<sup>2</sup> Federal district courts in New York also rendered copyright decisions addressing termination of transfer of rights, as well as standards for bringing a motion to dismiss a copyright infringement claim.<sup>3</sup>

In the area of trademark law, the Second Circuit addresses the issue of contributory trademark infringement for the sale of counterfeit goods by online auction site eBay in *Tiffany (NJ) Inc. v. eBay Inc.*<sup>4</sup> The case highlights the difficulties faced by companies

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<sup>1</sup> *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 878 (2d Cir. 2011).

<sup>2</sup> *Salinger v. Colting*, 607 F.3d 68, 79–80 (2d Cir. 2010).

<sup>3</sup> *See, e.g.*, *Music Sales Corp. v. Morris*, 73 F. Supp. 2d 364, (S.D.N.Y. 1999) (addressing termination of transfer of rights); *Marvullo v. Gruner & Jahr*, 105 F. Supp. 2d 225, 233–34 (S.D.N.Y. 2000) (addressing standards for bringing a motion to dismiss a copyright infringement claim).

<sup>4</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 101 (2d Cir. 2010).

doing business in the online marketplace.<sup>5</sup> Although patent cases are tried in district courts throughout the country, patent appeals are decided only by the United States Court of Appeals for the Federal Circuit. In a case arising out of the Southern District of New York, the Federal Circuit addressed the issue of whether certain DNA molecules would be considered patentable subject matter in the case of *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*.<sup>6</sup> Another case arising from the Southern District of New York is *Public Patent Foundation, Inc. v. GlaxoSmithKline Consumer, Healthcare, L.P.*, which addresses the issue of damages when there is a claim for false patent marking.<sup>7</sup>

## II. COPYRIGHT

### A. *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*<sup>8</sup>

In June 2011 the Second Circuit Court of Appeals addressed the issue of whether a claim for “hot news” misappropriation under New York’s common law is preempted by federal copyright law.<sup>9</sup> Several financial services firms, including Barclays Capital Inc. and Merrill Lynch, commenced a lawsuit in the U.S. District Court for the Southern District of New York against the Theflyonthewall.com, Inc., an Internet based subscription news service, alleging claims of copyright infringement, as well as “hot news” misappropriation under New York law, with regard to plaintiff’s securities recommendations.<sup>10</sup> Although the district court granted judgment on both claims in favor of the plaintiff,<sup>11</sup> the Second Circuit held that federal copyright law preempted the plaintiff’s misappropriation claim.<sup>12</sup>

The plaintiffs, Barclays and Merrill Lynch, are securities brokers with a public clientele.<sup>13</sup> As part of their business, the plaintiffs perform “extensive research” into the securities markets and make

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<sup>5</sup> *Id.* at 96–101 (discussing the difficulty in ensuring that counterfeit items are not sold through online websites).

<sup>6</sup> *See* *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, No. 2010-1406, 2011 WL 3211513, at \*1 (Fed. Cir. July 29, 2011).

<sup>7</sup> *Pub. Patent Found., Inc. v. GlaxoSmithKline Consumer, Healthcare, L.P.*, No. 09 Civ. 5881(RMB), 2011 WL 1142917, at \*2 (S.D.N.Y. Mar. 22, 2011).

<sup>8</sup> *Barclays Capital Inc. v. Theflyonthewall.com*, 650 F.3d 876 (2d Cir. 2011).

<sup>9</sup> *See id.* at 878.

<sup>10</sup> *Id.* at 879, 885.

<sup>11</sup> *Barclays Capital Inc. v. Theflyonthewall.com*, 700 F. Supp. 2d 310, 348 (S.D.N.Y. 2010).

<sup>12</sup> *See Barclays*, 650 F.3d at 902.

<sup>13</sup> *Id.* at 878.

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“recommendations as to the wisdom” of particular investment strategies.<sup>14</sup> The firms generally circulate their reports and recommendations each day prior to the opening of U.S. securities markets, providing clients and others with the opportunity to act upon the recommendations when the markets open.<sup>15</sup> The plaintiffs’ efforts in providing these reports result in “brokerage commissions” when clients use their firm to act on the recommendations.<sup>16</sup> Defendant, Theflyonthewall.com, owns an electronic news service.<sup>17</sup> Defendant was not disseminating the research of plaintiffs, but rather is briefly reporting on the recommendations of the plaintiffs.<sup>18</sup> Theflyonthewall.com electronically streamed hundreds of headlines each day, including a category entitled “recommendation.”<sup>19</sup> Defendant posted plaintiffs’ recommendations without the related research or analysis.<sup>20</sup> The plaintiffs claimed that such reporting nullifies the “trading advantage” the reports give to their intended recipients.<sup>21</sup> Defendants essentially conceded copyright infringement liability, and the question remaining for the Second Circuit was whether copyright law preempts the “hot news” misappropriation tort.<sup>22</sup> Google, Inc. and Twitter, Inc. submitted amicus briefs contending that the “hot news” misappropriation tort in New York constitutes “an ‘end-run’ around the Constitution’s [c]opyright [c]lause” and urging the court to repudiate the tort.<sup>23</sup>

The court makes clear in its decision that it is not addressing the viability of the “hot news” misappropriation tort under New York law, and if in fact it were to consider the continued viability of the tort under New York law, it would likely certify that issue to the New York Court of Appeals.<sup>24</sup> The issue the court specifically addresses is federal preemption.

Following the 1918 Supreme Court decision in *International News Services v. Associated Press*, New York courts developed a common

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<sup>14</sup> *Id.* at 878–79.

<sup>15</sup> *Id.* at 879.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 882.

<sup>18</sup> *Id.* at 779, 883 (“[E]ach [comment is] typically contained in a single sentence.”).

<sup>19</sup> *Id.* at 883.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 779.

<sup>22</sup> *Id.* at 891.

<sup>23</sup> *Id.* at 890 (quoting Brief for Google Inc. and Twitter, Inc. as Amici Curiae in Support of Reversal, Barclays Capital Inc. v. Theflyonthewall.com, Inc., 650 F.3d 876 (2d Cir. 2011) (No. 10-1371-cv)).

<sup>24</sup> *Barclays*, 650 F.3d at 890.

law “hot news” claim “to be used when one party used another’s transmission of events.”<sup>25</sup> Since New York’s law with respect to “hot news” misappropriation goes beyond the Copyright Act, it is not necessarily preempted.<sup>26</sup>

The Second Circuit noted that the only binding precedent directly on the preemption issue raised in the appeal is *National Basketball Association v. Motorola, Inc.*<sup>27</sup> There, the Second Circuit Court of Appeals dismissed the NBA’s copyright and misappropriation claims, holding that providing real time scores of NBA games in progress “did not unlawfully misappropriate the NBA’s property.”<sup>28</sup>

The Second Circuit limits “hot news” claims to cases where the gathering of time sensitive information has a cost, “use of the information constitutes [benefits from] plaintiff’s efforts,” the defendant is in competition with the plaintiff, and the use “so reduce[s] the incentive to produce the product or service that its existence or quality would be substantially threatened.”<sup>29</sup>

In *Barclays*, the Second Circuit acknowledged that the parties are in general agreement that the District Court and the Second Circuit should employ the five-part analysis taken from the *National Basketball Ass’n* opinion which the District Court did attempt to employ.<sup>30</sup> The District Court found that the “hot news” misappropriation claim was preempted by the Copyright Act “because Fly is not, under NBA’s analysis, ‘free-riding.’ It is collecting, collating and disseminating factual information . . . .”<sup>31</sup> The Second Circuit found the facts of *Barclays* analogous to those in

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<sup>25</sup> David P. Miranda, *NBA Copyright Claim Gets Bounced*, 15 INTELL. PROP. L. NEWSL. 8 (1997); *Int’l News Serv. v. Associated Press*, 248 U.S. 215 (1918).

<sup>26</sup> Miranda, *supra* note 25.

Up until 1976 when Congress passed legislation expressly providing copyright protection to the recorded broadcasts of live performances such as sports events, there was no federal law establishing that live events such as baseball or basketball games were copyrightable, and the extent of such protection, if any, was provided on a state-by-state basis. The Copyright Act was amended in 1976 to ensure that transmission of live performances and sporting events would meet the Act’s requirement as an original work of authorship.

*Id.*

<sup>27</sup> *Id.* (discussing the Second Circuit’s limitations in discussing the viability of a “hot news” misappropriation because of its previous ruling in *National Basketball Ass’n v. Motorola, Inc.* (citing *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997))).

<sup>28</sup> Miranda, *supra* note 25; *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997) (citing *Int’l News Serv. v. Associated Press*, 248 U.S. 215 (2d Cir. 1918)).

<sup>29</sup> *Nat’l Basketball Ass’n*, 105 F.3d at 852, 845; *see also* Miranda, *supra* note 25 (reiterating the criteria set forth by the court).

<sup>30</sup> *Barclays Capital Inc. v. Theflyonthewall.com, Inc.*, 650 F.3d 876, 898 (2d Cir. 2011).

<sup>31</sup> *Id.* at 902 & n.36 (discussing its prior holding regarding when use of information is “free riding”).

