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A review of developments in Intellectual Property Law

Patent Exhaustion: Supreme Court Expands Patent-Limiting Doctrine



By Kevin E. Noonan, Ph.D.
The U.S. Supreme Court at the end of the past term handed down a decision, *Impression Products, Inc. v. Lexmark International, Inc.*, that greatly expanded the doctrine of patent

exhaustion.¹ This equitable doctrine prevents a patent holder from restricting further sales or use of a patented invention once the patentee has received the benefits of her patent from a first sale. In doing so, the Court upset the settled expectations of many patent holders and their licensees. Paradoxically, the decision is not inconsistent with the Court's recent pronouncements in other patent cases and other areas of intellectual property.² All of these decisions are also consistent with the Court's recent trend of limiting patent rights to the greatest extent possible as patent cases continue to come before it.

Background and the Opinion

In its *Lexmark* opinion, the Court reversed the Federal Circuit regarding the metes and bounds of the patent exhaustion doctrine. Simply stated, the Court ruled that the doctrine precludes a patentee from using the patent laws to enforce *any* agreement that restricted a purchaser's post-sale ownership rights in a patented article. The decision also reversed Federal Circuit precedent that permitted patentees to limit the scope of rights transferred to purchasers upon sale of a patented article, provided that such restrictions were "clearly worded."³ This portion of the decision was not entirely surprising, being consistent with earlier cases.⁴ What was unexpected, however, was the Court's further decision that exhaustion arose even as a consequence of sales of patented products sold abroad. This decision overturned the Federal Circuit's *Jazz Photo Corp. v. International Trade Commission*

decision, which had held that such products were outside the reach of exhausting U.S. patent rights.⁵

The case in *Lexmark* arose over the resale of laser printer toner cartridges, sold by Lexmark both in the U.S. and abroad. These cartridges were sold at a discount under an agreement that prohibited the buyer from selling the cartridges to any third party for reloading with new toner. Each cartridge contained a microchip that prevented third-party reloading, but technology developed in ways that the chip could be overridden. Petitioner/accused infringer Impression Products reloaded and sold Lexmark cartridges obtained from discount purchasers, both foreign and domestic. The district court dismissed Lexmark's infringement suit as to U.S. sales, but permitted pursuit of a patent infringement remedy for foreign sales; the Federal Circuit affirmed as to foreign sales

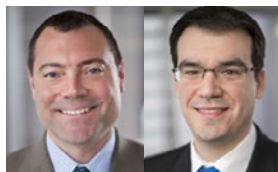
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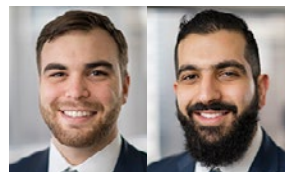
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but permitted Lexmark's infringement case to proceed for U.S. sales as well.

The Federal Circuit, relying on its (now-overruled) decision in *Mallinckrodt, Inc. v. Medipart, Inc.*, held that the patent right included the right to impose "clearly communicated" post-sale restrictions that could be enforced by an infringement suit.⁶ The Court's basis for this opinion was that the law defines infringement as "making, using, selling, offering to sell, or importing" a patented article "without authority," and thus post-sale restrictions would comprise infringement because they expressly denied the purchaser the requisite authority for unrestricted use.⁷ The Federal Circuit opined that the exhaustion principle presumptively prevented such restrictions but that presumption could be expressly rebutted by such post-sale restrictions.

As for sales made abroad, the Federal Circuit relied on its (now also overruled) decision in *Jazz Photo Corp. v. International Trade Commission*, where foreign sales did not preclude an infringement suit for unauthorized importation and sale of a patented article.⁸ This decision was based on the fact that a patentee did not reap the benefits of patent protection for sales made abroad, due to the lack of extraterritorial effect of a U.S. patent. The patentee does not receive a patent premium for a U.S. patent when an infringing article was sold abroad, and under these circumstances the Federal Circuit believed exhaustion was not justified.

Impression Products presented the Supreme Court with two questions: (1) Can a patentee impose an express restriction on use or reuse of a patented product sold in the U.S. that is enforceable under the patent laws?; and (2) Does sale of a patented article abroad exhaust the patentee's right to restrict importation of a product sold abroad? The Supreme Court's decision that the answer to both questions is "No" was based on its application of the common law principle against restraints on alienating property. Specifically, the Court reiterated that the patent exhaustion doctrine is grounded in this "ancient" principle and that patent law does not abrogate this proscription.⁹ The Court's opinion as to U.S. sales was unanimous, in an opinion colorfully written with regard to the facts by Chief Justice Roberts. Justice Ginsberg

dissented with regard to foreign sales, which she believed should not exhaust U.S. patent rights. Justice Gorsuch did not participate in the decision.

For resale of cartridges purchased in the U.S., the Court struck down any and all post-sale restrictions, holding that all patent rights were exhausted upon first sale. The basis for this decision was grounded expressly on the extent of protection provided by U.S. patent law, the Court recognizing that U.S. contract law might provide a cause of action (albeit limited by privity and other contract law restrictions). According to the Court's opinion, patent exhaustion and its application has been consistent in U.S. law for over 160 years.¹⁰ The Court characterized the function of exhaustion to operate "automatically"; once

The Court's decision in *Lexmark* (as the *Quanta* and *Kirtsaeng* decisions before it) has important ramifications for patent claims, more so for some technologies than others.

a patentee sells a patented article that article becomes "private, individual property" of the purchaser subject to no further rights by the patentee.¹¹ U.S. patent law rights conferred on a patentee are limited to the ability to set prices and negotiate with purchasers over terms of sales, but once the sale is made the patentee does not have the right, under patent law, to "control the use or disposition" of the product according to the Court.¹² This principle is consistent with the Court's recent decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*; indeed, the opinion states that this earlier decision should have removed "any lingering doubt that patent exhaustion applies even when a sale is subject to an express, otherwise lawful restriction."¹³

The *Lexmark* opinion also provides, as an illustration of the "annoyance and inconvenience" to the public that would result from the Court deciding otherwise, what could be expected to occur in an auto repair shop, where the component parts (should they be

subject to post-sale restrictions) could leave a mechanic open to patent infringement liability for servicing a privately owned vehicle. According to the Court, "[the] smooth flow of commerce would sputter if companies that make the thousands of parts that go into a vehicle could keep their patent rights after the first sale," a conclusion bolstered by *amici* briefs that used smartphones and other articles of manufacture constituting multiple patented components to make (quite persuasively, it seems) this very point.¹⁴

The opinion succinctly states the scope of the exhaustion doctrine: "Patent exhaustion is uniform and automatic. Once a patentee decides to sell—whether on its own or through a licensee—that sale exhausts its patent rights, regardless of any post-sale restrictions the patentee purports to impose, either directly or through a license."¹⁵ As for *Lexmark*, the Court stated that its remedy, *if any*, must be found in contract, but recognized that the party who would have infringement liability (e.g., remanufacturers like Impression Products) are not in privity with the patentee and thus contract law under these circumstances does not provide an easily applied remedy.¹⁶

With regard to sales abroad, the Court again cited *Kirtsaeng* and found the same grounding for its decision in the unlawfulness of restraints on the alienation of chattels.¹⁷ Because this common law principle applies without regard to *where* the post-sale activity takes place, the distinction *Lexmark* (and Justice Ginsberg in dissent) made regarding foreign *versus* domestic sales disappears for the Court majority. The Court found the application of these principles in the patent context "just as straightforward" as in copyright, and moreover, saw no "theoretical or practical" sense in differentiating between patent and copyright on exhaustion, citing the "many everyday products . . . subject to both patent and copyright protections."¹⁸ The Court was unmoved by *Lexmark*'s argument that, without patent protection a foreign sale would not command the patent premium on price, noting: "[T]he Patent Act does not guarantee a particular price, much less the price from selling to American consumers. Instead, the right to exclude just ensures that the patentee receives one reward—of whatever amount the patentee deems to be 'satisfactory compensation.'"¹⁹

The Path Forward

The Court's decision in *Lexmark* (as in the *Quanta* and *Kirtsaeng* decisions before it) has important ramifications for patent claims, more so for some technologies than others. For *Lexmark* itself, future sales may be made that offer a rebate for returned printer cartridges, rather than a discount for agreeing not to sell to third-party resellers. As the patentee, there may be room in the economic structure of its activities for the incentive provided by the rebate to overcome the price discount resellers can offer, and for the resulting reduction in competing refilled toners justifying the discount.²⁰ For most commodities, such a scheme may well limit the extent to which the Court's decision interferes with their settled manner of licensing patented products.

For other technologies it may be necessary to adapt patent strategies in order to fully avoid the deleterious effects of this decision. In biotechnology, for example, there are two immediately evident examples: (1) cases where a patentee limits post-sale rights by a so-called "label license" for uses for a patented article; and (2) cases where a patented article has the biological property of replication, where the license precludes use of replicates of the article after purchase.

