Intellectual Property and Tech Transactions Update

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Notable Developments

Supreme Court Clears the Way for "Generic.com" Trademark Registrations

On June 30, 2020, the Supreme Court issued a decision holding that the combination of a generic word and ".COM" is not generic and may be eligible for federal trademark registration if consumers do not view the combination as a generic name. The decision cleared the way for Booking.com B.V. ("**Booking.com**") to register its company name as a trademark. In addition to the decision's implications for trademark protection, the case is notable for being the Court's first ever oral argument conducted via telephone in the midst of the COVID-19 pandemic.

The case arrived at the Supreme Court after both a United States Patent and Trademark Office (the "**USPTO**") examining attorney and the USPTO's Trademark Trial and Appeal Board found the term "BOOKING.COM" to be generic for online hotel reservation services and therefore ineligible for federal trademark registration. These decisions were subsequently reversed by the U.S. District Court for the Eastern District of Virginia. The District Court, relying on consumer survey evidence that about 75% of the consuming public understood the compound term to refer to a single company, ruled that the term was descriptive and had acquired secondary meaning. As such, the District Court held that BOOKING.COM could be registered as a trademark for hotel reservation services. The Fourth Circuit affirmed the District Court's determination.

On appeal to the Supreme Court, the USPTO urged the Supreme Court to adopt the categorical rule that adding ".COM" to a generic word does not qualify the compound term for federal trademark protection. The USPTO argued that such a rule follows from the Supreme Court's 1888 decision in *Goodyear's India Rubber Glove Mfg. Co. v. Goodyear Rubber Co.* in which the Supreme Court held that "GOODYEAR RUBBER COMPANY" could not be registered as a trademark because the phrase commonly referred to goods produced by the new Goodyear invention process. As "GOODYEAR RUBBER" was the generic term to refer to a class of goods, the Supreme Court held that adding "COMPANY" to the term did not render the compound term protectable as a trademark because "COMPANY" only signified that the parties had formed a legal association to sell their products. In the instant case, the USPTO argued that a "GENERIC.COM" name should be considered a modern version of "GENERIC COMPANY" and therefore should also be ineligible for federal trademark protection.

The Supreme Court rejected the USPTO's proposed rule, holding that a compound "GENERIC.COM" term is generic for a category of goods or services only if consumers perceive it as such. As applied to the instant case and Booking.com's company name, the Supreme Court held that "BOOKING.COM" should therefore not be considered a generic term as the lower courts determined that consumers do not perceive the term to refer generically to the class of online hotel reservation services. A rule that disregards consumer perception, the Supreme Court highlighted, would be "incompatible with a bedrock principle of the Lanham Act."

In reaching its conclusion, the Supreme Court also found the USPTO's premise equating "GENERIC.COM" to "GENERIC COMPANY" to be a faulty one, and distinguished that a "GENERIC.COM" term can convey to consumers an association with a particular website—a source-identifying characteristic. The Supreme Court also pointed out that some of the USPTO's previous positions on trademark registrations went against its proposed rule. For example, "art.com" is registered as mark for an online retail store selling art and art prints.

Justice Breyer was the only dissenting justice. Justice Breyer argued that adding a top-level domain like ".COM" to a generic term is insufficient to distinguish the source of the goods or services and the ".COM" top-level domain is a necessary component of any web address, specifying that the "whole is necessarily no greater than the sum of its parts." Justice Breyer also identified concerns around potential anticompetitive effects stemming from a slew of "GENERIC.COM" trademark registrations that the majority decision could prompt.

While legal observers have commented that the decision seems to clear the way for at least some "GENERIC.COM" trademark registrations, the Supreme Court made clear that such terms are not automatically eligible for federal trademark protection. The Supreme Court emphasized that the analysis will still center on whether consumers distinguish each compound term to be source-identifying and the ruling may only provide a basis for registration for "GENERIC.COM" names that have garnered a large enough consumer base. Legal commentators have questioned, however, whether the Supreme Court's emphasis on consumer perception in the inquiry might also open the door for the registration of other types of terms that have routinely been deemed non-registerable, for example, to "#generic" trademarks.

