

**Intriguing IP Cases You Might've Missed
(and what we can learn from them)**

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YW&C

Scenarios We'll Examine

- “Is Hatch-Waxman (Still) Being Gamed?”
 - *In re Cipro*
 - *Reverse payments in pharmaceutical patent cases*
- “It’s a bird, it’s a plane, it’s another bite at the apple”
 - *Siegel v. Warner Bros. Entm’t*
 - *Penguin Group (USA) Inc. v. Steinbeck*
 - *Re-visiting past licenses of Superman, Steinbeck novels*
- “Trademarks and the Internet, Part 1”
 - *Tiffany, Inc. v. eBay, Inc.*
 - *Policing offerings of counterfeit goods on the Internet*

Scenarios We'll Examine

- “Trademarks and the Internet, Part 2”
 - The Google Adwords cases
 - *A novel form of advertising, free-riding, or just TM infringement?*
- “IP in Virtual Worlds_____”
 - *Eros, L.L.C. v. Robert Leatherwood & John Does 1-10*
- “Harry Potter: The icon, the Lexicon”
 - *Warner Bros. Ent'mt, Inc. v. RDR Books*
 - *The Harry Potter Lexicon copyright infringement case*

Is Hatch-Waxman (Still) Being Gamed?

In re Cipro (Fed. Cir. 2008)

Patentee's settlement of litigation by paying generic competitor to settle case and delay marketing product did not violate Sherman Act §1



Is Hatch-Waxman (Still) Being Gamed?

Hatch-Waxman Act (Pub. L. No. 98-417, 98 Stat. 1585):

Enacted (1984) to streamline approval of generic drugs

- **Estimated consumer savings per year: \$8-\$10 billion**
 - **Streamlines FDA approval process**
 - **Generic applicant files ANDA, not rigorous NDA**
 - **Generic must show “bioequivalency” to approved drug**
- **ANDA Para IV certification challenges patent on drug**
- **If patentee sues in 45 days, FDA can't approve ANDA for 30 months**

Is Hatch-Waxman (Still) Being Gamed?

Hatch-Waxman Side Effects

- “Reverse payments”
 - Major drug maker (“pioneer patentee”)
 - Generic intending to market (“ANDA first-filer”)
 - Patentee files infringement suit
 - Sometimes pays ANDA first-filer \$X00 million to settle
 - Sometimes delays ANDA first-filer’s entry into market
- “Exclusivity parking”
 - Hatch-Waxman gives ANDA first-filer 6 month exclusivity
 - ANDA 2nd-filer *et seq.* can’t market until exclusivity enjoyed
 - Some ANDA 1st-filers delayed marketing, never enjoyed

Is Hatch-Waxman (Still) Being Gamed?

Reverse Payments

In re Ciprofloxacin Hydrochloride Antitrust Litigation, 2008 WL 4570669 (Fed. Cir. Oct. 15, 2008) (Schall, Prost, T. John Ward)

- Bayer held patent on Cipro
- Barr (generic) was ANDA 1st-filer
- Bayer filed infringement suit, which ultimately settled
- Settlement Agreements:
 - Generic Barr admitted validity and infringement
 - Patentee Bayer paid \$398 million, over time, to generic Barr
 - Barr would not market generic CIPRO 'til after patent expired

Is Hatch-Waxman (Still) Being Gamed?

Reverse Payments: *In re Cipro*

Lawsuits:

Direct/indirect Cipro buyers: “Agreements are anticompetitive”

Trial court granted SJ to Barr and Bayer on Sherman Act claims:

- Exclusion of Barr from marketing was only until patent expired
- No longer than patentee Bayer lawfully could exclude Barr

Is Hatch-Waxman (Still) Being Gamed?