An example of the first type of situation would be the limits placed on the practice of the polymerase chain reaction (PCR), based on patents to both the amplification method and the thermostable polymerase. The restrictions in such label licenses were typically of two types. First, licenses to the method were granted only upon purchase of the patented polymerase and use of an "authorized" thermocycler instrument. Second, the method (and for that matter, the polymerase) was not licensed for diagnostic uses, only for scientific research. Under the patent exhaustion doctrine set forth in the *Lexmark* opinion, however, it is likely that neither of these restrictions would be enforceable. Specifically, although the polymerase has other uses that would not infringe the claims of the PCR method patent, it is likely that sale of the thermostable polymerase would exhaust the method claims as well, since the thermostable characteristic of the polymerase embodies essential features of the claimed invention. This is even more likely regarding the diagnostic use prohibition, since it represents the kind of restriction the Court prohibited in *Adams v. Burke*.²¹

The second type of post-sale restriction

important to biotechnology are those that limit use of a patented article that is capable of self-replication; the most (in)famous cases of this type were the Monsanto herbicide-resistant seed cases, where the "label license" prohibited replanting seed produced using the recombinant seed purchased from the company (albeit this situation was one where there *was* an express license between Monsanto and purchasing farmers and the third party aspects of the *Lexmark* case were not present). For example, Monsanto won a Supreme Court challenge to its use of patent infringement lawsuits to enforce its right to restrict resale of patented soybeans, in *Bowman v. Monsanto* several years ago, involving a farmer who reused seed contrary to Monsanto's restrictions on reuse.²² The restrictions permitted under those circumstances may be limited to the unique nature of that invention, however, wherein producing more soybeans was the intended (and perhaps only) use of the invention. Furthermore, Justice Kagen's opinion in that case was qualified, wherein she noted that the Court's holding was "limited—addressing the situation before us, rather than every one involving a self-replicating product" and adding that:

We recognize that such inventions are becoming ever more prevalent, complex, and diverse. In another case, the article's self-replication might occur outside the purchaser's control. Or it might be a necessary but incidental step in using the item for another purpose. . . . We need not address here whether or how the doctrine of patent exhaustion would apply in such circumstances.²³

Either way, the Court's decision in *Lexmark* requires creativity on the part of patentees and their licensees in crafting agreements that retain the ability to use patent infringement litigation to enforce property rights post-sale. The ancient patent exhaustion principle presented therein may be countered by the equally ancient principle that parties may contract in any manner not prohibited by law. Application of such principles can be expected to be extremely fact- and circumstance-dependent, however. Further examples could include either making updates or authorized repairs only available to original consumers or offering extended warranties for "factory

authorized" replacement parts. By tying valuable benefits as an incentive to deal with the patentee or her licensee, a patentee may be able to receive extended benefits post-sale by way of a consumer's choice rather than a post-sale restriction.

Similarly, absent the ability to restrict foreign resale (particularly re-importation of goods sold abroad, analogous to the textbooks sold in the *Kirtsaeng* decision) patentees may be forced to alter their global sales strategies. This is particularly true when there are large differences in price for a patented article sold abroad compared with the price paid by the U.S. consumer. Possible strategies for reducing the economic effect of unfettered foreign sales include tailoring the amount of such sales to each market, so that there is not a great enough surplus for significant American resale to occur, or adjusting the price differential to minimize the economic advantage of re-importation while not severely reducing foreign sales or providing incentives for generic competition. The greatest risk for re-importation seems to be in the branded drug market, which is protected (for now) by U.S. laws preventing re-importation of these drugs. Increasing pressures on drug costs, however, raise as a distinct possibility some lessening or elimination of these protections, and with them, further uncertain effects on U.S. and global drug pricing.

The *Lexmark* decision may also affect how inventions are protected by patenting (when such protection is possible). Patents on articles of manufacture for simple mechanical devices are the most analogous to *Lexmark*'s patents and are at the most risk as a result of this decision. As the complexities of an invention increase, however, there may be (under the right circumstances) avenues for patentees to parse out claims to methods, improvements, or other aspects that may provide independent grounds for restricting post-sales activities that would pass Supreme Court muster under the *Lexmark* decision.

Conclusion

What is abundantly clear is that the Supreme Court by its *Lexmark* decision has eviscerated completely the Federal Circuit's interpretation of the effect of patent exhaustion on patent rights. In this, as in many other aspects of patent law, the Court has determined that its

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Patent Litigation Management - Strategic Decisions Can Help Manage the Cost of Litigation

By James C. Gumina

With respect to patent litigation one thing is true – it can be very expensive. This expense is often viewed as a barrier to patent owners enforcing their patent rights and properly protecting their inventions and the products they cover, particularly for smaller companies in smaller economic markets. As a result, a company may find itself in a situation having to either live with the existence of an infringer or settle for less compensation through licensing than it may be truly entitled to. They are faced with either devaluing the patent asset or wasting it entirely.

While there are many things that lead to this expense, some within a patent owner's control and some not, there are strategic decisions that can reduce costs and manage the expense associated with litigation. These decisions should start before the case is filed and should be managed and revisited throughout the litigation. While each case has its own facts and issues, some key decisions that tend to appear in every case are discussed below.

Define and Understand the Goals of the Litigation

It is important that before you start any litigation, you understand what you hope to achieve as a result. This is perhaps the most important decision you can make with respect to the expected cost of the litigation. These goals should control how you conduct the litigation. Again, the goals and likelihood of meeting them should be reevaluated throughout the course of the litigation

From a patent owner's perspective, there are generally three possible ultimate goals of any patent litigation – (1) recover damages; (2) remove the infringer from the market through injunction; and/or (3) create circumstances for a favorable licensing program. Each of these goals has distinct proofs associated with it and, as a result, developing evidence on each issue has an expense associated with it as well. Therefore, in the pre-litigation preparation, a cost-benefit analysis should be performed to determine if it makes sense to pursue all

these goals or just a subset. For example, if a business is in a small or relatively crowded market, damages may be relatively small as compared to the cost of the litigation. But an injunction and removal of the infringing product from the market may be crucial to the success of the patented product. In such a case, it may make sense to simply waive damages in the complaint and seek only an injunction. Removal of damages not only eliminates an issue from the case but also potentially costly (and intrusive) discovery as well as significant expert expenses. A similar effect can be obtained by limiting the theory of damages to a reasonable royalty and foregoing lost profits. If such a drastic step does not make sense (especially since damages often supply strategic pressure for settlement), you can choose to de-emphasize certain issues and concentrate on those more directed to your goals.

Framing a definitive litigation strategy before the litigation begins allows you to conduct all your actions from pleadings to discovery to trial towards a defined end. This requires a well-thought-out and thorough pre-litigation investigation. However, this investigation pays off in the end, helping you avoid costly and unnecessary wild goose chases.

Have the Right Team

How you staff a litigation can have a direct correlation not only to the cost of the litigation but also its success. Staffing a case will depend largely on the nature of the case. In almost all cases, however, it makes sense to staff with a blend of younger and more experienced lawyers. Youth brings lower billing rates and experience brings efficiency. Most litigations present challenges and tasks that call for the best use of both.

The technology involved in the litigation can also greatly impact how to best staff a litigation team. It is generally beneficial to have counsel familiar with the technical field or at least the general technical area of the patent. This tends to have at least two effects – it reduces the ramp up for the lawyers to understand the technology associated with

the case and it makes working with inventors and experts more efficient and thus less costly. There is, however, a balance that must be struck. Litigation skills cannot be sacrificed in order to address technical knowledge. In an ideal world, a litigation team would have a blend of both types of skills.

One practice that can be particularly helpful to narrow and properly target discovery is to get experts involved early in the case – often, before the case is even filed. Make the expert(s) part of the team. In patent litigation, the bulk of the liability and/or damages evidence is very often introduced

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through expert testimony at trial or during motion practice. As a result, it makes sense when conducting discovery to understand the evidence the expert will need to support your case and to have the expert available to help you shape your discovery effort. While at first blush the expense of an expert may seem like it would add to the cost of the litigation, in truth, it very often does the opposite. Working with an expert during discovery allows you to understand where the key issues in the case will be and to focus your pleadings and discovery on those issues. It allows you to avoid spending time and effort on issues that are unlikely to yield any important evidence for your case. Indeed, if you develop evidence that your expert does not (or is unwilling

to) support, it generally does you very little good. As noted in most cases the expert is the conduit for providing the evidence to the fact finder. Moreover, if an expert is involved in the case during discovery, it often significantly reduces the expense associated with the preparation of her expert report, as she is more familiar with the case and will know what matters and, perhaps more importantly, what does not.