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*National Basketball Ass'n*, stating, “Fly’s employees are engaged in the financial-industry equivalent of observing and summarizing facts about basketball games and selling those packaged facts to consumers . . . .”<sup>32</sup>

In what may be the most surprising portion of the Second Circuit’s decision, the court engages in a convoluted discussion of the extent to which the *National Basketball Ass’n* decision and its five-point test is a holding that must be followed or is merely dictum.<sup>33</sup> The court quotes Judge Friendly as stating: “A judge’s power to bind is limited to the issue that is before him; he cannot transmute dictum into decision by waving a wand and uttering the word ‘hold.’”<sup>34</sup> The court went on to say: “The *NBA* panel decided the case before it, and we think that the law it thus made regarding ‘hot news’ preemption is, as we have tried to explain, determinative here. But the Court’s various explanations of its five-part approach are not.”<sup>35</sup>

Judge Raggi concurred with Judge Sack’s majority, but questioned the failure of the majority to view *National Basketball Ass’n* as controlling and finding preemption based upon “the five-part test enunciated in *National Basketball Ass’n v. Motorola, Inc.* . . . [which cannot] dismissed as *dictum*.”<sup>36</sup>

### B. *Fifty-Six Hope Road Music Ltd. v. UMG Recordings, Inc.*<sup>37</sup>

The case addressed “ownership of . . . renewal term copyrights in . . . pre-1978 sound recordings” of Bob Marley performances.<sup>38</sup> *Fifty-Six Hope Road Music Ltd.* is owned by the beneficiaries of Jamaican reggae artist Bob Marley.<sup>39</sup> The district court dismissed claims that

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<sup>32</sup> *Id.* at 905.

<sup>33</sup> *Barclays*, 650 F.3d at 898–99.

<sup>34</sup> *Id.* (quoting *United States v. Rubin*, 609 F.2d 51, 69 (2d Cir. 1979) (Friendly, J., concurring)).

<sup>35</sup> *Barclays*, 650 F.3d at 899; *Id.* at 899 n.32 (arguing the NBA did not identify a test but was only “opining about the hypothetical set of circumstances” that might create liability).

<sup>36</sup> *Id.* at 907 (Raggi, J., concurring) (citing *National Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997)); *see also id.* at 906 n.40 (Sack, J.) (“Judge Raggi writes that by distinguishing between those who make the news and those who break it, we ‘foreclose the possibility of a ‘hot news’ claim by a party who disseminates news it happens to create.’ That issue is simply not before us. We therefore do not address it, let alone suggest or imply that such a claim would necessarily be foreclosed.”).

<sup>37</sup> *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, No. 08 CIV. 6143(DLC), 2010 WL 3564258 (S.D.N.Y. Sept. 10, 2010).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

the artist's heirs own the renewal term copyrights of the Marley sound recordings.<sup>40</sup> The decision is significant because it provides insight into how U.S. District Courts in New York might address the termination of rights under Copyright Act section 203.<sup>41</sup> Termination of copyright rights under section 203 is expected to be the subject of major litigation from 2013 onward because of changes made to the Copyright Act of 1976.<sup>42</sup>

Section 203 of the Act governs transfers and licenses executed on or after January 1, 1978, including works created under the previous Act but where the transfer was made after January 1, 1978.<sup>43</sup> Section 203 also provides for a five-year window during which an author may terminate the prior grant of rights, which is measured from the point at which the transfer or license was entered into, not the time at which the work was created.<sup>44</sup> Under § 203, an author can terminate a previous grant within a five-year window that begins thirty-five years after the rights transferred.<sup>45</sup> Thus, theoretically, termination rights under § 203 could take place as early as 2013.<sup>46</sup> For example, if an author transferred rights in a work in 1978 then the author could terminate the grant of those rights thirty-five years later, beginning in 2013 and ending in 2018.<sup>47</sup>

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<sup>40</sup> *Id.*

<sup>41</sup> *See id.* at \*12; *see also* 17 U.S.C. § 203 (2011) (setting forth the conditions needed for termination).

<sup>42</sup> 17 U.S.C. § 203. The Copyright Act of 1976 includes two provisions addressing termination of grant of copyright, and 2013 marks the first year that § 203 will serve as the basis for exercising the termination right. *Id.* ("Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant . . ."); *Id.* § 304(c).

<sup>43</sup> *Id.* § 203(a).

<sup>44</sup> *Id.* § 203(c).

<sup>45</sup> *Id.*

<sup>46</sup> Termination under either of the sections is not automatic and the right to terminate may be lost if the appropriate party does not timely act in accordance with the statutory requirements. *See* 17 U.S.C. §§ 203(b)(6), 304(c)(6)(F). The onus is on the author (or his heirs) to give formal notice to the grantee of the author's intent to terminate the transfer. *Id.* §§ 203(a)(2), 304(c)(2). Among other requirements, the formal notice must be in writing, signed, and must state the effective date of termination, which must fall within the relevant five-year window. *See id.* §§ 203(a)(4), 304(c)(4). The notice must also be served no more than ten years and no less than two years prior to the date on which the author wishes to effect the termination. *Id.* §§ 203(a)(4)(A), 304(c)(4)(A).

<sup>47</sup> Although the right to termination became an inalienable right under the Copyright Act of 1976 it is not without significant limitations. The timing of exercising this right to terminate is crucial to ensure that the right is not lost forever. *See id.* § 203(a)(3). Strict adherence to the procedural requirements is also absolutely necessary. *See id.* §§ 203(a)(4), 304(c)(4). Additionally, certain works are excluded and are not subject to termination, including works made for hire and transfers of copyright interests by will or intestacy. *Id.* § 203(a).

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The recording industry frequently argues that termination rights do not apply to most sound recordings, contending that the master recordings belong to the record labels in perpetuity, rather than to the artists who wrote and recorded the songs, because the recordings are works for hire, created, not by independent performers, but by musicians who are in essence employees.<sup>48</sup> But artists, such as Bob Marley and his beneficiaries, contend that the termination of rights provisions of § 203 enable them to reclaim the rights to their works.<sup>49</sup>

During the 1970s Bob Marley and Island Records executed several agreements regarding the recording and preparation of Marley's music.<sup>50</sup> Pursuant to these agreements, Marley created the various works that were at issue in *Fifty-Six Hope Road*, each of which was registered with the U.S. Copyright Office with Island Records listed as the author of the work.<sup>51</sup> In addition, after Marley's death his estate entered into several recording agreements governing the creation of additional albums.<sup>52</sup> Beginning in 2001, the renewals for each of the recordings became due and renewal registrations were filed by UMG.<sup>53</sup>

At issue in *Fifty-Six Hope Road* was the ownership of those various Marley copyrights.<sup>54</sup> The Marleys asserted that they had the rights to the renewal copyrights because Bob Marley died before the renewal registrations were due.<sup>55</sup> UMG contends that the works are "works made for hire" and as a consequence they always maintained the rights to the renewal copyrights.<sup>56</sup> It was undisputed that Bob Marley was the author in the common sense and dictionary meaning of the words.<sup>57</sup> However, UMG paid Marley to create the works and had ultimate control over the production of the works.<sup>58</sup> Thus, UMG asserted that it was the author because the recordings were "works for hire."<sup>59</sup>

In order to determine whether a work is made for hire, Judge

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<sup>48</sup> See *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, No. 08 CIV. 6143(DLC), 2010 WL 3564258, at \*6 (S.D.N.Y. Sept. 10, 2010).

<sup>49</sup> See *id.* at \*1, \*6.

<sup>50</sup> *Id.* at \*1.

<sup>51</sup> *Id.* at \*2-4.

<sup>52</sup> *Id.* at \*4.

<sup>53</sup> *Id.* at \*5.

<sup>54</sup> *Id.* at \*1.

<sup>55</sup> See *id.* at \*6.

<sup>56</sup> See *id.*

<sup>57</sup> *Id.* at \*7.

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

Cote examined “at whose instance and expense the work[s] [were] created.”<sup>60</sup> Particularly, the court looked at who retained the right to supervise and direct the production of the work, one of the factors important for determining authorship.<sup>61</sup> Island Records had the ability and option to control and direct the creation of the albums.<sup>62</sup> In addition, the expense of creating the albums was entirely paid by Island Records.<sup>63</sup> Thus, the court found UMG, as successor in interest to Island Records, the owner of the rights.<sup>64</sup>

The court states that the agreements clearly demonstrated that the sound recordings were created at the instance of Island Records and that Island Records had the right to direct and supervise the manner in which Bob Marley created the sound recordings.<sup>65</sup> Because the sound recordings were works for hire, Island Records, as successor in interest, is presumed to be the statutory author under the 1909 Act.<sup>66</sup> The recordings involved in *Fifty-Six Hope Road* were recorded before 1978 with many of the agreements at issue executed prior to 1978, thus the current provisions of § 203 did not apply directly.<sup>67</sup> However, the law may soon provide thousands of recording artists with the right to reclaim ownership of their recordings.<sup>68</sup>

### C. *Salinger v. Colting*<sup>69</sup>

The renowned and reclusive author J.D. Salinger, in the final year of his life, left another legacy through his novel *The Catcher in the Rye*: he reshaped the preliminary injunction standard in copyright cases.<sup>70</sup> In *Salinger v. Colting*,<sup>71</sup> the Second Circuit set forth a new standard for preliminary injunctions in copyright cases, one consistent with the Supreme Court’s standard for patent

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<sup>60</sup> *Id.* (quoting *Martha Graham Sch. & Dance Found., Inc. v. Martha Graham Ctr. of Contemporary Dance, Inc.*, 380 F.3d 624, 635 (2d Cir. 2004)).