Reverse Payments: *In re Cipro*

On Appeal:

Federal Circuit affirmed

- Long-standing policy favors settlement of litigation
- Litigation settlement permissible even if has some anticompetitive effects
- Agreements didn't stop other generics from challenging patents
 - Some actually did, and lost
- “The essence of the Agreements was to exclude the [generic] defendants from profiting from the patented invention. This is well within Bayer's rights as the patentee.” [!]
- Antitrust inquiry need not consider strength of patent, absent evidence of fraud on PTO or sham litigation

Is Hatch-Waxman (Still) Being Gamed? Take Away Points

- In re Cipro* generally consistent with other circuit decisions
- Agreements didn't stop other generics from challenging patent
- Agreement carefully avoided unreasonably harming competition
- Avoided overreaching (didn't include exclusivity period)



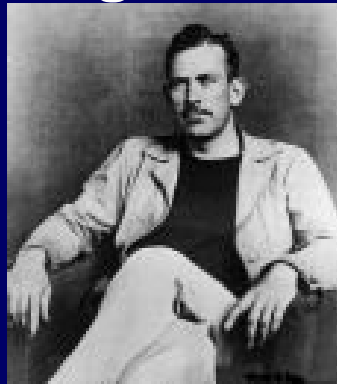
It's a bird, it's a plane, it's another bite at the apple

***Penguin Group (USA) Inc. v. Steinbeck* (2d Cir 2008)**

Steinbeck's heirs unable to re-visit book license

***Siegel v. Warner Bros. Entm't* (C.D. Cal. 2008)**

**Superman co-creator's heirs could terminate
prior grant of copyright rights**



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It's a bird, it's a plane, it's another bite at the apple
***Penguin Group (USA) Inc. v. Steinbeck* (2d Cir 2008)**

John Steinbeck licensed Viking Press in 1938

1984: widow Elaine (copyright holder) and publisher . . .

- Reach new agreement
- Expressly canceled and superseded 1938 agreement
- Enhances benefits to Elaine

2003: Elaine dies, leaves rights to certain heirs . . .

- Excludes Steinbeck's sons from prior marriage ("Thomas et al")

2004: Thomas et al serve publisher with "Notice of Termination" of grants in 1938 agreement

It's a bird, it's a plane, it's another bite at the apple
Penguin Group (USA) Inc. v. Steinbeck (2d Cir 2008)

Copyright law and policy:

- Authors often enter long-term agreements with publishers
- When publishers have all the bargaining power
- Successful authors enjoy less of the fruits of their labor

Second bite at the apple:

- 17 U.S.C. 304(c), (d) [pre-1978 agreements]
- 17 U.S.C. 203 [post-1978 agreements]

It's a bird, it's a plane, it's another bite at the apple
Penguin Group (USA) Inc. v. Steinbeck (2d Cir 2008)

Section 304 applied to this case (1938 agreement)

Permits termination by author / statutory heir (>50%)

- within specific window of time
- of pre-1978 grant of rights
- notwithstanding any agreement to the contrary

Gives a second bite at the (licensing) apple

It's a bird, it's a plane, it's another bite at the apple
Penguin Group (USA) Inc. v. Steinbeck (2d Cir 2008)

Publisher, and Elaine's heirs, filed DJ: "Notice' invalid"

- **1994 Agreement already superseded 1938 Agreement**
- **Thus, no "pre-1978 grant of rights" to be revisited by Thomas et al**

Thomas et al prevailed at summary judgment

- **1994 Agreement could not cut off termination right**
- **Contrary to purpose of the statute**
- **Void as an "agreement to the contrary"**

It's a bird, it's a plane, it's another bite at the apple
Penguin Group (USA) Inc. v. Steinbeck (2d Cir 2008)

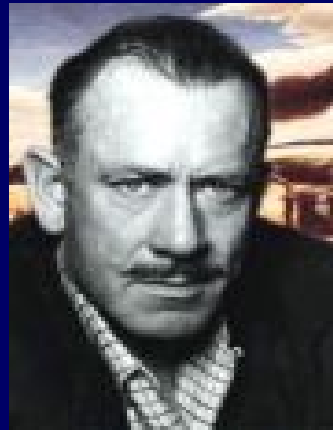
Second Circuit reverses

- **1994 Agreement expressly superseded 1938 Agrm't**
- **No pre-1978 grant existed to be revisited**
- **Elaine, in 1994, got the one permitted "second bite"**
- **Authors and heirs can't have multiple second bites**