Be Smart About Discovery

Discovery can be a long and expensive part of patent litigation. While discovery is necessary, it should always be done with a purpose. If possible, scorched earth discovery tactics should be avoided. All too often, a lot of time, money, and effort is put into discovery with very little gain or benefit. This often results from the pursuit of tangential issues and dealing with issues that have little to do with the core of the case or the goals set in the beginning. Of course, a party has little control over how the opposing party chooses to conduct discovery. However, simply because the other party chases peripheral issues does not mean you have to respond in kind. While you always have to be mindful of developing the appropriate record, the focus should be to develop your case for trial.

Be Timely

A significant portion of the cost of patent litigation can be attributed to its duration. The longer a case is pending, the more likely it is that costs will escalate. The best way to address this issue is to set a schedule early in the case and work hard to meet all of the scheduling deadlines. Requests for extensions of time are sometimes inevitable, but a party should work to keep those extensions within the existing schedule. Indeed, courts tend to appreciate that a party is trying to work within the established schedule. Once a court sees one party trying to meet all the deadlines, it is more likely that the court would be less willing to grant significant extensions of time.

Working within an established schedule has another benefit – it demands that you keep your case moving forward and that you continue to refine and develop your case. This in turn tends to focus your case on the issues that really matter. When focusing the case in this manner, the preparation effort becomes more efficient and, as a result, less costly.

Pick Your Battles

During litigation, there are always various issues that arise and potentially warrant court intervention. These issues range from discovery disputes to motions for summary judgment. While having the court resolve these issues seems to be inevitable and can, at times, actually streamline the litigation, it is important to weigh the costs and benefits of such disputes. Engaging in motion practice costs money. Before initiating such a dispute, it is important to understand what can be achieved from the motion, its impact on the litigation as a whole, the likelihood of success and the alternatives available. Sometimes the dispute involves a key issue and court involvement cannot be avoided. However, too often the dispute involves a minor or peripheral issue and there are faster and less expensive ways to resolve the issue without involving the court. Instead of fighting over every little disagreement, often it makes sense to find ways to resolve disputes in a more efficient manner. All too often, instead of an effort to find a compromise, a party rushes to the court. Taking the issue to the court is not always the best answer however, especially since the court often fashions a compromise the parties could have reached independently.

Focus the Trial

Trial is the most important and most expensive event in a patent litigation. It is the culmination of all the efforts in the litigation up to that point. Most pre-trial activities should be done with trial presentation in mind. Everything from pleading to discovery to motion practice should at least in part (if not in major part) be done to further the presentation of the case at trial. As such, all through the case, a party should be visiting and revisiting its plan for trial presentation. Generally, this will result in both streamlining the issues that will actually be presented at trial and evidence used to support those issues.

A good trial presentation is a cohesive and persuasive explanation of your case to the fact finder. To achieve this result it is generally good practice for the presentation to focus on the key issues. While skirmishes on the peripheral issues often cannot be avoided, they tend to dilute the message in your case, and the effort should be to demonstrate your strength on the issues that will win the case. In so focusing the trial presentation, time (and money) is spent

where it truly matters and expense associated with the peripheral issues is minimized or avoided altogether.

All too often patent litigation becomes an exercise where neither party is willing to relinquish any argument or issue. This has resulted in high litigation costs. While there are certainly cases where such an effort is warranted (as in a “bet the company” case), not all patent cases are the same. Indeed, not all patent litigation should require such an effort. If a case is managed with the ultimate goals in mind, it is possible to reduce the cost of litigation and enhance the value of the patent asset.

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Protecting *Cannabis* – Are Plant Patents Cool Now?

By Alison J. Baldwin, Nicole E. Grimm and Brittany R. Butler, Ph.D.

With the rise of the legalized cannabis¹ industry, there is also a rise in legal questions about how to protect the cannabis-related inventions being developed by the industry. Many practitioners do not appreciate that there are three different statutory mechanisms in the United States to protect plant-related inventions: plant patents under 35 U.S.C. § 161 *et seq.*, the Plant Variety Protection Act (PVPA) under 7 U.S.C. § 2321, and utility patents under 35 U.S.C. § 101.

Each of these statutes has different requirements and protections, so they are not mutually exclusive of each other.² In fact, the same *Cannabis* variety could be protected by more than one of these statutes at the same time. However, due to the differing requirements of each statutory mechanism, *Cannabis* plants are currently only protectable via plant and utility patents.

Plant Patents

Plant patents protect distinct and new varieties of plants that have been invented or discovered and asexually reproduced.³ For plant patents, asexually reproduced includes almost any means of propagation except seeds.⁴ However, plants that are capable of sexual reproduction are not excluded if they have also been asexually reproduced. Since *Cannabis* can be reproduced both sexually and asexually, they are eligible for protection under the plant patent statutes. One advantage of protection as a plant patent is that, because such protection arises under 35 U.S.C. § 161 and not under 35 U.S.C. § 101, the issues regarding protection of products of nature under Section 101 do not arise for plant patents. As long as the plant breeder has aided the course of nature, then the plant is eligible for protection under § 161.

Another advantage of plant patent protection is that a deposit of seed or plant material is not required in order to meet the application requirements.⁵ As will be discussed further, this currently provides an advantage over both PVPA and potentially utility patent protection because meeting the deposit requirement poses a unique challenge for *Cannabis* plants due to their status as a Schedule I federally controlled substance.

However, a disadvantage of plant patents

is the limited scope of protection – the single plant shown and described in the specification. In fact, a plant patent is limited to a single claim that describes this plant, such as: “A new and distinct variety of hybrid *Cannabis* plant, substantially as illustrated and described herein.”

An additional limitation on the scope of protection provided by plant patents relates to infringement of the patent. While the plant patent statute affords the patentee the right to exclude others from asexually reproducing, selling, or using the protected plant, courts have found an infringer’s asexual reproduction of the plant is a necessary element in plant patent infringement.⁶ For example, if a party uses a protected variety of *Cannabis* in their breeding program without permission, then the

Although *Cannabis* plants are currently protectable via plant patents, there are a surprisingly low number of published applications and granted plant patents claiming *Cannabis* strains.

patent owner must show the potential infringer asexually reproduced the plant as part of that infringing use in the breeding program.

Although *Cannabis* plants are currently protectable via plant patents, there are a surprisingly low number of published applications and granted plant patents claiming *Cannabis* strains. As of the writing of this article, only one plant patent has been issued for a *Cannabis* variety. U.S. PP27,475 issued on December 20, 2016 for “*Cannabis* plant named ‘Ecuadorian Sativa.’”

Plant Variety Protection Act

The PVPA provides a similar scope of protection as that offered by plant patents, but for sexually reproduced plant varieties.⁷ However, applications under the PVPA are reviewed and granted by the U.S. Department of Agriculture’s

Plant Variety Protection Office, not the U.S. Patent and Trademark Office.

One advantage of PVPA protection is the potential for a longer term of protection than provided under the patent laws – twenty years from the date of issuance of the PVPA certificate in contrast to term of twenty years from the date of filing awarded to both plant and utility patents.⁸

In the context of *Cannabis*, an important distinction between an application under the PVPA and an application under the Plant Patent Act is the seed deposit requirement. The PVPA requires every application to contain “[a] declaration that a viable sample of basic seed (including any propagating material) necessary for propagation of the variety will be deposited and replenished periodically in a public repository”⁹

To acquire PVPA protection, seed samples must be deposited at the National Laboratory for Genetic Resource Preservation located in Fort Collins, Colorado and available for public access following the 20-year PVPA protection term. The sample must consist of 3,000 untreated seeds that germinate at 85% or greater. Germination rate is tested periodically during examination and protection, and additional deposits may be requested if sample size is inadequate or is low in germination.¹⁰

The PVPA’s requirement of allowing public access to the seed sample following the expiration of the 20-year protection term is currently a firm roadblock when attempting PVPA protection for *Cannabis* plants. While legalized in some states for both recreational and medicinal use, cannabis remains a federally illegal Schedule I controlled substance. Under federal law, Schedule I controlled substances cannot be made publicly available. Because of this paradox between current cannabis laws and the PVPA seed deposit requirements, inventors in the cannabis industry are currently unable to gain protection via the PVPA.¹¹

Utility Patents

Both sexually and asexually reproduced plants may also be protected under 35 U.S.C. § 101. The biggest advantage of protection of *Cannabis* varieties under traditional patent protection is the potential increase in the scope of protection afforded

for the invention because the applicant is not limited to a single claim encompassing the entire plant. Instead, the applicant can seek protection for plant parts, tissues, cells or clones of the invented variety, as well as extracts or products made from the invented variety. The applicant can also seek protection for methods of making or using the invented variety.