<sup>61</sup> *Fifty-Six Hope Rd. Music Ltd. v. UMG Recordings, Inc.*, No. 08 CIV. 6143(DLC), 2010 WL 3564258, at \*8 (S.D.N.Y. Sept. 10, 2010).

<sup>62</sup> *Id.* at \*9.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.* at \*11.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.* at \*9.

<sup>67</sup> *See id.* at \*4.

<sup>68</sup> *See* Larry Rohter, *Record Industry Braces for Artists’ Battles Over Song Rights*, N.Y. TIMES, Aug. 16, 2011, at C1.

<sup>69</sup> *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010).

<sup>70</sup> David P. Miranda & Caroline B. Ahn, *J.D. Salinger Catches Infringer in the Rye?*, DAILY RECORD (W. N.Y.), Dec. 21, 2010; *see Salinger*, 607 F.3d at 70–71.

<sup>71</sup> *Salinger*, 607 F.3d at 68.



cases.<sup>72</sup>

Defendant Fredrik Colting, using the pen name of John David California, wrote and published *60 Years Later: Coming Through the Rye* (“*60 Years Later*”).<sup>73</sup> In June 2009, shortly after *60 Years Later* was published in England, Salinger brought suit against Colting and his publishing company for copyright infringement and unfair competition, and sought an injunction.<sup>74</sup>

To establish a prima facie case of copyright infringement, a plaintiff must prove “(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.”<sup>75</sup> The copying element is generally established indirectly by proving access and “substantial similarity” to the copyrighted work.<sup>76</sup> In support of his claims, Salinger cited the “extensive similarities between *60 Years Later* and [*The Catcher in the Rye*],” including the similar narrative style, shared notable eccentricities between characters, and similar scenes within the novels.<sup>77</sup> Salinger further cited Colting’s efforts in marketing *60 Years Later* as a sequel, submitting as an exhibit the book’s back cover describing the work as “a marvelous sequel to one of our most beloved classics” and cited excerpts from an interview where Colting described “*60 Years Later* as [being] ‘[j]ust like the first novel.’”<sup>78</sup>

The district court granted Salinger’s motion for preliminary injunction, finding that Salinger would likely prevail on the copyright infringement claim and that Colting’s “fair use defense [would] likely fail.”<sup>79</sup> The district court concluded that Salinger had valid copyrights in both *The Catcher in the Rye* and the Holden Caulfield character and further concluded that *60 Years Later* and its main character were substantially similar to *The Catcher in the Rye* and Holden Caulfield.<sup>80</sup> Since Colting’s fair use defense was likely to fail, the district court concluded that a preliminary injunction should issue.<sup>81</sup>

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<sup>72</sup> *Id.* at 82–83; *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

<sup>73</sup> *Salinger*, 607 F.3d at 71. Colting’s *60 Years Later* “tells the story of a 76-year-old . . . Mr. C [(Holden Caulfield)] in a world that includes [his] 90-year-old author, a ‘fictionalized Salinger.’” *See id.*

<sup>74</sup> *Id.*

<sup>75</sup> *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361(1991) (citing *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 548 (1985)).

<sup>76</sup> *See Salinger*, 607 F.3d at 83.

<sup>77</sup> *Id.* at 72.

<sup>78</sup> *Id.* (citations omitted).

<sup>79</sup> *Id.* at 73.

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

Prior to *Colting*, the Second Circuit upheld preliminary injunctions in copyright cases upon finding of “irreparable harm[] if an injunction is not granted, and . . . either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation, and a balance of hardships tipping decidedly in its favor.”<sup>82</sup> The district court applied this standard and the presumption that once a plaintiff establishes a likelihood of success on the merits, the plaintiff is also likely to incur irreparable harm if a preliminary injunction does not issue.<sup>83</sup> Because the district court determined that Salinger had demonstrated likelihood of success on the merits and set forth a prima facie case of copyright infringement, it presumed that Salinger would also be irreparably harmed if no injunction was issued.<sup>84</sup>

Without finding error with the district court’s factual findings, the Second Circuit vacated the lower court’s judgment and remanded, so the new legal test could be applied by the district court.<sup>85</sup> The Second Circuit explained that parts of its preliminary injunction standard in copyright cases had been abrogated by the Supreme Court’s patent decision in *eBay Inc. v. MercExchange, L.L.C.*<sup>86</sup> The Second Circuit expressly held that “*eBay* applie[d] with equal force . . . to preliminary injunctions” issued in copyright infringement cases.<sup>87</sup> The Second Circuit further noted that “the traditional principles of equity” applied in *eBay* “are the presumptive standard for injunctions in any context.”<sup>88</sup>

*eBay* was a significant change in the jurisprudence of injunctions in the context of patent law. While a permanent injunction was at issue in *eBay*, the same principles have also been applied for applications for preliminary relief.<sup>89</sup> *eBay* was sued for infringement of a patent related to a business method for facilitating the sale of goods.<sup>90</sup> After a jury awarded damages, the plaintiff—*MercExchange*—moved for a permanent injunction.<sup>91</sup> The injunction was denied because the patentee was willing to accept a

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<sup>82</sup> *Id.* at 74 (quoting *Salinger v. Colting*, 641 F. Supp. 2d 250, 254 (S.D.N.Y. 2009)).

<sup>83</sup> *Salinger*, 607 F.3d at 74–75.

<sup>84</sup> *Id.* at 74.

<sup>85</sup> *See id.* at 84.

<sup>86</sup> *Id.* (citing *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 390 (2006)).

<sup>87</sup> *Salinger*, 607 F.3d at 77.

<sup>88</sup> *Id.* at 78.

<sup>89</sup> *See, e.g., id.*

<sup>90</sup> *See eBay Inc.*, 547 U.S. at 390–91.

<sup>91</sup> *Id.*

license, thus suggesting that any injury suffered would be compensable.<sup>92</sup> The Federal Circuit reversed noting “that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”<sup>93</sup> The Supreme Court reversed this decision, noting that in equity a plaintiff must demonstrate irreparable injury, remedies at law are inadequate, “a remedy in equity is warranted, and . . . the public interest would not be disserved by [the] injunction.”<sup>94</sup>

In *eBay*, the Supreme Court observed that under the Patent Act there was no intent on the part of Congress to depart from the well established standards concerning injunctions.<sup>95</sup> Specifically, the Patent Act provides that an injunction may be issued and that patents are to “have the attributes of personal property.”<sup>96</sup> Although one of the hallmarks of a patent is the right to exclude others, the creation of the right to exclude is distinct from the remedies available.<sup>97</sup> The Supreme Court stressed that a “categorical rule” should not be applied in making a determination to award an injunction.<sup>98</sup> “[W]illingness to license” patents and a “lack of commercial activity” may be considered but neither dictates that an injunction should not issue.<sup>99</sup> Similarly, the Federal Circuit’s rule that absent exceptional circumstances an injunction should issue was not appropriate.<sup>100</sup> Thus, the Supreme Court made clear that each case is within the discretion of the district court and each application for an injunction should be evaluated on its own individual merits; categorical rules should not be applied.<sup>101</sup>

In adopting the factors set forth in *eBay*, the Second Circuit set forth a new standard for copyright cases. A court may issue an injunction only if: (1) plaintiff establishes either likelihood of success on the merits or sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the plaintiff; (2) plaintiff

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<sup>92</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 713–15 (E.D. Va. 2003), *aff’d in part, rev’d in part, vacated in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006).

<sup>93</sup> *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005), *vacated*, 547 U.S. 388 (2006).

<sup>94</sup> *eBay Inc.*, 547 U.S. at 391.

<sup>95</sup> *Id.* at 391–92.

<sup>96</sup> *Id.* at 392 (quoting 35 U.S.C. § 261 (2011)).

<sup>97</sup> *eBay Inc.*, 547 U.S. at 392.

<sup>98</sup> *Id.* at 393.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.* at 394.

<sup>101</sup> *See id.*

establishes likelihood of irreparable harm in the absence of an injunction (i.e. remedies at law, such as monetary relief, are inadequate); (3) the court considers the balance of hardships between the plaintiff and defendant and the balance tips in plaintiff's favor; and (4) public interest would not be disserved by the issuance of a preliminary injunction.<sup>102</sup>

Despite vacating and remanding the case, the Second Circuit indicated that there was "no reason to disturb" the district court's finding that Salinger was "likely to succeed on the merits [for the] copyright infringement claim."<sup>103</sup> Upon review of the district court's findings de novo, the Second Circuit affirmed the finding of substantial similarity between Salinger's *The Catcher in the Rye* and Colting's *60 Years Later*.<sup>104</sup> The Second Circuit also agreed that Colting was not likely to prevail in his fair use defense, finding Colting's contention, that the primary purpose of the book was to critique Salinger, not credible.<sup>105</sup> On remand the Second Circuit permitted the preliminary injunction to stay in place to allow plaintiff "to apply for a temporary restraining order pending the rehearing of the . . . preliminary injunction" motion.<sup>106</sup>

Preliminary injunctions in copyright infringement cases will no longer be issued as a matter of course upon the plaintiff establishing likelihood of success on the merits.<sup>107</sup> The plaintiff must now demonstrate both the likelihood of success of its claim and the likelihood of irreparable harm if the injunctive relief is not granted.<sup>108</sup> Thus, the court is no longer permitted to presume that irreparable harm will follow upon establishing likelihood of success on the merits. Rather, the court must consider all the traditional equitable factors in making its decision to issue preliminary injunctive relief.<sup>109</sup>

Even though *Salinger* expressly limited its holding to the context of copyright infringement, district courts in the Second Circuit and beyond have since applied the *eBay-Salinger* standard to preliminary injunctions in trademark cases.<sup>110</sup> Courts in other

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<sup>102</sup> *Salinger v. Colting*, 607 F.3d 68, 79–80 (2d Cir. 2010).