The Supreme Court's opinion can be found **here**.

Federal Circuit Invokes the *Kessler* Doctrine in *In Re PersonalWeb Technologies, Inc*. to Bar New Patent Infringement Suits Against Amazon Customers

On June 17, 2020, the Federal Circuit invoked the *Kessler* doctrine in its opinion in *In Re PersonalWeb Technologies, Inc*. to clarify that a patent owner is barred from suing a manufacturer's customers for patent infringement if the patent owner previously sued the manufacturer for infringement on the same products and the patent owner's claims were dismissed with prejudice. The *Kessler* doctrine has been used in instances where neither claim preclusion nor issue preclusion apply. First articulated in the Supreme Court's 1907 decision in *Kessler v. Eldred*, the *Kessler* doctrine is intended to allow "an adjudged non-infringer to avoid repeated harassment for continuing its business as usual post-final judgment in a patent action where circumstances justify that result."

The case at issue concerned a series of consolidated patent infringement lawsuits filed in 2018 by PersonalWeb Technologies, Inc. ("**PersonalWeb**") against website operators that were Amazon customers using Amazon's web-based storage system Simple Storage Service ("**S3**"). The Amazon S3 generates an ETag providing identifying information for every item it stores. PersonalWeb claimed that the use of these ETags infringed its “True Name” patents, which covered a mathematical system that allows computers to better identify data in their systems by creating “substantially unique” identifiers for each small item of data based on the item’s content. However, fatal to PersonalWeb’s 2018 lawsuits was the fact that PersonalWeb previously sued Amazon for patent infringement in 2011 in the Eastern District of Texas claiming Amazon infringed the same “True Name” patents by using the S3 system. In the 2011 suit, the District Court issued a claim construction order that prompted PersonalWeb to stipulate to the dismissal of all claims against Amazon with prejudice and a final judgment against PersonalWeb was entered in June 2014.

The 2018 lawsuits against Amazon’s customers were consolidated and assigned to the District Court for the Northern District of California. Amazon, intervening on behalf of its customers, moved for summary judgment, arguing that PersonalWeb was barred from patent infringement claims against Amazon and its customers based on the S3 system in light of its 2011 suit against Amazon. Amazon’s motion for summary judgment was granted in part, holding that PersonalWeb’s claims of infringement relating to the S3 system after the E.D. Texas judgment were barred under the *Kessler* doctrine.

On appeal, the Federal Circuit dismissed PersonalWeb’s argument that Amazon was not an “adjudged non-infringer” under the *Kessler* doctrine. PersonalWeb argued that the doctrine is based on principles of collateral estoppel and the 2011 suit was dismissed prior to any adjudication on the merits, including decisions on infringement or invalidity. However, the Federal Circuit cited precedent where the *Kessler* doctrine was at issue and noted none of the cited cases limited the doctrine to applying to infringement or invalidity issues that were actually litigated.

Furthermore, the Federal Circuit highlighted that the with-prejudice dismissal of PersonalWeb’s claims in 2011 had no contingencies attached, nor did PersonalWeb make any reservations when it abandoned its claims against Amazon. Therefore, the judgment stands as an adjudication against Amazon that it was not liable for the alleged infringing acts. The Federal Circuit also highlighted that the *Kessler* doctrine is grounded in an understanding that if a manufacturer prevails in a patent infringement suit, it would not be able to reap the benefits of the judgment if the plaintiff can also sue the manufacturer’s customers. In effect, the *Kessler* doctrine grants a “limited trade right” to “any products as to which the manufacturer established a right not be sued for infringement.” Under this understanding, the E.D. Texas judgment protects Amazon’s S3 from subsequent infringement actions based on the “True Name” patents against not only Amazon itself, but also against Amazon’s customers.