Because the scope of protection is broader, the requirements for patentability are higher as well. Currently, the biggest hurdles for protecting *Cannabis* varieties under this approach are (1) passing the Mayo/Myriad test for patentable subject matter under 35 U.S.C § 101 (*i.e.*, not a product of nature)¹² and (2) meeting the written description requirement under 35 U.S.C. § 112. When an invention involves a biological material and words alone cannot sufficiently describe how to make and use the invention in a reproducible manner, a deposit of the biological material (such as seed) can be made prior to or during the pendency of the application to help satisfy the written description requirements under 35 U.S.C. § 112.¹³

While this deposit option raises a controlled substance issue similar to that of PVPA protection, at least one applicant has figured out a way to circumvent this issue by making their seed deposit at an approved repository located outside of the United States.¹⁴ The applicant deposited seed samples with the National Collections of Industrial, Food and Marine Bacteria (“NCIMB”) facility in the United Kingdom. The seed deposit was accepted by the International Depository Authority, and then later converted to a deposit under the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedures. This method provides a significant advantage to the applicant because it requires that all parties to the Treaty, regardless of depository authority location, recognize the seed deposit as part of the patent procedure.

To date, there are several issued utility patents and pending utility patent applications that are directed to *Cannabis* plants, clones, plant parts, cells, or tissues that comprise certain amounts of cannabinoids and/or specific terpene profiles. For example, claim 1 of U.S. Patent No. 9,095,554, entitled “Breeding, production, processing and use of specialty cannabis,” recites:

A hybrid cannabis plant, or an asexual

clone of said hybrid cannabis plant, or a plant part, tissue, or cell thereof, which produces a female inflorescence, said inflorescence comprising:

- a) a B₁/B₀ genotype;
- b) a terpene profile in which myrcene is not the dominant terpene;
- c) a terpene oil content greater than about 1.0% by weight; and
- d) a CBD content greater than 3%;

wherein the terpene profile is defined as terpinolene, alpha phelladrene, beta ocimene, careen, limonene, gamma terpinene, alpha pinene, alpha terpinene, beta pinene, fenchol, camphene, alpha terpineol, alpha humulene, beta caryophyllene, linalool, cary oxide, and myrcene, and wherein the terpene oil content is determined by the additive content of the terpenes in the terpene profile; and wherein the terpene contents and CBD content are measured by gas chromatography-flame ionization detection (GC-FID) and calculated based on dry weight of the inflorescence; wherein a representative sample of seed producing said plants has been deposited under NCIMB Nos. 42246, 42247, 42248, 42249, 42250, and 42254.

As another example, Claim 1 of pending U.S. Patent Application Publication No. 2016/0000843, entitled “High cannabidiol cannabis strains,” recites:

A cannabis cultivar that produces an assayable combined cannabidiolic acid and cannabidiol concentration of at least about 20% by weight.

There is also at least one pending utility application directed to transgenic *Cannabis* plants. Claim 1 of U.S. Patent Application Publication No. 20120311744, entitled “Marked cannabis for indicating medical marijuana,” recites:

A *Cannabis* plant stably transformed to express an extrinsic bio-marker.

Additionally, applicants have pursued utility patent applications on *Cannabis* plants via entering U.S. national phase from a pending International Application.¹⁵ Although now abandoned, claim 1 of U.S. Patent Application Publication No. 2011/0098348, which was a U.S. National Phase Application of PCT/

GB2009/000947, entitled “*Cannabis sativa* plants rich in cannabichromene and its acid, extracts thereof and methods of obtaining extracts therefrom,” recited:

A *Cannabis sativa* plant producing as its major cannabinoid cannabichromenic acid or cannabichromene (CBC(A)), characterised in that it comprises at least one genetic factor encoding prolonged juvenile chemotype (PJC) and it has a B₀/B₀ genotype.

Conclusion

While plant patents are typically viewed as a less desirable protection option in the traditional agricultural industry, they provide a unique option for the developing cannabis industry. They allow a viable means of protection of varieties arising out of traditional breeding programs. They also avoid the difficulties associated with depositing biological materials for a Schedule I controlled substance that arise under the PVPA, while being significantly more cost effective than utility patents. Accordingly, for the cannabis industry, plant patents may become the preferred option to secure protection of *Cannabis* plant under the current federal climate.

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Register Early and Often or at Least Try to: Preparing for Copyright Enforcement

By Eric R. Moran and James L. Lovsin

Unlike other intellectual property rights, copyright automatically exists when an original work of authorship is fixed in a tangible form of expression.¹ So, while copyright owners may choose to register a copyright claim with the United States Copyright Office, they are not required to do so.² Registration is essential for copyright enforcement, however.

Under 17 U.S.C. § 411, copyright owners cannot bring a civil action for copyright infringement in federal district court until the copyright is preregistered, registered, or an application for registration is refused by the Copyright Office.³ As only federal courts (and not state courts) can adjudicate civil infringement actions, the § 411 requirement is significant.⁴

Before filing an action in a particular forum, however, copyright owners should consider that court's interpretation of § 411. Courts are generally divided into two interpretations of the statute. Some courts follow the so-called "registration approach" and require actual registration or refusal of the copyright.⁵ Other courts follow the so-called "application approach" and only require that a complete application for registration be filed.⁶ These two approaches have led to a split among United States Courts of Appeals as well as splits within United States District Courts.⁷ There is a pending petition for a writ of certiorari to the United States Supreme Court to resolve the split.⁸

In addition to § 411, copyright owners should also consider how the timing of filing an application or registering a copyright can impact other aspects of an infringement action. For example, while a copyright can be registered at any time during its existence, the statute of limitations for a civil action is three years after the infringement claim accrues.⁹ Further, in an infringement action, a certificate of registration made within five years of first publication of the work is *prima facie* evidence of the validity of the copyright.¹⁰ The evidentiary weight of a certificate made after five years of first publication is within the discretion of the district court.¹¹

In this article, we will describe registration

and preregistration, courts' two primary interpretations of § 411, and the impact on the time to register or file an application on the statute of limitations. Copyright owners should take these issues into account when developing a program to regularly identify copyrightable works in their organizations and how to take steps to register them. As discussed below, each of these issues support copyright owners seeking registration early and often.

Registration and Preregistration

For registration, a copyright owner must submit an application, a filing fee, and a deposit copy of the work to the Copyright Office.¹² A registration specialist from the Office examines the application to determine if the work constitutes copyrightable subject matter.¹³ If it does, the Office will issue a certificate of registration to the copyright owner.¹⁴ If it does not, the Office will issue a letter to the copyright owner explaining the Office's reasons for refusal of registration.¹⁵

The Copyright Office's initial refusal of registration is not a final decision. Rather, the copyright owner may submit up to two requests for reconsideration to the Office.¹⁶ These requests for reconsideration usually take the form of letter briefs that present additional arguments and evidence in support of registration. The first request for reconsideration is reviewed by a staff attorney from the Office, and the second request for reconsideration is reviewed by a three-member Review Board of the Office.¹⁷ Following a request for reconsideration, the Office may issue a certificate of registration or again refuse registration.

The Review Board's refusal of registration constitutes a final agency action.¹⁸ Under the Administrative Procedures Act, the copyright owner may then challenge the Copyright Office's refusal in district court.¹⁹ However, the Office's decision receives considerable deference in court and is reviewed for an abuse of discretion.²⁰

In 2016 alone, the Copyright Office registered over 414,000 copyright claims.²¹ The Office estimates that examination of an

application can take between six and ten months.²² Further, the Office will respond to a first request for reconsideration within four months of filing of the request.²³ It may take the Office at least four months to respond to a second request for reconsideration as well. Thus, it may take well over one year for a copyright owner to obtain a registration certificate.

In some situations, including pending or prospective litigation, the Copyright Office may grant special handling to an application.²⁴ If special handling is granted, the Office will attempt to examine the application within five working days.²⁵ But there are no guarantees that every application will be registered or refused in that time period.²⁶ Further, special handling does not apply to requests for reconsideration.²⁷ So, expedited consideration of the application ends once the application is initially refused. Finally, the \$800 fee for special handling is significantly higher than the \$55 filing fee for basic registration.²⁸

Copyrights for certain classes of works may be preregistered if the work is unpublished and is being prepared for commercial distribution and a portion of the work is fixed.²⁹ Preregistration is not a substitute for registration, however. Once the copyright is preregistered, the copyright owner must still register the copyright within the earlier of three months after first publication of the work or one month after discovering infringement.³⁰

With the registration process possibly taking over one year to complete, copyright owners should consider reviewing their copyrightable works and filing applications for registration on a regular basis. In preparing for copyright enforcement, copyright owners should also consider using special handling or preregistration.