<sup>103</sup> *Id.* at 83.

<sup>104</sup> *See id.*

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 84.

<sup>107</sup> *See id.* at 79–80.

<sup>108</sup> *Id.* at 79.

<sup>109</sup> *See id.* at 79–80.

<sup>110</sup> *See, e.g.*, *U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc.*, No. 09 Civ. 9476, 2011 WL 1842980, at \*19 (S.D.N.Y. May 13, 2011) (adopting *eBay* and *Salinger* for preliminary

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circuits addressing preliminary injunctions in the copyright context have also applied the limitations of *eBay*.<sup>111</sup> Similarly, following *eBay*, some courts have even found that a court should consider equitable principles even after copyright infringement has been found when determining if a permanent injunction is appropriate.<sup>112</sup> Other circuits have evaluated the use of the presumption in trademark context and have also found that harm should not necessarily be presumed.<sup>113</sup>

D. *Peter F. Gaito Architecture, LLC v. Simone Development Corp.*<sup>114</sup>

In *Peter F. Gaito Architecture, LLC v. Simone Development Corp.*, a copyright owner filed an action against a competitor alleging copyright infringement with regard to certain architectural designs and plans for a development project.<sup>115</sup> The issue before the district court was whether it could “consider the question of non-infringement in a copyright action on a Rule 12(b)(6) motion to dismiss.”<sup>116</sup> In granting the motion to dismiss, the district court determined there was no infringement as a matter of law and made a determination as to “substantial similarity between the works at issue . . . .”<sup>117</sup>

*Gaito* is significant because the issue of substantial similarity in a

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injunction requirements in a trademark case); *Pretty Girl, Inc. v. Pretty Girl Fashions, Inc.*, 778 F. Supp. 2d 261, 265 (E.D.N.Y. 2011) (applying *eBay* and *Salinger* to preliminary injunctions in a trademark infringement case).

<sup>111</sup> See, e.g., *CLT Logistics v. River W. Brands*, 777 F. Supp. 2d 1052, 1072 (E.D. Mich. 2011) (finding no presumption of harm in trademark case); *Flexible Lifeline Sys. Inc. v. Precision Lift Inc.*, 654 F.3d 989, 994–95 (9th Cir. 2011) (holding that Ninth Circuit law had changed as a result of *eBay* and irreparable harm could no longer be presumed on a motion for a preliminary injunction in a copyright context); *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 981 (9th Cir. 2011).

<sup>112</sup> See, e.g., *Christopher Phelps & Assocs., LLC v. Galloway*, 492 F.3d 532, 543 (4th Cir. 2007); *Bouchat v. Balt. Ravens Ltd. P’ship*, 619 F.3d 301, 317 (4th Cir. 2010) (remanding to district court for a determination of infringement and if a preliminary injunction was appropriate, noting *eBay* requires the application of equitable principles).

<sup>113</sup> See, e.g., *Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 36 (1st Cir. 2011) (holding that a presumption of irreparable harm is inappropriate where a party has excessively delayed seeking injunctive relief); *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1227–28 (11th Cir. 2008) (noting that *eBay* was critical of categorical rules and remanding for a determination if presumption of harm was appropriate in light of *eBay*).

<sup>114</sup> *Peter F. Gaito Architecture, LLC v. Simone Dev. Corp.*, 602 F.3d 57 (2d Cir. 2010).

<sup>115</sup> *Id.* at 60.

<sup>116</sup> *Id.* at 59.

<sup>117</sup> *Peter F. Gaito Architecture, LLC v. Simone Dev. Corp.*, No. 08 Civ. 6056(WCC), 2009 WL 5865686, at \*5 (S.D.N.Y. May 22, 2009).

copyright infringement action is often an issue reserved for the finder of fact. The Second Circuit Court of Appeals affirmed the decision, holding that under certain circumstances a district court can make a determination as to substantial similarity on a motion to dismiss and find that an accused design does not infringe a copyrighted design.<sup>118</sup>

In *Gaito*, the plaintiff and defendant, originally working together, submitted a proposal in response to a request for proposals for a development project in the city of New Rochelle, New York.<sup>119</sup> The parties' plan included a design prepared by the plaintiff; the defendant was responsible for securing the financing for the project.<sup>120</sup> Ultimately, a dispute regarding compensation arose between the parties and plaintiff ceased working on the project.<sup>121</sup> The defendant engaged other architects to assist with the completion of the project, including a redesign.<sup>122</sup> However, plaintiff alleged that the redesigned plans infringed on the original copyrighted plans.<sup>123</sup> The defendant then moved to dismiss under Federal Rule of Civil Procedure 12(b)(6), arguing that the two designs lacked substantial similarity.<sup>124</sup>

Both the district court and the Second Circuit assumed that a valid copyright existed; therefore plaintiff only had to demonstrate that there was a substantial similarity between the works to establish a claim of infringement.<sup>125</sup> The Second Circuit found that it is appropriate to consider the similarity of two works at a preliminary stage of a controversy based on the facts as asserted in the complaint.<sup>126</sup> It held that such review is particularly appropriate where, as in *Gaito*, the court has the two works within its control and can evaluate them for a determination of substantial similarity.<sup>127</sup>

The Second Circuit held it was appropriate for the court to apply the standard test for substantial similarity on a motion to dismiss and to consider "whether an ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and

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<sup>118</sup> *Gaito*, 602 F.3d at 65.

<sup>119</sup> *Id.* at 60.

<sup>120</sup> *Id.*

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> *Id.* at 61.

<sup>125</sup> *Id.* at 63.

<sup>126</sup> *Id.* at 64.

<sup>127</sup> *Id.*

regard the aesthetic appeal as the same.”<sup>128</sup> The court analyzed “whether ‘an average lay observer would recognize’” the defendant’s design “as having been appropriated from” plaintiff’s work.<sup>129</sup> The court applied a nuanced approach, first distinguishing between “protectable and unprotectable elements” and only then judging whether the “protectable elements, standing alone” were similar enough to constitute an infringement.<sup>130</sup>

In *Gaito*, the court found specific differences in the protectable elements including the number of “prominent” structures (three as opposed to one), the presence of townhouses in the first design while none were in the redesign, differences in the pedestrian plazas, differences in the park, and differences in the overall impressions.<sup>131</sup> Thus “the ‘total concept and feel’ of the designs”—when examined “with ‘good eyes and common sense’”—were found to be totally different.<sup>132</sup> Under the ordinary observer test,<sup>133</sup> the similarities between the works were not sufficient to establish a claim.<sup>134</sup> Even under a more exacting test, the court found the similarities were still not sufficient.<sup>135</sup>

The Second Circuit found it was appropriate for the district court to address the issue of substantial similarity on the motion to dismiss and that the district court’s determination that there was no substantial similarity was correct.<sup>136</sup> In this case, the works in question were attached to the plaintiff’s complaint and the court found it appropriate to consider the similarity between those works on a motion to dismiss because the court had before it all that is necessary in order to make such an evaluation.<sup>137</sup> If the district court determines that the compared works are “not substantially similar as a matter of law,” the court may dismiss the action.<sup>138</sup>

*Gaito* does not allow a court to consider extrinsic materials, but rather allows a court to evaluate the complaint on the merits as it is alleged.<sup>139</sup> It is clear that courts may consider documents that are

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<sup>128</sup> *Id.* at 66 (citing *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2d Cir. 2001)).

<sup>129</sup> *Gaito*, 602 F.3d at 66 (quoting *Knitwaves, Inc. v. Lollytogs Ltd. (Inc.)*, 71 F.3d 996, 1001 (2d Cir.1995)).

<sup>130</sup> *Gaito*, 602 F.3d at 66 (citations and internal quotation marks omitted).

<sup>131</sup> *Id.* at 66–67.

<sup>132</sup> *Id.* at 67 (quoting *Hamil Am. Inc. v. GFI*, 193 F.3d 92, 102 (2d Cir. 1999)).

<sup>133</sup> *Gaito*, 602 F.3d at 66.

<sup>134</sup> *Id.* at 68.

<sup>135</sup> *See id.* at 68–69.

<sup>136</sup> *Id.*

<sup>137</sup> *Id.* at 64.

<sup>138</sup> *Id.* (citing *Kregos v. Associated Press*, 3 F.3d 656, 664 (2d Cir. 1993)).