The Federal Circuit’s opinion can be found **here**.

California Privacy Rights Act Qualifies for November Ballot

On June 25, 2020, the California Privacy Rights Act (the “**CPRA**”) qualified for the November 3, 2020 ballot with more than 900,000 signatures from proponents. The CPRA is intended to replace and expand upon the California Consumer Privacy Act (the “**CCPA**”), which has been effective since January 1, 2020. If approved by voters, the CPRA would go into effect on January 1, 2023, with enforcement starting July 1, 2023. While this timeline may provide some comfort for businesses still updating their privacy policies and practices in line with CCPA, businesses would be well advised to begin thinking about the additional requirements that would come into force with the CPRA given that reported polling has suggested a likelihood of the ballot measure being approved.

Under the CPRA, consumers would enjoy rights beyond those granted by the CCPA. For example, consumers would have the right to opt out of the sharing, in addition to the sale, of personal information with a third party for cross-context behavioral advertising, and consumers’ right to delete personal information would apply to businesses’ service providers as well as the business itself. The CPRA also creates a category of sensitive personal information, which would include government-issued identification numbers, financial account details, location detail, and biological data, among other types of personal information. Consumers would be able to request corrections to inaccurate personal information, as well as restrict the use of their sensitive personal information. Additionally, the CPRA would provide for a California Privacy Protection Agency to implement and enforce the CPRA. This agency would be independent from the California Attorney General's office and would be funded with fines collected from violations of the CPRA. The CPRA also would enhance the penalties for violations involving minors.

In addition to broader consumer protections, the CPRA would modify businesses' obligations under California law, including by instituting additional requirements relating to the transparency of business practices. For example, to protect consumer data, the CPRA would require that businesses update their opt-out link to state, "Do not sell *or share* my personal information" and generally provide a link to "limit the use of my sensitive personal information." Under the CPRA, businesses would be required to disclose how long they plan to retain personal information. The CPRA also institutes new requirements regarding businesses' contracts with third parties and would require businesses, and entities to which businesses disclose personal information, to have a contract that provides the same level of personal information protection as the CPRA. While some revisions under the CPRA may be welcomed by businesses concerned about the CCPA's requirements—for example, where the CCPA requires businesses that collect data from 50,000 or more Californian consumers or households to comply with the CCPA, the CPRA raises that threshold to 100,000 consumers or households—on the whole the CPRA would impose greater obligations on businesses than the CCPA.

The full text of the CPRA as submitted to the California Office of the Attorney General can be found **here**. For additional analysis of the CPRA, please see our previous client memorandum available **here**.

United States Intellectual Property Offices Respond to COVID-19 with Expanded Electronic Filings, Adjusted Timelines, and Fee Waivers

As the COVID-19 pandemic continues to impose significant hardships on businesses, the USPTO and United States Copyright Office ("**USCO**") have implemented various measures to help alleviate the impact of the pandemic on businesses and individuals seeking intellectual property protections.

USPTO COVID-19 Trademark Prioritized Examination Program

On June 15, 2020, the USPTO announced a new COVID-19 Prioritized Examination Pilot Program for certain trademark and service mark applications. Under this program, the USPTO will begin accepting petitions for prioritized examination of up to 500 qualifying patent applications without requiring payment of certain fees normally associated with prioritized examination. To qualify for this program, a patent application must contain one or more claims to a product or process related to COVID-19, and be subject to an applicable Food and Drug Administration approval for COVID-19 use. Furthermore, applicants must qualify for either small or micro entity status under 37 CFR §§ 1.27-1.29. The USPTO aims to provide final dispositions on patent applications in the program within 12 months of the data prioritized status is granted. More information regarding the program, including how to apply, can be found **here**.