17 U.S.C. § 411: Registration Approach Versus Application Approach

The Supreme Court has explained that although § 411 is not a jurisdictional requirement, it is a precondition that must be met before bringing an action for copyright infringement.³¹

Specifically, § 411(a) states:

[N]o civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute a civil action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights.³²

In preparing for copyright enforcement in a particular forum, however, copyright owners should consider that court's interpretation of § 411. The Eleventh and Tenth Circuits, for example, have adopted the registration approach.³³ These courts have explained that the plain language of § 411 requires registration or refusal of an application for registration before the copyright owner can bring an action.³⁴

By contrast, the Ninth and Fifth Circuits have adopted the application approach.³⁵ The Ninth Circuit has explained that § 411 is unclear and that allowing the copyright owner "to proceed with an infringement suit as soon as he has taken all of the necessary steps to register the copyright at issue" "better fulfills Congress's purpose of providing broad copyright protection while maintaining a robust federal register."³⁶ To the Ninth Circuit, requiring the copyright owner to wait to bring an action until the Copyright Office acts on a complete application is "little more than just the type of needless formality Congress generally worked to eliminate . . ."³⁷

Other Circuits' position on what § 411 requires is less clear. The Eighth Circuit has case law supporting the application approach,³⁸ the Seventh Circuit has case law supporting both approaches,³⁹ and the First and Second Circuits have acknowledged the two approaches but have not yet adopted one.⁴⁰ District courts are also divided. In the Northern District of Illinois, for example, some courts have applied the application approach and other courts have applied the registration approach.⁴¹

Absent clear authority to the contrary in a particular jurisdiction, copyright owners should consider conservatively assuming that the registration approach to § 411 applies and

obtaining registration before bringing an action there. With this assumption, copyright owners can avoid dismissal of their actions for not complying with § 411. Given § 411 and several courts applying the registration approach to the statute, copyright owners should consider reviewing their copyrightable works and filing applications for registration on a regular basis.

On October 13, 2017, the copyright owner from the Eleventh Circuit's decision in *Fourth Estate* filed a petition for a writ of certiorari to the Supreme Court.⁴² The Supreme Court has requested a response by December 4, 2017. It will be interesting to see if the Supreme Court takes the case and adopts either the registration or application approach to § 411.

17 U.S.C. § 507(b): Statute of Limitations

Under 17 U.S.C. § 507(b), the statute of limitations for a civil action is three years after the infringement claim accrued. The Supreme Court has explained that § 507(b) provides a "separate-accrual rule" so that "each infringing act starts a new limitations period."⁴³ Further, most Circuits apply a discovery rule to determine when an infringement claim accrues.⁴⁴ Under the discovery rule, accrual occurs when the copyright owner "discovers, or with due diligence should have discovered, the infringement."⁴⁵ The Seventh Circuit has explained that while actual and constructive discovery of infringement starts the limitations period, "inquiry notice" of infringement does not.⁴⁶

In preparing for copyright enforcement, copyright owners should consider the impact on the statute of limitations of (i) the time required to obtain a certificate of registration or at least (ii) the time required to file an application for registration. To mitigate the chance of an infringement claim being barred under § 507(b), copyright owners should consider reviewing their copyrightable works and filing applications for registration on a regular basis. Regularly filing applications for registration to reduce the risk of an infringement claim being barred under § 507(b) is particularly important in jurisdictions that apply the registration approach to § 411.

Conclusion

In summary, considering the current judicial climate, we advise that copyright owners consider developing a program to regularly

identify copyrightable works in their organizations and to register them. Such a program will help to prepare copyright owners for enforcing their copyrights in district court. Furthermore, the registration process, courts' approaches to § 411, and the impact on the time to register or file an application on the statute of limitations, all support copyright owners seeking registration early and often.

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Endnotes

- 17 U.S.C. § 102(a).
- Id.* § 408.
- Id.* § 411(a).
- 28 U.S.C. § 1338(a). Copyright infringement can also be the subject of an investigation of the United States International Trade Commission ("ITC") and criminal action in district court. 19 U.S.C. § 1337(a); 17 U.S.C. § 506(a). ITC investigations and criminal actions related to copyright infringement are beyond the scope of this article.
- Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC, 856 F.3d 1338 (11th Cir. 2017).
- Cosmetic Ideas, Inc. v. IAC/Interactivecorp., 606 F.3d 612 (9th Cir. 2010).
- Infra* notes 32, 34, and 35-38.
- Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC, Case No. 17-571 (filed Oct. 13, 2017). The Court has requested a response, which is due December 4, 2017.
- 17 U.S.C. § 507(b).
- Id.* § 410(c).
- Id.*
- 37 C.F.R. § 202.3; U.S. Copyright Office, Compendium of U.S. Copyright Office Practices § 204 (3d ed. 2017) (hereafter "Compendium").
- Compendium § 206.
- 17 U.S.C. § 410(a); Compendium § 209.
- Compendium § 211.
- 37 C.F.R. § 202.5.
- Compendium §§ 1703-1704.
- 37 C.F.R. § 202.5(g).
- See, e.g.*, Atari Games Corp. v. Oman, 888 F.2d 878 (D.C. Cir. 1989).
- Id.* at 881.
- Library of Congress Office of the Inspector General Semiannual Report to the Congress, at 2 (Mar. 2017).
- Frequently Asked Questions about Copyright, <https://www.copyright.gov/help/faq/> (last visited Oct. 11, 2017).
- 37 C.F.R. § 202.5(b)(4).
- Compendium § 623.
- Id.* at § 623.4.
- Id.*
- Id.* at § 623.2.
- Circular 4, Copyright Office Fees (Sep. 2017). The filing fee for basic registration can be as low as \$35 for a work created by one author.
- 37 C.F.R. § 202.16; Compendium § 1603. The classes of works that are eligible for preregistration include motion pictures, sound recordings, musical compositions, literary works being prepared for publication in book form, computer programs, and advertising or marketing photographs.
- Compendium § 1604.1.
- Reed Elsevier, Inc. v. Muchnick, 559 U.S. 154, 166 (2010).
- 17 U.S.C. § 411(a). Section 411(a) does not apply to non-U.S. works. *Cosmetic Ideas*, 606 F.3d at 619 n.12.
- Fourth Estate*, 856 F.3d at 1340; La Resolana Architects, PA v. Clay Relators Angel Fire, 416 F.3d 1195, 1200-1203 (10th Cir. 2005), *abrogated on other grounds* by 505 U.S. 154.
- It is important to note that for purposes of § 411(a) it is not entirely clear when refusal occurs. The Office has explained that the copyright

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Uniform Domain Name Dispute Resolution Policy (UDRP) – What it is and When to Use It

By Sydney R. Kokjohn and Diego F. Freire

One of the first tasks the Internet Corporation for Assigned Names and Numbers (ICANN) faced was how to deal with the dilemma of registering domain names to those that first claim them while respecting trademark law.¹ This was known as the trademark dilemma and it occurred when a third party registered a trademark as a domain name without the consent of the trademark owner.² The dilemma, to ICANN, was how to respect a trademark owner's right to the mark even though the owner has no right to the domain name since the trademark owner did not claim the domain name first. The trademark owner's rights include the right to go after third parties who have registered the trademark as a domain name and are abusing the registration of the domain name by either cybersquatting or practicing trademark tarnishment. But, previously, the only method to protect a trademark against a domain name registration was to sue the registrant of the domain name in court. The process was lengthy, expensive, and could have jurisdiction issues, as many domain name holders are not located in the United States.

In December 1999, the World Intellectual Property Organization (WIPO) and ICANN tackled this dilemma by instituting the Uniform Domain-Name Dispute Resolution Policy (UDRP).³ The UDRP was designed as a quick and low-cost way for a trademark owner to gain control of a domain name when the domain name registrant is abusing registration of the domain name by either cybersquatting or practicing trademark tarnishment.⁴ It allows any person or company to file a complaint against a registrant of a generic top level domain (gTLD) (*e.g.*, .biz, .com, .info, .name, .net, and .org) or a country code top level domain (ccTLD) associated with a country that has adopted the UDRP.⁵ Once a complaint is filed, a panel is formed and it then issues a ruling that is implemented by ICANN.⁶ The panel can cancel, transfer, or otherwise make changes to the domain name registration.⁷ The registrant is bound by the decision of the UDRP system because, at the time of registering the domain name with an ICANN-accredited

registrar, the registrant agreed to be subject to the UDRP system.⁸

A UDRP complaint can be filed with a dispute-resolution service provider that is approved by ICANN. A provider is an organization that follows the Rules for UDRP, as well as its own supplemental rules, and is approved by ICANN.⁹ There are two organizations that handle the majority of UDRP complaints: WIPO and the National Arbitration Forum (NAF).¹⁰ While, both WIPO and NAF follow the UDRP Rules, these two organizations have their own sets of supplemental rules.¹¹

Timeline and Costs

The UDRP dispute process should be completed within sixty days from the date of the receipt of the complaint by the UDRP provider, unless the resulting decision is appealed within ten days of receiving the decision.¹² As shown in Figures 1a and 1b, the cost of the dispute process depends on the number of domain names in dispute and the number of panelists appointed. For disputes involving a quantity of domain names greater than those shown, WIPO and NAF will determine the costs on a case-by-case basis.¹³ The parties in the dispute decide whether to have one or three panelists. The complainant, *i.e.*, the trademark owner, is responsible for paying the fees unless the respondent, *i.e.*, the registrant, elects to have three panelists and the complainant only chose one. In that case, the respondent has to share the cost.¹⁴

The number of panelists not only impacts the overall costs but may also make a big difference with regards to the outcome of the dispute. A study in 2002 found that 83% of decisions by one-member panels were in favor of the complainant.¹⁷ In contrast, 60% of decisions by three-member panels were in favor of the complainant.¹⁸ Thus, three member panels may appear to make more balanced decisions. However, in practice, the tendency of one-member panels to decide for the complainant may be a result of complainants with the strongest cases choosing to avoid extra costs by selecting a one-member panel.