<sup>139</sup> *See Gaito*, 602 F.3d at 64; *see also, e.g.*, *Graham Hanson Design LLC v. 511 9th LLC*,

included as exhibits to the complaint or are otherwise sufficiently referenced in the complaint.<sup>140</sup> A factual basis has to be established in the complaint and *Gaito* may become an oft-cited case for this basic principle.<sup>141</sup>

### III. TRADEMARK

#### A. *Tiffany, Inc. v. eBay, Inc.*<sup>142</sup>

Jewelry seller Tiffany, Inc. brought action against online auction site eBay Inc., through which counterfeit Tiffany-branded merchandise was sold, alleging trademark infringement, trademark dilution, and false advertising.<sup>143</sup> The United States District Court for the Southern District of New York entered judgment in favor of eBay with respect to the claims of trademark infringement and dilution.<sup>144</sup>

The Second Circuit Court of Appeals affirmed judgment in favor of eBay with respect to the claims of trademark infringement and dilution and remanded to the District Court for additional findings regarding the false advertising claim.<sup>145</sup> The case is significant because it is one of the first appellate courts in the United States to address the issue of contributory trademark infringement in an online market place.<sup>146</sup> The Second Circuit acknowledged the precedent for contributory liability where a distributor induces another to infringe or knowingly supplies an infringing property but noted, “[t]he limited case law leaves the law of contributory trademark infringement ill-defined. . . . [W]e are apparently the

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No. 10 Civ. 5493(KMW), 2011 WL 744801, at \*3 (S.D.N.Y. Feb. 24, 2011) (refusing to consider declarations and a contract that were attached as exhibits to the motion to dismiss).

<sup>140</sup> See, e.g., *Jovani Fashion, Ltd. v. Cinderella Divine, Inc.*, No. 10 Civ. 7085(JGK), 2011 WL 2671584, at \*6 (S.D.N.Y. July 7, 2011) (considering pictures of a dress attached to the complaint to determine if separate elements of the dress are copyrightable); *Agence France Presse v. Morel*, 769 F. Supp. 2d 295, 302–03 (S.D.N.Y. 2011) (reviewing the terms of a license agreement on a motion to dismiss).

<sup>141</sup> See, e.g., *Zalewski v. T.P. Builders, Inc.*, No. 1:10 CV 876 (GLS/RFT), 2011 WL 3328549, at \*5 (N.D.N.Y. Aug. 2, 2011) (“[T]he court is highly skeptical of whether plaintiffs have an adequate factual basis to establish each defendant’s actual involvement and susceptibility to suit.” (citing *Gaito*, 602 F.3d at 63)).

<sup>142</sup> *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010).

<sup>143</sup> *Tiffany, Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008).

<sup>144</sup> *Id.* at 526.

<sup>145</sup> *Tiffany*, 600 F.3d at 114.

<sup>146</sup> The Second Circuit notes that they have “addressed contributory trademark infringement in only two related decisions, and even then in little detail.” *Id.* at 105 (citing *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 64 (2d Cir. 1992); *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 81 (2d Cir. 1994)).



first [court] to consider its application to an online marketplace.”<sup>147</sup> European courts had previously addressed the issue in a similar context, with varied results.<sup>148</sup> Both Belgian and French courts had addressed the issue, reaching different conclusions. The Belgian court found no liability on the part of eBay for “counterfeit products sold through its website.”<sup>149</sup> French courts had gone the other way, finding eBay liable for trademark infringement in circumstances factually similar to both the Belgian case and *eBay*.<sup>150</sup>

The international trademark community has made efforts to facilitate the registration of trademarks throughout the world, but uniformity of enforcement still remains an elusive goal. “In 2003 the United States joined the Madrid Protocol, along with more than 70 other nations” throughout the world, “reducing some of the formalities and costs associated with registering trademarks in multiple jurisdictions.”<sup>151</sup> The World Intellectual Property Organization (WIPO) also offers arbitration procedures for trademark owners to recover domain names throughout the world.<sup>152</sup> However, despite the greater ease in “registering, and to some extent protecting” trademarks which these efforts have provided, consistent “enforcement against trademark infringement, trademark dilution and counterfeiting remains difficult.”<sup>153</sup>

Tiffany, the owner of multiple trademarks for high quality luxury goods, claimed that eBay was infringing on its trademarks because “thousands of counterfeit [Tiffany] jewelry items were offered for sale on eBay’s [website].”<sup>154</sup> eBay did not contest Tiffany’s right to the mark or that counterfeit items were being sold via its online auction site.<sup>155</sup> The question was whether eBay had the burden of policing Tiffany’s trademarks, and if so, whether eBay met that burden.<sup>156</sup> The district court concluded that Tiffany failed to carry its burden with respect to its claims and held that “Tiffany must

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<sup>147</sup> *Tiffany*, 600 F.3d at 105 (quoting *Polymer*, 975 F.2d at 64) (citing *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984–85 (9th Cir. 1999)).

<sup>148</sup> *Tiffany*, 600 F.3d at 105 n.9.

<sup>149</sup> *Id.* (citing *Lancôme Parfums et Beaute v. eBay Int’l AG*, Tribunal de Commerce [Comm.] [Commerce Tribunal] Brussels, July 31, 2008, A/07/06032).

<sup>150</sup> *See id.* (referencing two French cases).

<sup>151</sup> David P. Miranda, *Protecting Trademarks in the Global Marketplace*, 81 N.Y. ST. B. J. 50, 50 (2009).

<sup>152</sup> *Id.*

<sup>153</sup> *Id.*

<sup>154</sup> *Id.*; *Tiffany*, 600 F.3d at 102.

<sup>155</sup> *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010).

<sup>156</sup> *Tiffany*, 576 F. Supp. 2d at 469.

ultimately bear the burden of protecting its trademark.”<sup>157</sup>

The District Court held that eBay was not liable for contributory infringement because eBay’s use of Tiffany’s trademarks on its website, advertising, and sponsored links on search engines was a “protected, nominative fair use” of the marks.<sup>158</sup> The court noted that “when Tiffany put eBay on notice of specific [infringing] items . . . eBay immediately removed those listings.”<sup>159</sup> Because “when eBay possessed the requisite knowledge [of the counterfeiting], it took appropriate steps to remove listings and suspend service” the district court found no liability.<sup>160</sup>

The Second Circuit Court of Appeals affirmed holding: “For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”<sup>161</sup> Applying the Supreme Court’s interpretation of the *Inwood* standard and agreeing with the District Court, the Second Circuit observed that “Tiffany’s general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*.”<sup>162</sup> For eBay to have been found liable, Tiffany’s demand letters would have had to be more specific as to which sellers in particular were passing counterfeit goods.<sup>163</sup> The buyer complaints eBay received were also insufficient to establish the requisite knowledge because the complained of “listings were removed and [sellers that were] repeat offenders were suspended from the eBay site.”<sup>164</sup>

In assessing the “direct” trademark infringement in *Tiffany*, the Second Circuit noted that there was no need to address a “fair use” argument, or adopt the doctrine as it had been set forth by other courts.<sup>165</sup> eBay had a right to use the Tiffany mark in its advertisements because some of the sales that were made on its site

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<sup>157</sup> *Id.* at 470.

<sup>158</sup> *Tiffany*, 600 F.3d at 113 (quoting *Tiffany*, 576 F. Supp. 2d 463, 520 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010)).

<sup>159</sup> *Tiffany*, 576 F. Supp. 2d at 469.

<sup>160</sup> *Id.* at 470.

<sup>161</sup> *Tiffany*, 600 F.3d at 107.

<sup>162</sup> *Id.* at 109 (quoting *Tiffany*, 576 F. Supp. 2d at 511); *see also* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439, 489 (1984) (interpreting the knowledge standard set forth in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982)).

<sup>163</sup> *Tiffany*, 600 F.3d at 109 (citing *Tiffany*, 576 F. Supp. 2d at 511–13).

<sup>164</sup> *Tiffany*, 600 F.3d at 109.

<sup>165</sup> *See id.* at 102–03.

were in fact sales of Tiffany articles.<sup>166</sup> Further, there was no suggestion of affiliation between eBay and Tiffany; to the contrary, Tiffany's "About Me" page on the eBay website specifically stated that most of the sales of Tiffany products sold on eBay were counterfeit.<sup>167</sup> Moreover, the site made clear that Tiffany only sold its goods through its own stores, catalogues, and website.<sup>168</sup>

The more nuanced and interesting issue that the Second Circuit addresses is whether there was any liability for contributory infringement.<sup>169</sup> The principle of contributory infringement places liability on a manufacturer or distributor who knows or has reason to know that another is participating in trademark infringement and continues to supply the infringer despite knowledge of its infringement.<sup>170</sup> The doctrine has been expanded and applied to suppliers of services, but had not, prior to this case, been applied to a provider of an online marketplace.<sup>171</sup>

A service provider such as eBay can contributorially infringe in two ways.<sup>172</sup> The service provider may either "intentionally induce[] another to infringe a trademark" or "continue[] to supply [the] service" even though it is aware of the third party's infringement.<sup>173</sup> The facts indicated that only the second portion of this test needed to be examined.<sup>174</sup> Both the District Court and the Second Circuit agreed that there could be no liability for the listings on the eBay site that had been identified and stopped.<sup>175</sup>

However, there was evidence of other sales of counterfeit goods on the eBay website that Tiffany was aware of and sent demand letters to eBay regarding.<sup>176</sup> However, the demand letters were not sufficiently specific to provide eBay with more than general knowledge that there had been some illicit sales in the marketplace and thus did not establish that eBay necessarily continued to provide services to individuals who were using the site to make illegal sales.<sup>177</sup> Tiffany's claim could not stand because they failed

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<sup>166</sup> *Id.* at 103.