Additional USPTO Responses to COVID-19

In March 2020, the USPTO announced that examiner and examining attorney interviews, Patent Trial and Appeal Board and Trademark Trial and Appeal Board oral hearings, and any other similar in-person meetings with parties and stakeholders will be conducted remotely by video or telephone. For those affected patent and trademark applicants, the USPTO has waived petition fees in certain situations, waived the original handwritten signature requirements for certain correspondence and payments and has extended the time allowed to file certain patent and trademark-related documents and to pay certain required fees under the Coronavirus Aid, Relief, and Economic Security Act. The USPTO has also announced that it will temporarily permit the filing of plant patent applications and initial patent term extension applications that meet certain criteria via the USPTO patent electronic filing systems.

Additionally, in June 2020, the USPTO launched the COVID-19 Response Resource Center to provide small businesses and inventors with improved access to USPTO initiatives and intellectual property-related information regarding the COVID-19 outbreak. Updates from the USPTO related to COVID-19 can be found **here**.

USCO Response to COVID-19

On April 6, 2020, the USCO announced an adjustment to timing provisions relating to certain copyright registration claims, notices of termination, paper-based notices of intention, and statements of account for entities impacted by COVID-19. These emergency modifications have been extended through September 8, 2020. Additionally, the USCO has also implemented temporary rules surrounding the requirement of physical deposits, including the option to submit electronic deposits with a required certification that an electronic submission has the same contents as the requisite physical deposit.

These adjustments allow affected copyright owners to receive additional time to register a work, increasing eligibility for certain remedies in infringement actions. The ordinary three-month window for statutory damages and attorney's fees in connection with a copyright infringement action will be extended specifically for those applicants unable to meet certain deadlines due to COVID-19, such as applicants who could not mail physical materials or applicants who lacked access to a computer. The adjustments provide similar accommodations for persons prevented from serving or recording notices of termination within the regular statutorily required time periods. Additional information regarding the USCO's operations and policies during COVID-19 can be found **here**.

$1 Billion Jury Verdict Largely Affirmed Against Internet Service Provider for Secondary Liability in Copyright Infringement Suit

On June 2, 2020, a Virginia federal judge affirmed, in large part, a $1 billion jury verdict against Cox Communications, Inc. ("**Cox**"), a telecommunications and internet service provider in the United States, brought by over 50 members of the music industry, including 16 record companies. At trial, the jury found Cox vicariously and contributorily liable for its subscribers' copyright infringement of 10,017 works and in its June opinion the District Court affirmed the statutory damages per infringed work at $99,830.29. However, the District Court noted the number of infringed works may be revised down and Cox was given an opportunity to resubmit evidence as some of the copyrighted works may have been double counted.

Following the jury's verdict, Cox moved for a new trial, challenging the constitutionality of the massive award and alleging the jury improperly considered Cox's total profits as well as a "need to punish" Cox in determining damages. Cox also moved for judgment as a matter of law, requesting a recount of the number of works infringed, specifically challenging (1) the District Court's method of counting songs versus albums and (2) its consideration of two different copyrights within one song as constituting two "works."

The District Court found for the plaintiffs on all counts with respect to Cox's request for a new trial. The District Court noted that the jury considered Cox's 13-strike policy for terminating infringing users and found that actual, and especially permanent, termination was rare. The District Court held the jury did not err in its damages award per work nor in finding Cox's infringement willful. In addition, the District Court noted that the statutory damage award per work was more than $50,000 below the statutory cap, that vicarious liability is not meant to be lower than direct liability, and that it was irrelevant that the jury awarded far higher aggregate damages than in other internet service provider cases. Furthermore, the District Court noted that Cox's total wealth could be considered in choosing the damages amount, that a desire to punish Cox was not an improper consideration, and that the award was not unconstitutional on due process grounds.