The UDRP Process

The UDRP process was designed to be simple and fast, resulting in a decision within a few months of filing the complaint. It can be broken down into eight high level steps, as shown in Figure 2.¹⁹ First, the complainant, *i.e.*, the trademark owner, files a complaint with the UDRP provider against the respondent, *i.e.*, the registrant of the domain name. Next, the provider will acknowledge receipt of the complaint, may request information about the domain name, and then reviews the complaint for formalities that must be remedied within five days or the complaint is withdrawn. The provider then notifies the respondent of the complaint. The respondent has twenty calendar days to respond to the complaint in order to avoid defaulting. Regardless of whether the

Domain Names	1 Panelist	3 Panelist
1 to 5	\$1,500	\$4,000
6 to 10	\$2,000	\$5,000

Figure 1a. WIPO UDRP cost based on the number of domain names in dispute and the number of panelists deciding the case.¹⁵

Domain Names	1 Panelist	3 Panelist
1 to 2	\$1,300	\$2,600
3 to 5	\$1,450	\$2,900
6 to 10	\$1,800	\$3,600
11 to 15	\$2,250	\$4,500

Figure 1b. NAF UDRP cost based on the number of domain names in dispute and the number of panelists deciding the case.¹⁶

respondent responds or defaults, the UDRP provider will appoint an administrative panel. If the respondent requested a three-member panel, then the provider will form such a panel. Otherwise, the provider will form the panel according to the size the complainant chose.

The panel is then required to forward its decision to the provider within fourteen days of its appointment. Within three days after receipt of the decision, the provider then notifies the parties, ICANN, and the registrar with which the domain name is registered. The registrar will then notify the parties, ICANN, and the provider of the date on which the decision will be implemented. The respondent can appeal the decision within ten business

days of receiving the decision, as the registrar is required to implement the decision after such time. Under Paragraph 4(k) of the UDRP Rules, the respondent can appeal the decision by filing a lawsuit against the complainant in a proper jurisdiction.²⁰ If the decision is appealed, then the registrar will take no action to implement the decision until the registrar receives evidence satisfactorily showing that the matter has been resolved, *e.g.*, showing that the lawsuit was dismissed or withdrawn.²¹

Proving Abusive Registration

In order to prevail at the UDRP, the complainant must show that the registration of the domain

name is abusive.²² It must do so by meeting the following criteria. First, the domain name must be identical or confusingly similar to the trademark in which the complainant has rights.²³ This means that the domain name must be the same as the trademark or similar enough for consumers to believe that the domain name is associated with the trademark.²⁴ The addition of a generic term or a top level domain (*e.g.*, .com) is not enough to avoid confusion.²⁵

Next, the complainant must prove that the person who registered the domain name has no right or legitimate interests in respect of the domain name.²⁶ Panels consider a variety of factors in determining whether the registrant has rights or legitimate interests in the domain name. For example, if the registrant has a registered trademark in a specific country but does not use the mark in commerce, then she would not have a legitimate interest.²⁷ Panels have also found that the respondent failing to own any trade or service marks reflecting a disputed domain name is strong evidence that the respondent does not have any rights or legitimate interests in the domain name.²⁸ Another factor the panel may consider is whether the respondent is actually known by the domain name (or the trademarks at issue), such as using the domain name as a business name.²⁹ Not being commonly known by the domain name is evidence of no rights or legitimate interests.³⁰ In addition, when a disputed website hosts click-through advertising, panels have found that it is a reasonable presumption that the respondent receives payment each time an advertisement is clicked (pay-per-click advertising).³¹ Using a domain name in this way to misleadingly divert customers for commercial gain is not legitimate noncommercial or fair use.³² Also, the failure to use a domain name may be evidence of lack of rights and legitimate interests in a domain name.³³

Furthermore, without a bona fide offering of goods or services, a legitimate use is rarely found.³⁴ For example, use of a confusingly similar domain name to operate a website featuring links to goods or services unrelated to the complainant is not a use of the domain name in connection with a bona fide offering of goods or services.³⁵ In addition, use of disputed domain names without permission or authorization from the trademark owner weighs strongly against a bona fide offering of goods

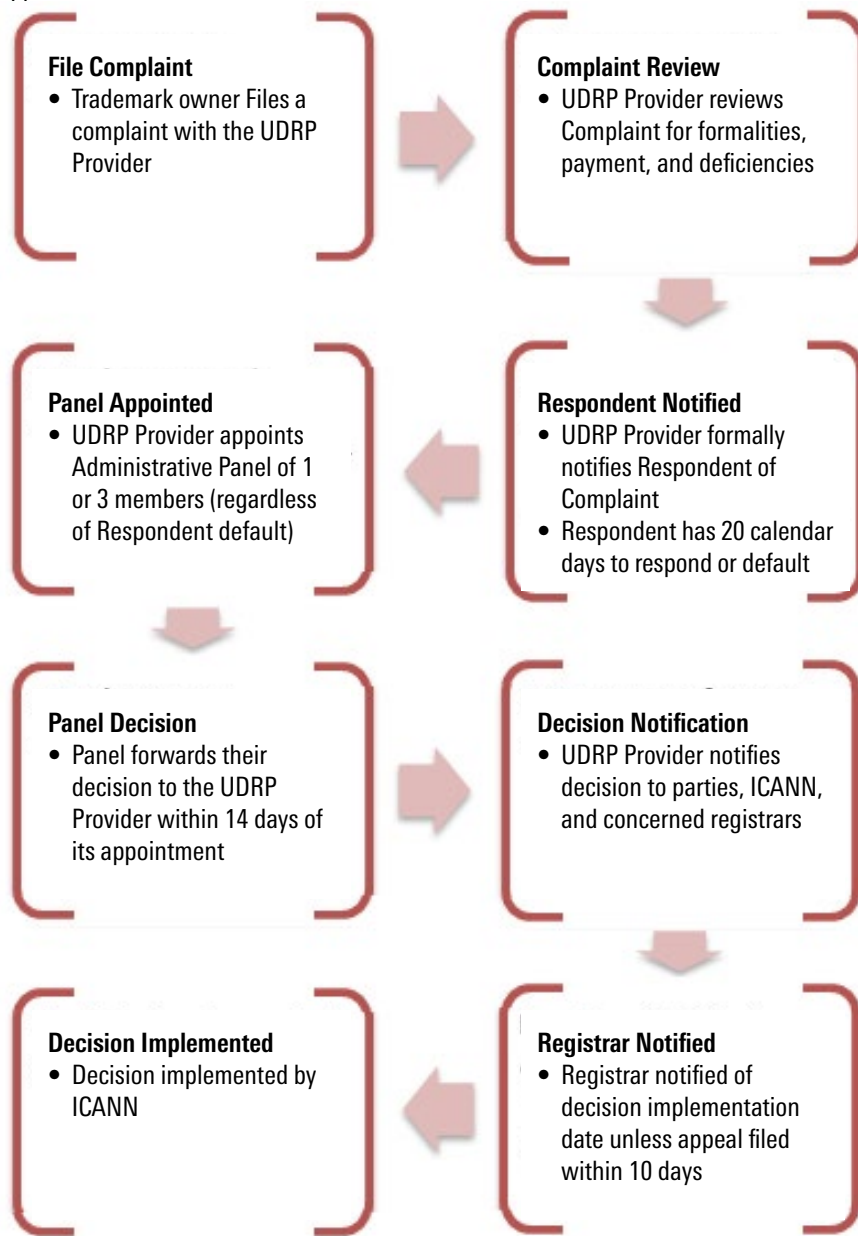


Figure 2. High level overview of the UDRP process

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Reaction Videos and Fair Use

By Alyaman Amin Amer and Adnan “Eddie” M. Obissi

Platforms such as YouTube allow individuals to post videos online for the world to see. Because YouTube and other such video hosting services derive revenue through ads placed on popular videos, content creators have incentive to post entertaining videos that will generate a maximum number of “views.”¹ “Reaction videos,” those which depict the emotional responses, facial expressions, comments, or criticisms that a content creator directs to a featured video, commonly while simultaneously playing the featured video, are often used to gain this exact result. Further, these videos are attractive to content creators because they consistently net views and generally require minimal effort to make. The copyrights to the original works featured in reaction videos, however, usually belong to someone other than the content creator. As such, reaction videos may violate the authorship rights provided in the Copyright Act.² That said, because reaction videos often critique, alter, or parody the featured video, a fair use defense may apply.