<sup>167</sup> *Id.* at 99–100.

<sup>168</sup> *Id.* at 100.

<sup>169</sup> *Id.* at 103.

<sup>170</sup> *Id.* at 104.

<sup>171</sup> *Id.*

<sup>172</sup> *Id.* at 106.

<sup>173</sup> *Id.*

<sup>174</sup> *Id.* at 107–08.

<sup>175</sup> *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 526–27; *Tiffany*, 600 F.3d at 114–15.

<sup>176</sup> *Tiffany*, 600 F.3d at 106.

<sup>177</sup> *See id.* at 113.

to put eBay on notice of specific sales by specific individuals.<sup>178</sup> Accordingly, the rule going forward is that a service provider of online services must be aware of particular listings that were infringing or would infringe in order to be liable for contributory infringement.<sup>179</sup> Thus, rather than a general prohibition on the continued sale of goods bearing a trademark, the contributory infringement test applies to specific sales or individuals who infringe the mark.<sup>180</sup>

Tiffany also argued that eBay had been willfully blind to the fact that there were several counterfeit listings on its website.<sup>181</sup> However, the record reflected that eBay had taken several measures of its own volition and expense to stop potential counterfeiters.<sup>182</sup> In addition, eBay had an incentive to stop the counterfeit goods to maintain its reputation.<sup>183</sup> Had eBay been willfully blind it could have been charged with knowledge under the *Inwood* test for contributory infringement.<sup>184</sup> Thus, the Second Circuit made clear that a service provider, including an online marketplace, is not allowed to turn a blind eye and ignore potentially infringing websites once those websites are brought to its attention.<sup>185</sup>

Additionally, both courts rejected the allegation of trademark dilution because eBay only used the Tiffany marks in connection with the sale of authentic Tiffany products, not to promote counterfeits.<sup>186</sup> The court also remanded the false advertising claim to determine if eBay's advertisements implied in any way that all of the Tiffany items for sale were authentic when eBay knew that not all of the items were.<sup>187</sup>

The Second Circuit has reinforced that it is the responsibility of the trademark owner to police and maintain its marks.<sup>188</sup> The trademark owner cannot rely on the efforts of a service provider to

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<sup>178</sup> *See id.* at 107.

<sup>179</sup> *Id.* at 108.

<sup>180</sup> *See id.*

<sup>181</sup> *Id.* at 109–10.

<sup>182</sup> *Id.* at 98, 109.

<sup>183</sup> *Id.* at 98 (citing *Tiffany (NJ) Inc. v. eBay Inc.*, 576 F. Supp. 2d 463, 469 (S.D.N.Y. 2008)).

<sup>184</sup> *Tiffany*, 600 F.3d at 110 (citing *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982)).

<sup>185</sup> *See Tiffany*, 600 F.3d at 109–10.

<sup>186</sup> *Id.* at 112.

<sup>187</sup> *Id.* at 114.

<sup>188</sup> *See id.* at 106–10.

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protect its goodwill.<sup>189</sup> However, service providers must work with trademark owners to ensure that counterfeit goods are not being sold on their sites and when made aware of potentially infringing activity they must do everything they can to stop the activity.<sup>190</sup> If service providers are made aware of specific activity and do nothing, they may be liable for contributory trademark infringement.<sup>191</sup>

#### IV. PATENTS

##### A. *Ass'n For Molecular Pathology v. U.S. Patent & Trademark Office*<sup>192</sup>

Although New York and its district courts are an important jurisdiction for patent infringement lawsuits, all appeals of patent matters are decided by the Federal Circuit Court of Appeals or the U.S. Supreme Court.<sup>193</sup> Thus, substantive rulings on significant issues in patent law may originate from one of New York's District Courts.<sup>194</sup> One such decision, *Ass'n for Molecular Pathology v. United States Patent & Trademark Office*, arising out of the Southern District of New York, provided the basis for a significant decision on what constitutes patentable subject matter in the field of DNA molecules.<sup>195</sup>

In 2010, Judge Sweet of the Southern District of New York issued an order granting summary judgment containing sweeping language suggesting that all patents directed to genes in the form of isolated DNA were invalid as unpatentable subject matter under 35 U.S.C. § 101.<sup>196</sup> Sweet reasoned that isolated DNA molecules are not markedly different from naturally occurring DNA, and are therefore products of nature which cannot be patented.<sup>197</sup> The district court also invalidated all of the method claims under the so called machine or transformation test.<sup>198</sup> Under the Patent Act, “[w]hoever invents or discovers any new and useful process,

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<sup>189</sup> *See id.* at 106–07.

<sup>190</sup> *See id.* at 109.

<sup>191</sup> *Id.*

<sup>192</sup> *Ass'n For Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181 (S.D.N.Y. 2010), *aff'd in part, rev'd in part*, 653 F.3d 1329 (Fed. Cir. 2011).

<sup>193</sup> *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362, 1367 (Fed. Cir. 2007) (“This court has exclusive jurisdiction to review cases which arise under the patent laws.”).

<sup>194</sup> *See, e.g., Medichem, S.A. v. Rolabo, S.L.*, 353 F.3d 928, 929–30 (Fed. Cir. 2003).

<sup>195</sup> *Ass'n For Molecular Pathology*, 702 F. Supp. 2d at, 237–38.

<sup>196</sup> *Id.* at 219–20.

<sup>197</sup> *Id.* at 229.

<sup>198</sup> *Id.* at 236–37.

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.”<sup>199</sup> The Supreme Court has consistently construed § 101 broadly, explaining that “[i]n choosing such expansive terms . . . modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.”<sup>200</sup> The Supreme Court has identified “three [judicially created] exceptions to § 101’s broad patent-eligibility principles: ‘laws of nature, physical phenomena, and abstract ideas.’”<sup>201</sup> These exceptions preclude the patenting of phenomena of nature, mental processes,<sup>202</sup> and products of nature.<sup>203</sup> The court has explained that, although not required by the statutory text, “[t]he concepts covered by these exceptions are ‘part of the storehouse of knowledge of all men . . . free to all men and reserved exclusively to none.’”<sup>204</sup> The district court’s decision predated the Supreme Court’s decision in *Bilski*, which rejected the Federal Circuit’s machine-or-transformation test as the exclusive test for determining whether an invention is a patent-eligible process under § 101, although the test remains “a useful and important clue.”<sup>205</sup>

On appeal the Federal Circuit first addressed the threshold issue of whether the district court had jurisdiction to hear the declaratory judgment action.<sup>206</sup> When such an action fits within the jurisdictional confines of Article III’s case or controversy

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<sup>199</sup> 35 U.S.C. § 101 (2010).

<sup>200</sup> *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010) (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)).

<sup>201</sup> *Bilski*, 130 S. Ct. at 3225.

<sup>202</sup> *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972).

<sup>203</sup> *Diamond*, 447 U.S. at 313 (“[T]he relevant distinction [for purposes of § 101 is] . . . between products of nature . . . and human-made inventions.”).

<sup>204</sup> *Bilski*, 130 S. Ct. at 3225 (quoting *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 130 (1948)).

<sup>205</sup> *Bilski*, 130 S. Ct. at 3227.

<sup>206</sup> *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1380 (Fed. Cir. 2005), *rev’d sub nom. MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 137 (2007). Appeals in patent cases are not decided by the regional circuits, but instead are decided by a specialized appeals court, the Court of Appeals for the Federal Circuit, commonly referred to as the Federal Circuit. *See* *Biotechnology Indus. Org. v. District of Columbia*, 496 F.3d 1362, 1367 (Fed. Cir. 2007) (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807 (1988)). Although the Federal Circuit applies its own law to matters concerning patents, it is required to apply the law of the regional circuit on procedural issues not related to patent law. *See, e.g., Lab. Corp. of Am. Holdings v. Chiron Corp.*, 384 F.3d 1326, 1329–30 (Fed. Cir. 2004) (citing *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574–75 (Fed. Cir. 1984), *rev’d on other grounds, Richardson-Merrell, Inc. v. Koller*, 472 U.S. 424 (1985)).

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requirement “is governed by Federal Circuit law.”<sup>207</sup> The Federal Circuit reiterated the test in *MedImmune* that “to establish an injury in fact traceable to the patentee, a declaratory judgment plaintiff must allege both (1) an affirmative act by the patentee related to the enforcement of his patent rights,<sup>208</sup> and (2) meaningful preparation to conduct potentially infringing activity.”<sup>209</sup> The standard of review of this threshold issue gives the lower court no deference<sup>210</sup> and the redressability of the alleged injury must be “likely, [rather than] merely speculative.”<sup>211</sup>

Although the Federal Circuit found the dispute fell partially within the Federal Court’s subject matter jurisdiction, it did so more narrowly than the district court.<sup>212</sup> The district court ruled broadly, finding a sufficiently likely injury because the challenged patent “claims undisputedly provide[d] ‘an absolute barrier’ to Dr. Ostrer’s ability to undertake *BRCA* diagnostic testing activities, and a declaration of those claims’ invalidity would remove that barrier.”<sup>213</sup> The Federal Circuit would not go so far, observing that “[t]he district court [erroneously] failed to limit its jurisdictional holding to affirmative acts by the patentee directed at specific plaintiffs.”<sup>214</sup> The Federal Circuit reversed the finding that all of the plaintiffs other than Dr. Ostrer had standing based on a lack of proximate nature of the threatened injury.<sup>215</sup> The court observed that “disagreeing with the existence of a patent or even suffering an attenuated, nonproximate, effect from the existence of a patent does not meet the Supreme Court’s requirement for an adverse legal controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”<sup>216</sup>

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<sup>207</sup> *MedImmune, Inc.*, 409 F.3d at 1378 (citing *Minn. Mining & Mfg. Co. v. Norton Co.*, 929 F.2d 670, 672 (Fed. Cir. 1991); *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 954 n.3 (Fed. Cir. 1987)).