Regarding the counting of infringed works, the District Court analyzed at length the proper method for counting, ultimately affirming in favor of the plaintiffs on one ground and in favor of Cox on the other. In

Cox's favor, the District Court held that even where there are two different copyrights in the same song, specifically the musical composition ("**MC**") copyright and the sound recording ("**SR**") copyright, only one work is infringed. A song's SR and MC copyrights are typically held by separate entities. The District Court reasoned that "sound recording" is in the Copyright Act's definition of "derivative work," and the Copyright Act limits statutory damages to one award per derivative work "regardless of the number or identity of copyright owners that may have claims to that one work." Because the number of works determined at trial did not necessarily use the proper standard (some songs may have been counted for both SR and MC infringement), the District Court gave both sides initially until the end of July to provide new lists of works infringed.

On the issue of whether to count songs or albums in the number of works infringed, the District Court noted a split among the U.S. Courts of Appeals wherein the court could (1) count a pirated album as one infringed work (a "compilation" under the Copyright Act) or (2) count each song on the pirated album as a separate infringed work. The District Court rejected the "independent economic value test," followed by the First, Seventh, Ninth, Eleventh, and D.C. Circuits, which counts an individual copyright as its own work if it "has an independent economic value and is, in itself, viable." Such test focuses primarily on where the market places value and, consequently, the manner in which copyrights were infringed, rather than how the works were marketed and sold by their copyright holders. The District Court chose instead to follow the Second Circuit in holding that a song is an individual work where it was marketed or sold as an individual work, and a whole album is one work where it was marketed and sold only as a whole album. In other words, the focus is not on how the defendant infringed, but on how the plaintiff sold the work(s). On these facts, however, the District Court held the plaintiffs had put forth satisfactory evidence that the individually counted songs had indeed been issued individually, and therefore the count of works infringed was properly assessed as to the compilation question. This case is one of several recent examples of music industry plaintiffs using courts to force internet service providers to take copyright infringement by their subscribers seriously.

The District Court's opinion can be found **here**.

Supreme Court Holds Legal Code Annotations by State Lawmakers Are Not Copyrightable

On April 27, 2020, the Supreme Court ruled 5-4 that annotations of laws, although not legally binding, are not protected by copyright under the government edicts doctrine if the annotations were authored by "an arm of the Legislature in the course of its legislative duties."

Over 40 years ago, the State of Georgia established the Code Revision Commission (the "**Commission**") to consolidate all its state laws into a single Official Code of Georgia Annotated (the "**Code**") and has contracted with third parties to create annotations to the laws in the Code. With respect to the annotations at issue in this case, the Commission worked with a division of the LexisNexis Group ("**Lexis**") under a work-for-hire arrangement to create an annotated version of the Code, which includes citations, analyses, opinions, and interpretations. Under the arrangement, authorship (and therefore copyright ownership) of the annotations vested in the Commission, while Lexis was granted the exclusive right to publish, distribute and sell the annotated version of the Code. When a nonprofit dedicated to the provision of free legal and governmental materials, Public.Resource.Org, Inc., distributed the annotated Code online for free download without a license, Georgia sued for copyright infringement.

Writing for the majority, Chief Justice John Roberts pointed to three central cases from the nineteenth century establishing the government edicts doctrine, the basic premise of which is that no one can own the law. In those early cases, it was established that judges could not be "authors" of any work they created in their capacity as lawmakers. Because original authorship is a prerequisite to copyright protection, the doctrine prevents judges from claiming copyright ownership in any work created in their judicial capacity, such as dissenting opinions. The government edicts doctrine does not turn on whether the resulting work carries the force of law, but rather on the work's authorship. A work cannot be protected by copyright where the author (1) has the ability to speak with the force of law and (2) in making the work, is acting within the scope of his or her official duties. In this case, the Supreme Court extended that logic from judges to legislative actors.