Accordingly, this article details the fair use analysis that may be applied to a reaction video, and describes particular contributions a content creator can add to a copyrighted work that may weigh in favor of fair use. In particular, this article provides insight on two recent district court cases that applied the fair use analysis to reaction videos.

Fair Use Factor 1: Purpose and Character of the Use

The key inquiry in determining the purpose and character of a new work is “whether and to what extent the new work is ‘transformative.’”³ To qualify as transformative, a work must not “merely supercede the objects of the original creation but rather adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.”⁴ So, in the context of a reaction video, simply recounting what is shown in a featured video may weigh against a finding of fair use.⁵ Conversely, comment or criticism of the featured video may be sufficient to qualify as transformative. For instance, in *Equals Three, LLC v. Jukin Media, Inc.*, the court noted that adding jokes, narration, graphics, or editing

weighed in favor of fair use.⁶

Similarly, courts have held that denigrating a featured video can be transformative as well. For example, in *Hosseinzadeh v. Klein*, the court found that mocking, sarcastically complimenting, mimicking, and expressing irritation towards a video constituted “quintessential criticism and comment.”⁷

The first fair use factor also takes into account the commercial nature of the work. Reaction videos will often be commercial in nature, because the aim of such videos is to gain views and to thereby derive ad revenue for the content creator. However, courts may balance the commercial nature of a reaction video with the level it transforms the featured video.⁸ Thus, courts may also look to the second fair use factor, the nature of the copyrighted work, to further inform its determinations and analysis.

Fair Use Factor 2: Nature of the Copyrighted Work

This fair use factor examines the extent to which the copied work is creative and whether it is unpublished. Most works that are featured in a reaction video will qualify as “creative,” as even “point-and-shoot” style videos have been found to be creative.⁹ But while creative works are generally protected by copyright law, this factor carries only slight weight where the new work is transformative.¹⁰ Further, though copying of a previously unpublished work will generally weigh against a finding of fair use, the featured work in a reaction video will almost always be previously published. Accordingly, this factor will warrant only passing consideration by a court, as long as the new work is transformative.¹¹

Fair Use Factor 3: Amount and Substantiality of the Portion Used

The third fair use factor is a relative determination that weighs the amount and qualitative value of the original work against a defendant’s justification for the use.¹² Reaction videos will often play an original work in its entirety, or nearly in its entirety. However, this is not dispositive of the inquiry. For instance, in *Equals Three* the court found that the third fair use factor weighed in favor of the defendant,

even though the defendant used most or all of the original works at issue. And in *Klein*, the court found that this factor was neutral, since “[w]ithout using actual clips [from the original work], the commentary and critique here would lose context and utility.”¹³ Accordingly, it is unsurprising and apparent that the level of transformativeness in a reaction video continues to determine how much of an original work can be used and still come within the purview of a fair use defense.

Fair Use Factor 4: Market Harm

The last fair use factor weighs the commercial impact that an allegedly infringing work has on an original work. In the context of reaction videos, this harm manifests itself in the number of “views,” or lack thereof, received by the original work. But while platforms such as YouTube allow anyone to view daily viewership statistics for any given video, merely showing a decrease in views after publication of a reaction video is not enough. In *Equals Three* and *Klein*, for example, the courts determined that bare allegations of market harm failed to establish that the reaction videos in question impacted viewership of the original works. And such a correlation between the reaction videos and the original works would not necessarily favor the copyright holder. That is, the fourth fair use factor does not simply relate to overall market harm. Rather, “the role of the courts is to distinguish between biting criticism that merely suppresses demand and copyright infringement, which usurps it.”¹⁴

Conclusion

In summary, it continues to be the case that no single factor is dispositive of the fair use analysis. Of these factors, however, it is clear that the crucial inquiry with regard to reaction videos is the extent to which the video is transformative. As the court in *Klein* noted, “[v]ideos within this genre vary widely in terms of purpose, structure, and the extent to which they rely on potentially copyrighted material.”¹⁵ Accordingly, while interspersing short segments of an original work with criticism, commentary, or jokes directed to that work may qualify as a fair use of that work, as was the case in *Equals Three* and *Klein*, reaction videos that merely amount to “a group viewing session without commentary,” might not qualify.¹⁶ And, though the only two district court cases that address this issue largely

favored the defendants, neither court ruled that “all reaction videos constitute fair use.”¹⁷

Ultimately, content creators that publish reaction videos should be mindful of the extent to which the video exploits the original work. Where a reaction video simply republishes an original work to serve the same purpose or send the same message as the original, fair use is an unlikely defense.¹⁸ However, if the reaction video uses the original work as a foil to create something new, as was the case in most videos at issue in *Equals Three*, then a finding of fair use is probable, because the latter video caters to a different audience than the original and requires additional creative effort on the part of the content creator. The same seems to be true if the reaction video is created to explain appreciation for, or, as in Klein, disdain for the original. Thus, content

(continued from page 11)

or services.³⁶ Moreover, the failure to disclose the relationship, or lack thereof, between the domain name owner and the trademark owner is evidence that there is no bona fide offering of goods or services.³⁷

Lastly, the complainant must prove that the domain name has been registered and is being used in bad faith.³⁸ Bad faith can be proven by showing that the registration was made to rent, sell, or otherwise transfer the domain name, to prevent the trademark owner from reflecting her trademark in a domain name, to disrupt a competitor’s business, or to attract internet users by creating a likelihood of confusion. For example, if the domain name is being used to sell or advertise a product that tarnishes a trademark and there is no evidence to justify the use of the specific domain name, then that would entail bad faith.³⁹ Another example of bad faith would be using the domain name to sell or advertise a competing product.⁴⁰ But if, for example, the registrant is using the domain name for non-commercial gain, is not misleading customers, and is not tarnishing the trademark, then such use would not be in bad faith.⁴¹

Conclusion

ICANN solved the trademark dilemma with the UDRP. It allows registration of domain names based on first to claim method while respecting trademark law. The UDRP process is a quick and relatively low-cost way to gain control of a domain name when a registrant

creators may still create reaction videos that are protected by fair use by providing additional jokes, narration, criticism, graphics, and/or editing to the original copyrighted videos, especially where short clips of the original videos are interspersed with such meaningful, and original, contributions.

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has registered a domain name associated with a trademark without the permission of the trademark owner and is abusing the registration. Without the UDRP, the trademark owner would have to sue the registrant in court to gain control of the domain name, which can be expensive and time consuming.⁴² Thus, the UDRP continues to be an effective tool for trademark owners.

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Endnotes

- 1 NAT’L TELECOMMS. AND INFO. ADMIN., *Management of Internet Names and Addresses*, ICANN (July 22, 2000), <https://www.icann.org/resources/unthemed-pages/white-paper-2012-02-25-en>.
- 2 *Id.*
- 3 *Uniform Domain Name Dispute Resolution Policy*, ICANN (Oct. 24, 1999), <http://archive.icann.org/en/udrp/udrp-policy-24oct99.htm>.
- 4 *See The UDRP Process*, BERKMAN KLEIN CENTER, <https://cyber.harvard.edu/udrp/process.html> (last visited Nov. 3, 2017).
- 5 *Domain Name Dispute Resolution Service for Generic Top-Level Domains*, WIPO, <http://www.wipo.int/amc/en/domains/gtd/> (last visited Nov. 3, 2017).
- 6 *Uniform Domain Name Dispute Resolution Policy*, ICANN, <https://www.icann.org/resources/pages/policy-2012-02-25-en> (last visited Nov. 3, 2017).
- 7 *Id.*
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- 9 *List of Approved Dispute Resolution Service Providers*, ICANN, <https://www.icann.org/resources/pages/providers-6d-2012-02-25-en> (last visited Nov. 6, 2017).
- 10 *See, e.g.,* Doug Isenberg, *10 Differences Between WIPO and NAF*, GIGA.LAW (Aug. 30, 2012), <https://giga.law/blog/2012/08/30/10-differences-between-wipo-and-naf>.
- 11 *See id.*
- 12 *See WIPO Guide to the Uniform Domain Name Dispute Resolution Policy*