<sup>208</sup> *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1343 (Fed. Cir. 2011) (citing *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380–81 (Fed. Cir. 2007)).

<sup>209</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1342 (citing *Cat Tech LLC v. TubeMaster, Inc.*, 528 F.3d 871, 880 (Fed. Cir. 2008)).

<sup>210</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1343 (citing *SanDisk Corp.*, 480 F.3d at 1377).

<sup>211</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1348.

<sup>212</sup> *Id.*

<sup>213</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1348 (citing *Vill. of Arlington Heights v. Metro. Hous. Dev. Corp.*, 429 U.S. 252, 261 (1997)).

<sup>214</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1348 (citing *SanDisk Corp.*, 480 F.3d at 1380–81).

<sup>215</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1348.

<sup>216</sup> *Id.* (citing *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)).

Finding jurisdiction for Dr. Ostrer, the Federal Circuit then addressed the patentable subject matter issue.<sup>217</sup> The Patent Act provides for a broad scope of protection to be afforded to inventions and discovery; the act uses the word “any” to modify process, “machine, manufacture, and composition of matter,” and except for certain circumstances, anything invented can be patented.<sup>218</sup> As mentioned above, the Supreme Court has limited patentable subject matter, specifically excluding “laws of nature, physical phenomena, and abstract ideas”<sup>219</sup> and the included notions of “phenomena of nature, mental processes,”<sup>220</sup> and products of nature.<sup>221</sup> Although each of these expressions appear well defined at first, the application of these principles to real world inventions is often difficult.

All the parties agreed that isolated DNA molecules are structurally different from naturally occurring DNA; the question for the court to decide was whether and to what extent isolated DNA molecules are products of nature.<sup>222</sup> The Federal Circuit considered two key Supreme Court precedents. In *Diamond v. Chakrabarty*, the Supreme Court considered if a man-made living organism was a patentable manufacture or composition of matter.<sup>223</sup> Such an organism, such as genetically engineered bacteria, can be patented.<sup>224</sup> The organism in *Chakrabarty* was capable of breaking down crude oil, which was “a nonnaturally occurring manufacture or composition of matter . . . .”<sup>225</sup>

In contrast, the Supreme Court considered the patentability of a nitrogen fixing bacteria that did not inhibit certain leguminous plants in *Funk Bros. Seed Co. v. Kalo Inoculant Co.*<sup>226</sup> Using the discovered plants and bacteria, the patentee mixed different cultures of nitrogen-fixing species and claimed the effective mixtures.<sup>227</sup> In other words, the patentee organized organisms

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<sup>217</sup> *Ass'n for Molecular Pathology*, 653 F.3d at 1348.

<sup>218</sup> See 35 U.S.C. § 101 (2010).

<sup>219</sup> *Ass'n for Molecular Pathology*, 653 F.3d at 1348 (quoting *Bilski v. Kappos*, 130 S. Ct. 3218, 3225 (2010)).

<sup>220</sup> *Ass'n for Molecular Pathology*, 653 F.3d at 1349 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)).

<sup>221</sup> *Ass'n for Molecular Pathology*, 653 F.3d at 1349 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 313 (1980)).

<sup>222</sup> *Ass'n for Molecular Pathology*, 653 F.3d at 1342.

<sup>223</sup> *Chakrabarty*, 447 U.S. at 305.

<sup>224</sup> *Id.* at 309–10.

<sup>225</sup> *Id.* at 303, 309.

<sup>226</sup> *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 128–29 (1948).

<sup>227</sup> *Id.* at 129–30.



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found in nature in a different manner. However, such combinations were not patentable because the qualities of the nitrogen-fixing bacteria were the work of nature, not the work of the patentee.<sup>228</sup>

Accordingly, the difference between patentable and nonpatentable compositions of matter is whether there has been a change in the composition and how that compares to naturally occurring compositions. Thus, if a composition is patentable it must have markedly different or distinctive characteristics from naturally occurring compounds.<sup>229</sup> Applying this test, the Federal Circuit determined that the isolated DNA was in fact distinct and patentable.<sup>230</sup>

One of the differences between native DNA and isolated DNA highlighted by the court is that isolated DNA is separated from the remainder of the DNA strand, whereas native DNA is part of a long complex chromosome.<sup>231</sup> Further, the court noted that isolated DNA, by its nature, “is not a purified form” of native DNA.<sup>232</sup> Although isolated DNA is derived from native DNA, the isolated DNA does not exist within the native DNA in a manner that can be simply purified.<sup>233</sup> Instead, the native DNA is manipulated with a chemical reaction to produce isolated DNA.<sup>234</sup> In contrast, where a compound is physically purified from an impure mixture the purified form is not patentable.<sup>235</sup>

The Federal Circuit also noted that a change to a longstanding principle, such as the validity of isolated DNA patents, should be enacted by Congress through legislation

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<sup>228</sup> *Id.* at 132–33. The bacteria of *Chakrabarty* can be distinguished from the bacteria of *Funk Bros.*, by the “markedly different characteristics” of the *Chakrabarty* bacteria “from any [bacteria] found in nature.” *Chakrabarty*, 447 U.S. at 310. The bacteria of *Funk Bros.* was not manipulated or changed by man in any way, and was only used in combination with new types of plants. *Funk Bros.*, 333 U.S. at 129–30. Thus, there was no change to the *Funk Brothers* bacteria due to human intervention. *Id.*

<sup>229</sup> *See Chakrabarty*, 447 U.S. at 310.

<sup>230</sup> *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1357–58 (Fed. Cir. 2011). As noted above, the district court found the method claims nonpatentable because they did not satisfy the machine or transformation test, which requires that a method be implemented on a particular machine to carry out that process, or that the method transforms an article from one thing into another. *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 233, 233 (S.D.N.Y. 2010).

<sup>231</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1342.

<sup>232</sup> *Id.* at 1352.

<sup>233</sup> *Id.*

<sup>234</sup> *See id.*

<sup>235</sup> *Id.* (citing *In re Marden*, 47 F.2d 958, 959 (C.C.P.A. 1931)). *But see Parke-Davis & Co. v. H. K. Mulford Co.*, 189 F. 95, 103 (C.C.S.D.N.Y. 1911).

rather than by the courts.<sup>236</sup> The Patent Office has granted patents on human genes for over thirty years, and granted a large number of DNA related patents.<sup>237</sup> To change a rule as well engrained as the patentability of DNA would upset the “expectations of the inventing community . . . .”<sup>238</sup> Such a change “must come not from the courts, but from Congress.”<sup>239</sup>

A majority of the claims in *Ass’n for Molecular Pathology* were directed to “‘comparing’ or ‘analyzing’ two gene sequences.”<sup>240</sup> The methods did not include any steps directed toward applying the differences between two strains, but instead only determining the differences between the two.<sup>241</sup> However, the Federal Circuit held that one method claim was directed to patentable subject matter.<sup>242</sup> Specifically, the claim included the steps of growing two different cultures of cells, determining the growth rate of each culture of cells, and comparing the growth rates of the cells.<sup>243</sup> This claim was patentable because there was a physical transformation of the cells, which rendered the subject matter patentable.<sup>244</sup> The “growing” and “determining” steps required physical change or transformation of the cells and the transformations were sufficient for the method to be patentable.<sup>245</sup> The most formative holding from *Ass’n for Molecular Pathology* is that isolated DNA is patentable and the case is an example of a method found patentable following *Bilski*.<sup>246</sup>

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<sup>236</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1353 (citing *Bilski v. Kappos*, 130 S. Ct. 3218, 3226 (2010)).

<sup>237</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1355; see, e.g., U.S. Patent No. 5,693,473 (filed June 7, 1995); U.S. Patent No. 5,709,999 (filed June 7, 1995); U.S. Patent No. 5,710,001 (filed June 7, 1995); U.S. Patent No. 5,747,282 (filed June 7, 1995); U.S. Patent No. 5,753,441 (filed Jan. 5, 1996); U.S. Patent No. 5,837,492 (filed Apr. 29, 1996); U.S. Patent No. 6,033,857 (filed Mar. 20, 1998).

<sup>238</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1355.

<sup>239</sup> *Id.* (“[T]he PTO has issued patents directed to DNA molecules for almost thirty years. In the early 1980s, the Office granted the first human gene patents. It is estimated that the PTO has issued 2,645 patents claiming ‘isolated DNA’ over the past twenty-nine years . . . and that by 2005, had granted 40,000 DNA-related patents covering, in non-native form, twenty percent of the genes in the human genome. In 2001, the PTO issued *Utility Examination Guidelines*, which reaffirmed the agency’s position that isolated DNA molecules are patent eligible . . . .” (citing Eric. J. Rogers, *Can You Patent Genes? Yes and No*, 93 J. PAT. & TRADEMARK OFF. SOC’Y 19, 19 (2011); *Utility Examination Guidelines*, 66 Fed. Reg. 1092, 1094 (Jan. 5, 2001))).