It's a bird, it's a plane, it's another bite at the apple
***Penguin Group (USA) Inc. v. Steinbeck* (2d Cir 2008)**

Take Away points:

- **Highly technical, formalistic, complex**
- **Different structure for pre- and post-1978 grants**
- **Timing of execution of termination right is important**
- **Majority interest owner can thwart owners of minority interests**
- **Patry: “successful termination . . . a feat against all odds”**



It's a bird, it's a plane, it's another bite at the apple

Siegel v. Warner Bros. Entm't (C.D. Cal. 2008)

542 F.Supp.2d 1098

**1938 (again): Siegel and co-creator Shuster grant
copyright in Superman (for \$130)**

“Detective Comics” owned Superman rights

1975: New agreement

- Modest payments to S / S for remainder of their lives
- Medical insurance
- Credit as “creators of Superman”
- Provisions for Siegel’s wife if he died before 12/31/1985

It's a bird, it's a plane, it's another bite at the apple

Siegel v. Warner Bros. Entm't (C.D. Cal. 2008)

1976 enactment of Section 304(c)

- gave S / S, or heirs, termination right as to any prior grants of rights
- regardless of terms of those grants

2004: Siegel's heirs sue to terminate 1938 Agreement

Trial court:

- Upholds the heirs' termination (as to US rights)
- Acceptance of benefits under 1975 Agreement okay

Trademarks and the Internet, Part 1

Tiffany v. eBay

Tiffany, Inc. v. eBay, Inc. (S.D. N.Y. July 14, 2008)

eBay not liable as a contributory infringer for any alleged infringement by eBay sellers' of Tiffany marks



Trademarks and the Internet, Part 1

Tiffany v. eBay

eBay sellers sell Tiffany products

Many are genuine, some are counterfeit

eBay employs anti-fraud measures

- “trust and safety” employees, fraud engine, VeRO program)

When Tiffany notified it of infringement, it responded

Tiffany asked eBay to take additional steps

- e.g., bar sellers of >5 Tiffany items
- eBay declined

June 2004: Tiffany sued for direct / contributory infringement

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June 2004: Tiffany sued for direct / contributory infringement

Trademarks and the Internet, Part 1

Tiffany v. eBay

Tiffany argued eBay is contributory infringer

- Didn't take reasonable steps to deter infringement
- [Rest. 3d of Unfair Competition]

At bench trial, Judge Sullivan (SDNY) found for eBay

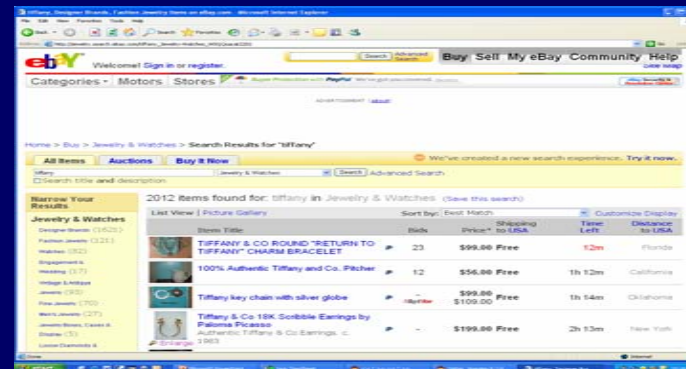
- Inwood test for contributory infringement
- Did eBay continue to serve sellers when eBay knew / had reason to know, of infringement by that seller?
 - Here, no.
- Court declined invitation to base decision on who could more effectively police eBay for counterfeiters