In analyzing the two threshold prongs of the government edicts doctrine, the Supreme Court first found that the author of the annotations, the Commission, was a legislative actor with the ability to speak with the force of law. Although Lexis performed the bulk of the drafting, it did so pursuant to a work-for-hire agreement which made the Commission the annotations' statutory author. The Commission also supervised the drafting and specified in detail what needed to be included in the annotations. Second, the Supreme Court found the Commission acted within the scope of its legislative duties in drafting the annotations. The annotations reveal to readers, who are subject to the Code, the specifics of what the legislature believes is relevant in interpreting the laws in the Code, a function comparable to a judge's non-binding explanatory legal analysis.

Georgia had argued that "annotations" are specifically listed in the Copyright Act as types of works that are eligible for copyright protection. However, the Court noted that although annotations generally, like literary works or sound recordings, are eligible for copyright protection, all works must also demonstrate a legitimate statutory author, and the government edicts doctrine keeps the Commission out of that category. Georgia also argued that the Copyright Act specifically excludes from the scope of copyright protection works prepared by federal, but not state, officers and employees in the course of their official duties. However, the Supreme Court held that such prohibition does not negatively imply that state-level actors can copyright all of their works. The government edicts doctrine is separate from, and narrower than, the general statutory rule cited by Georgia. Federal actors acting in their official capacities cannot claim copyright even in works wholly unrelated to lawmaking, whereas the government edicts doctrine applies only where actors with lawmaking capacity are acting within the scope of that authority. Thus, the Supreme Court held that the government edicts doctrine is not limited by the Copyright Act's prohibition against certain federal copyrights, and state-level actors are within its reach.

Georgia also made a policy argument that this holding could prevent state legislatures from being able to afford to partner with private parties like Lexis to create helpful annotations. The Court rejected this argument as a question for Congress, rather than the judiciary. Twenty-five other jurisdictions currently have in place arrangements similar to Georgia's for the production of their annotated codes. It remains to be seen if any legislative activity will arise on this issue.

Justices Thomas, Alito, Breyer, and Ginsburg dissented in two separate opinions.

The Supreme Court's opinion can be found **here**.

Land Rover Loses U.K. Trademark Battle over Shape of SUV

On August 3, 2020, Jaguar Land Rover Ltd. ("**JLR**") lost its bid to obtain trademark protection for the shape of its Defender SUV, with the U.K. High Court upholding a decision by the U.K. Intellectual Property Office ("**U.K. IPO**") that the SUV's features were not distinctive enough to merit intellectual property protection.

JLR's trademark battle over the Defender SUV began when JLR ended production of the Defender model in January 2016. Following a failed attempt to purchase JLR's Defender product line, an individual named Sir Jim Ratcliffe formed a company, Ineos Automotive ("**Ineos**") to mass-manufacture its own version of the Defender SUV, named the Grenadier. In response, JLR filed a trademark infringement suit against Ineos in the U.K., claiming that the shape of the Defender SUV should be protected as a trademark due to its distinctiveness and association with the Land Rover brand. The U.K. IPO had previously ruled that the outline and styling details of the Defender SUV were not distinctive enough to be protected as trademarks, reasoning that while the SUV's design elements may be significant to certain automotive experts or enthusiasts, they "may be unimportant, or may not even register, with the average consumer." On appeal, the U.K. High Court upheld the U.K. IPO's decision, stating that the shape of the Defender did not "depart significantly from the norms and customs of the passenger car sector" and therefore lacks the necessary distinctiveness to be a trademark.

JLR had previously lost a trademark infringement suit involving the Defender SUV in the U.S. as well. In January 2019, a Michigan federal jury rejected JLR's claims that the Bombardier Recreational Products Inc. ("**Bombardier**") off-road vehicle named that Can-Am Defender infringed JLR's trademark for the Defender SUV. While the jury upheld JLR's U.S. Defender trademark, it concluded that there was no likelihood of consumer confusion between JLR's Defender SUV and the Can-Am Defender because the two vehicles served different industries and markets.

The U.K. High Court decision can be found **here** and the U.K. IPO decision can be found **here**.

If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your usual Davis Polk contact.

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