<sup>240</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1355.

<sup>241</sup> *See id.* at 1355–56.

<sup>242</sup> *Id.* at 1358.

<sup>243</sup> *Id.* at 1357–58.

<sup>244</sup> *See id.* at 1358.

<sup>245</sup> *Id.* at 1357–58.

<sup>246</sup> *Ass’n for Molecular Pathology*, 653 F.3d at 1351; *Bilski v. Kappos*, 130 S. Ct. 3218,

B. *Public Patent Foundation, Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*<sup>247</sup>

A recent decision in the Southern District of New York is one of the first to address the extent to which damages are recoverable in a claim for false marking, pursuant to a Federal Circuit decision in 2009 that permits the expanded recovery of such damages.<sup>248</sup> False marking is prohibited under 35 U.S.C. § 292.<sup>249</sup> In the earlier case of *Forest Group, Inc. v. Bon Tool Co.*, the Federal Circuit clarified that a party who falsely marks an article with a patent number is liable for up to five-hundred dollars for each offense.<sup>250</sup> The per article basis of the award greatly increased the number of § 292 qui tam suits.<sup>251</sup> Before *Forest Group* many practitioners believed that the maximum fine available was five-hundred dollars for all articles that were falsely marked taken together.<sup>252</sup> A successful plaintiff would have to share this award with the Federal Government, so few § 292 actions were brought.<sup>253</sup>

When a patent owner sells goods that are protected by a patent it may mark those goods with the patent number or the word “patented.”<sup>254</sup> If a patent application has been filed but no patent has issued, the applicant may mark the goods with the words “patent pending.”<sup>255</sup> There are benefits to marking a good as

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3228–29 (2010).

<sup>247</sup> Pub. Patent Found., Inc. v. GlaxoSmithKline Consumer Healthcare, L.P., No. 09 Civ. 5881(RMB), 2011 WL 1142917 (S.D.N.Y. March 22, 2011).

<sup>248</sup> See *id.* at \*1; see also *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1305 (Fed. Cir. 2009) (finding false marking and ordering the recalculation of fines).

<sup>249</sup> See 35 U.S.C. § 292 (2011) (issuing at most a \$500 fine for each false marking offense).

<sup>250</sup> *Forest Grp., Inc.*, 590 F.3d at 1304.

<sup>251</sup> See Thomas F. Cotter, *Optimal Fines for False Patent Marking*, 17 MICH. TELECOMM. TECH. L. REV. 181, 183 (2010).

<sup>252</sup> *Id.*

<sup>253</sup> 35 U.S.C. § 292. The America Invents Act, signed into law by President Obama on September 16, 2011, places further restrictions on collecting damages for false patent markings that have yet to be determined by the courts. Leahy-Smith America Invents Act, § 16(b), 35 U.S.C. § 292. The Act has changed the standing requirements for bringing an action based on false patent markings. *Id.* § 292(b). In order to file a lawsuit, the plaintiff must show that they have suffered a competitive injury. *Id.* § 292(a). The U.S. government may also institute an action and recover statutory damages. *Id.* The Act also allows for the institution of virtual marking by using the word “patent” or “Pat.” on a product and then referencing a publicly accessible website that provides additional information about the patent. *Id.*

<sup>254</sup> 35 U.S.C. § 292.

<sup>255</sup> *Id.*

patented; notably, the patent owner can accrue damages even if the infringer did not know about the patent.<sup>256</sup> However, if an article is marked and not protected by a patent, either by virtue of the patent being expired or the article not being protected by a patent, the manufacturer of the article may be subject to liability for false marking.<sup>257</sup>

In the wake of *Forest Group*, the number of § 292 actions has greatly increased.<sup>258</sup> The Public Patent Foundation brought one action against GlaxoSmithKline for several of its CITRUCEL® branded products that were labeled with several patents.<sup>259</sup> Two of these patents had been the subject of litigation between GlaxoSmithKline and infringers in 2000 and 2004.<sup>260</sup> As a consequence of those litigations, GlaxoSmithKline was aware of the expiration date of the patents, which occurred in 2005.<sup>261</sup> The Public Patent Foundation alleged that in marking the products with these patent numbers in 2007, GlaxoSmithKline was attempting to deceive the public in violation of 35 U.S.C. § 292.<sup>262</sup> In addition, it was alleged that § 292 violated Article II of the Constitution.<sup>263</sup>

The motion to dismiss came before the court under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim.<sup>264</sup> Judge Richard Berman, sitting in the Southern District, held that false marking claims must meet the heightened particularity requirement of Rule 9(b) for claims alleging fraud.<sup>265</sup> Thus, a plaintiff alleging false marking must “provide some objective indication to reasonably infer that the defendant was aware that the patent expired.”<sup>266</sup> To bring a claim under 35 U.S.C. § 292 for false marking, a plaintiff must show that the defendant had “intent to deceive the public.”<sup>267</sup> Such intent can be shown where the

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<sup>256</sup> *Forest Grp., Inc.*, 590 F.3d at 1302–03.

<sup>257</sup> *See id.*

<sup>258</sup> Cotter, *supra* note 252, at 183.

<sup>259</sup> *Pub. Patent Found., Inc. v. GlaxoSmithKline Consumer Healthcare, L.P.*, No. 09 Civ. 5881(RMB), 2011 WL 1142917, at \*1 (S.D.N.Y. March 22, 2011).

<sup>260</sup> *Id.* at \*2.

<sup>261</sup> *Id.*

<sup>262</sup> *Id.*

<sup>263</sup> *Id.* at \*1.

<sup>264</sup> *Id.*

<sup>265</sup> *Id.* (citing *In re BP Lubricants USA Inc.*, 637 F.3d 1307, 1311 (Fed. Cir. 2011)).

<sup>266</sup> *Pub. Patent Found.*, 2011 WL 1142917, at \*1 (quoting *In re BP Lubricants USA Inc.*, 637 F.3d at 1311)).

<sup>267</sup> *Pub. Patent Found.*, 2011 WL 1142917, at \*2 (citing *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009)); *Max Impact, LLC v. Sherwood Grp., Inc.*, No. 09 Civ. 0902(LMM), 2009 WL 2448108, at \*1 (S.D.N.Y. 2009)).

patent was subject to prior litigation.<sup>268</sup> However, in the absence of litigation, no intent to deceive can be presumed.<sup>269</sup> Simply marking a product does not indicate intent to deceive, but the knowledge of an expired or expiring patent may indicate the intent to deceive.<sup>270</sup>

Where the patent owner had been involved in prior litigation regarding the patents, the owner would have reason to be aware of the expiration dates of the patents.<sup>271</sup> Thus the intent to deceive the public could be inferred from the fact of misrepresentation and the knowledge that the patents had expired.<sup>272</sup> In contrast, where the patent owner had no reason to know of the expiration date of the patent intent to deceive the public could not be inferred.<sup>273</sup> One of the patents that GlaxoSmithKline allegedly falsely marked its products with had not been subject to any prior litigation.<sup>274</sup> The plaintiff had not alleged any reason for the owner to be aware of its specific expiration date.<sup>275</sup> Further, the plaintiff had not alleged any other circumstance to allow for deceptive intent to be inferred.<sup>276</sup> The mere fact that GlaxoSmithKline was a “sophisticated company” with a legion of patent and advertising lawyers was not enough to infer intent to deceive the public.<sup>277</sup> Thus, in the false marking context it is necessary to plead intent to mislead the public with facts from which such intent can be inferred.<sup>278</sup>

This case should stand as a warning to § 292 plaintiffs. It, along with the America Invents Act of 2011, may serve to limit the number of false marking cases that are brought and ultimately survive a motion to dismiss. On the other hand, patents that were once infringed or had their day in court may be susceptible to additional attacks if they are marked on associated goods after the expiration of the patents. The Southern District of New York also denied the motion to dismiss on the question of the constitutionality of § 292.<sup>279</sup> While the Federal Circuit has decided several appeals concerning false marking cases, it has not directly addressed the

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<sup>268</sup> *Pub. Patent Found.*, 2011 WL 1142917, at \*2 n.2.

<sup>269</sup> *See id.*

<sup>270</sup> *Id.* at \*3.

<sup>271</sup> *Id.* at \*2.

<sup>272</sup> *See id.*

<sup>273</sup> *See id.* at \*3.

<sup>274</sup> *Id.*

<sup>275</sup> *Id.*

<sup>276</sup> *Id.*

<sup>277</sup> *Id.*

<sup>278</sup> *Id.*

<sup>279</sup> *Id.*

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constitutional considerations. Although this court determined that there was no conflict with Article II, not all district courts have decided the same way.<sup>280</sup> Thus, the constitutional question may be ripe for consideration by the Federal Circuit.

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<sup>280</sup> See, e.g., *Unique Prod. Solutions, Ltd. v. HY-Grade Valve, Inc.*, 765 F. Supp. 2d 997 (N.D. Ohio 2011), *vacated*, 2011 WL 924341 (N.D. Ohio Mar. 14, 2011).