Trademarks and the Internet, Part 1

Tiffany v. eBay

Take away points:

- eBay took the long-term view re taking action to reduce fraud
- Stay tuned for possible appeal to 2nd Circuit
- eBay has had less success overseas on these issues



Trademarks and the Internet, Part 2

Google AdWords cases

Geico v. Google, Inc. (E.D. Va. 2005)

Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.
(N.D. Cal. 2007)

American Airlines, Inc. v. Google, Inc. (N.D. Tex.)
(settled 2008)

Trademarks and the Internet, Part 2

Google AdWords cases

Google offers AdWords advertising program

Customer buys advertising based on search result

- Customer ads appear as “sponsored links”
- Ads sometimes are above “organic” search results

Trademarks and the Internet, Part 2

Google AdWords cases

The screenshot shows a Microsoft Internet Explorer browser window displaying a Google search for "harry winston diamond ring". The search results page includes several organic results and sponsored links. The organic results include:

- Harry Winston Jewelry**: Auctions and free evaluations Browse and Bid Now. www.HA.com/Jewelry
- Fine jewelry by Harry Winston: diamond ring, engagement rings ...**: The Jeweler Harry Winston Known as the king of diamonds proposes diamond jewelry, diamond rings, engagement rings and luxury watches. www.harrywinston.com/ - 5k - Cached - Similar pages
- Harry Winston Engagement Rings**: For a discriminating couple with a taste for uniquely American gem design, a Harry Winston ring is the essence of diamond elegance. ... engagementrings.lovetoknow.com/wiki/Harry_Winston_Engagement_Rings - 37k - Cached - Similar pages
- Estate Diamond Rings, Designer Engagement Rings**: HARRY WINSTON Platinum diamond engagement ring containing one center Round Brilliant cut diamond weighing 1.23cts. This diamond is F color and VS1 clarity. ... www.dialadiamond.com/estate_jewelry/rings1mock.html - 68k - Cached - Similar pages
- Shopping results for harry winston diamond ring**:
 - PHOTOGRAPH OF HARRY WINSTON DIAMOND RINGS ... \$10.00 - eBay
 - 1954 Harry Winston Jewelry Diamond Rings Ring Ad \$7.25 - eBay
 - Hairy Winston Diamond Ring Haute Diggity Dog ... \$10.99 - eBay
- Harry Winston Diamond**: 14 posts - 8 authors

The sponsored links section includes:

- Winston Jewelry**: Huge collection of Charles Winston earrings, rings, bracelets & more! www.emitations.com
- Diamonds and Engagement**: All the Latest Designer Styles 50% - 70% Below Retail! HoustonDiamondOutlet.com 6222 Richmond Ave #255, Houston, TX
- Watches**: Sharp. Sophisticated. Stylish. Save on Harry Winston Diamond Ring! BizRate.com
- 2008 Holiday Shopping**: Holiday Gifts At Yahoo! Shopping. Great Deals On All Gifts shopping.yahoo.com

The browser's taskbar at the bottom shows several open applications, including Microsoft Office Word and Internet Explorer, with the system clock displaying 5:56 PM.

Trademarks and the Internet, Part 2

Google AdWords cases

Some trademark holders object:

- **“Sponsored links” suggest affiliation**
- **Initial interest confusion: consumers distracted, don’t return to original search destination**
- **Google knowingly encourages confusion**

Google responds:

- **Use of marks in code is not “use in commerce”**
- **Consumers’ visits to ad sites: comparison shopping**

Trademarks and the Internet, Part 2

Google AdWords cases

Geico (2005 WL 1903128):

- AdWords are “use in commerce” of Google marks
- Even if only used in Google code
- No likelihood of confusion unless mark in ad

Am. Wallpaper (2007 WL 1159950):

- Found use in commerce
- Noted contrary authority in 2d Cir non-Google case (1-800-Contacts)
- Enough evidence of confusion to survive SJ

Trademarks and the Internet, Part 2

Google AdWords cases

American Airlines:

- Survived 12(b)(6) motion
- Settled July 2008 on conf. terms, 3 months before trial setting

Take-away points:

Still an active area of litigation

Majority of courts find use in commerce

Cases hinge on whether confusion can be shown

Consider cost of suit v. value of sales lost due to sponsored links

Virtual World IP

Eros, L.L.C. v. Robert Leatherwood & John Does 1-10
(8:07-cv-01158-SCB-TGW) (M.D. Fla. 2008)

**Copyright infringement suit for Second Life
infringement**

Virtual World IP

Eros, L.L.C. v. Robert Leatherwood & John Does 1-10

Defendant accused of making and selling copies of Eros's "virtual products" within Second Life

Second Life:

- Internet-hosted, virtual world platform
- Interactive computer simulation
- Participants see, hear, use, modify sim objects
- Character / avatar virtually represents users
- Over 9 million Second Life users

Virtual World IP

Eros, L.L.C. v. Robert Leatherwood & John Does 1-10

Eros's marks, allegedly are famous and distinctive
within user community

Eros holds copyright registration for its "Items"

Difficulties for Eros:

Locating actual D, only knowing "avatar name"

Proving fame / distinction

"Virtual admissions" from Reuters report

Harry Potter

**Case: Warner Bros. Ent'mt, Inc. v. RDR Books
(S.D. N.Y. Sept. 8, 2008)**



Harry Potter

J.K. Rowling's "Harry Potter" series

- Beloved by U.S. school librarian S. Vander Ark
- Complex family trees, jargon, spells

Vander Ark saw need for a "lexicon" of terms

- Posted lexicon on Internet in 2000; free website
 - His lists of spells, characters, magic
 - Commentary, timelines, fan art, essays
 - A-Z cross-indexed, with hyperlinks

Harry Potter

J.K. Rowling and her publisher were fans of the site

- **“This is such a great site that I have been known to sneak into an Internet café while out writing and check a fact rather than go into a bookshop and buy a copy of Harry Potter (embarrassing)”**

Publisher’s editors and copyeditors referred to site “countless times during the editing of [book six] to verify a fact, check a timeline, or get a chapter & book reference for a particular event”

Harry Potter

RDR approached Vander Ark about a Lexicon book

- **Vander Ark was hesitant**
- **Recognized JKR's copyrights, knew she intended to publish HP encyclopedia**
- **RDR represented that they'd investigated copyright issues, found no problems**
- **RDR agreed to indemnify Vander Ark in book deal**

Harry Potter

Publication scheduled for late Oct. 2007

Plaintiffs filed suit Oct. 31, 2007; sought PI

- 4-day bench trial; emotional testimony
- Copying was admitted
 - Substantial similarity was disputed but found by court
- Lexicon not held to be derivative work
 - Not a mere transformation of media; gave HP a new purpose
- Primary defense was fair use

Harry Potter

Fair use factors:

- **Purpose and character of use:**
 - Transformative purpose (reference work)
 - Commercial nature “only . . . slightly” favors Ps
 - “Good faith / bad faith” slightly favors Ps
- **Amount and substantiality of use:**
 - Difficult question in view of voluminous amount of references
 - In “a number of places” copying was excessive

Harry Potter

Fair use factors:

- **Nature of work:**
 - Fiction; favors P's
- **Market harm:**
 - No harm to Harry Potter books
 - Some harm to JKR's companion books

Overall, court found factors “tip against” fair use

Many parts of Lexicon took more content than needed

YW&C

Harry Potter

Take away points:

- **Complex nature of HP very important**
 - Permeated court's opinion
 - Influenced fair use and derivative work outcomes
- **Counseling client**
 - What client needs to hear v. wants to hear
 - Extra-legal issues (fan criticism of SVA)

Wrap-up

Reverse payments:
Superman, Steinbeck:
Tiffany v. eBay:
Google AdWords cases:
Virtual world IP
Harry Potter

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