Endnotes

- 1 *See* Nathan McAlone, *Meet the YouTube Millionaires*, BUSINESS INSIDER (Dec. 9, 26 10:23 AM), <http://www.businessinsider.com/youtube-stars-who-make-the-most-money-in-2016-2016-12>.
- 2 17 U.S.C. §§ 106-122.
- 3 Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994).
- 4 *Id.*
- 5 *Equals Three, LLC v. Jukin Media, Inc.*, 139 F.Supp.3d 1094, 1104 (C.D. Cal. 2017).
- 6 *Id.*
- 7 16-cv-3081 (KBF), 2017 WL 3668846, at *6 (S.D.N.Y. Aug. 23, 2017).
- 8 In *Equals Three*, for example, the court determined that the content creator’s commercial use of copyrighted videos owned by the plaintiff was outweighed by the defendant’s transformativeness. 139 F.Supp.3d at 1105.
- 9 *Id.* at 1106 (“Here, the largely ‘point-and-shoot’ style videos do not exhibit the cinematic masterpiece of many famous film directors. Nevertheless, the Court cannot say that they convey mainly factual information.”).
- 10 *Id.*
- 11 For instance, in *Equals Three*, the court found that the second fair use factor favored the plaintiff, but placed minimal emphasis on this determination. *See id.*
- 12 *Id.*; Hosseinzadeh v. Klein, 2017 WL 3668846 at *6.
- 13 2017 WL 3668846 at *7.
- 14 *Campbell*, 510 U.S. at 592; *see also Klein*, 2017 WL 3668846 at *9-10 (Weighing the last factor in favor of the defendants because a scathing criticism of the original work did not amount to a market substitute of that work).
- 15 2017 WL 3668846 at *9, n.1.
- 16 *Id.*
- 17 *Id.*
- 18 *Equals Three*, 139 F.Supp.3d at 1105.

- (UDRP), WIPO, <http://www.wipo.int/amc/en/domains/guide> (last visited Nov. 3, 2017).
- 13 *See Schedule of Fees under the UDRP (valid as of December 1, 2002)*, WIPO, <http://www.wipo.int/amc/en/domains/fees> (last visited Nov. 3, 2017); *UDRP Filing Fees*, ADR FORUM, <http://www.adforum.com/UDRPFees> (last visited Nov. 3, 2017). Contact NAF at domaindispute@adforum.com for a quote.
- 14 *WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP)*, WIPO, <http://www.wipo.int/amc/en/domains/guide> (last visited Nov. 3, 2017).
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- 18 *Id.*
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- 20 *Uniform Domain Name Dispute Resolution Policy*, <https://www.icann.org/resources/pages/policy-2012-02-25-en#4k> (last visited Nov. 6, 2017).
- 21 *Id.*
- 22 *Uniform Domain Name Dispute Resolution Policy*, <https://www.icann.org/resources/pages/help/dndr/udrp-en> (last visited Nov. 6, 2017).
- 23 *Rules for Uniform Domain Name Dispute Resolution Policy (the “Rules”)*, <https://www.icann.org/resources/pages/rules-be-2012-02-25-en> (last visited Nov. 6, 2017).
- 24 *See Baccarat SA v. Ichiro Watanabe*, Case No. D2010-1493 (WIPO Arbitration and Mediation Ctr. Nov. 7, 2010).
- 25 *Id.*
- 26 *Id.*
- 27 *See Madonna v. Dan Parisi*, Case No. D2000-0847 (WIPO Arbitration and Mediation Ctr. Oct. 12, 2000).
- 28 *See, e.g., Pepsico, Inc. v. Becky*, FA117014 (Nat’l Arbitration Forum Sept. 3, 2002) (finding that the respondent did not have any rights or legitimate interests in the domain name <pepsicola.us> because the respondent did not own any trade or service marks reflecting the domain name).
- 29 *See WTFN, Inc. v. ECDomains, Inc.*, FA 245303 (Nat’l Arbitration Forum Mar. 30, 2009) (finding the fact that the respondent is not commonly known by any of the disputed domain names to be relevant to the lack of legitimate interests).
- 30 *See id.*
- 31 *See, e.g., Peg Consulting, LLC v. Pender Chang*, Case No. D2011-1894 (WIPO Arbitration and Mediation Ctr. Dec. 16, 2011).
- 32 *See Bank of Am. Corp. v. Nw. Free Cmty. Access*, FA 180704 (Nat’l Arbitration Forum Sept. 30, 2003).
- 33 *See Am. Express Mktg. & Dev. Corp. v. Sirico*, FA 1226315 (Nat’l Arbitration Forum Nov. 7, 2008).
- 34 *See, e.g., K&N Engineering, Inc. v. Weinberger*, FA 114414 (Nat’l Arbitration Forum Jul. 25, 2002).
- 35 *See Baccarat SA v. Ichiro Watanabe*, Case No. D2010-1493 (WIPO Arbitration and Mediation Ctr. Nov. 7, 2010); *Constellation Wines U.S., Inc. v. Texas Int’l Prop. Assocs.*, FA 948436 (Nat’l Arbitration Forum May 8, 2007).
- 36 *See, e.g., MatchMaker Int’l Dev. Corp. v. MatchMaker Int’l*, FA 146933 (Nat’l Arbitration Forum Dec. 12, 2003).
- 37 *See WTFN, Inc. v. ECDomains, Inc.*, FA 245303 (Nat’l Arbitration Forum Mar. 30, 2009).
- 38 *See Baccarat SA v. Ichiro Watanabe*, Case No. D2010-1493 (WIPO Arbitration and Mediation Ctr. Nov. 7, 2010).
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- 40 *See Yahoo! Inc. v. Butler*, FA 744444 (Nat’l Arbitration Forum Aug. 17, 2006).
- 41 *See Bruce Springsteen v. Jeff Bugar*, Case No. D2000-1532 (WIPO Arbitration and Mediation Ctr. Jan. 25, 2001).
- 42 One drawback of the UDRP includes the fact that an appeal requires litigation. This undermines the purpose of the UDRP since the parties will ultimately end up in court. However, the registrant cannot use the domain name until litigation is complete.

(continued from page 3)

views are the correct (if not only) views upon which patentees and the public are entitled to rely. The wisdom of consistently rejecting the Federal Circuit's "special expertise" on U.S. patent law (in this and so many other examples) under the Court's current proclivities remains to be seen. But for patentees, for now, the *Lexmark* decision will require an entirely new approach to protecting patented items offered for sale anywhere on earth.

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Endnotes

- 1 The authors italicized and capitalized "Cannabis" when referring to the biological genus name of the plant itself, but did not italicize the word when referring generically to the term.
- 2 See *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 143-46 (2001) (holding that plants were eligible for utility patents under § 101 even though a separate statute, the PVPFA, also provided for plant protection).
- 3 See 35 U.S.C. § 161.
- 4 Acceptable modes of asexual reproduction for purposes of plant patents can include, for example, rooting cuttings, apomictic seeds, division, layering, and grafting and budding. The purpose of asexual reproduction is to ensure uniformity of the plant. See General Information About 35 U.S.C. 161 Plant Patents, USPTO.GOV, <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/general-information-about-35-usc-161#heading-2> (last visited Oct. 10, 2017).
- 5 See Manual of Patent Examining Procedure (MPEP) § 1605 ("The rules on Deposit of Biological Materials, 37 CFR 1.801-1.809, do not apply to plant patent applications in view of the reduced disclosure requirements of 35 U.S.C. 162, even where a deposit of a plant has been made in conjunction with a utility application (35 U.S.C. 101).").
- 6 See, e.g., *Imazio Nursery Inc. v. Dania Greenhouses*, 69 F.3d 1560 (Fed. Cir. 1995).
- 7 See 7 U.S.C. § 2402(a).
- 8 See 7 U.S.C. § 2483(b).
- 9 7 U.S.C. § 2422(4)

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- owner does not need to appeal a refusal to court under the APA to bring an action. Compendium § 1706. One copyright treatise, citing § 1706, states that the copyright owner also does not need to file requests for reconsideration in the Office before bringing an action. 5 *Paltry on Copyright*, §§ 17.96-97 (2017). However, one court has explained that "[t]he term 'refused' as used in Section 411(a) contemplates a final decision by the Copyright Office on the merits of the registrability of the plaintiff's submission." Paul G. Poulx v. Hennepin Tech. Centers District No. 287, 1981 WL 1397, at *6 (D. Minn. Dec. 7, 1981).
- 35 *Cosmetic Ideas*, 606 F.3d at 612; *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357 (5th Cir. 2004), *abrogated on other grounds* by 505 U.S. 154.
 - 36 *Cosmetic Ideas*, 606 F.3d at 619.
 - 37 *Id.* at 620.
 - 38 Action Tapes, Inc. v. Mattson, 462 F.3d 1010, 1013 (8th Cir. 2006).
 - 39 Compare *Gaiman v. McFarlane*, 360 F.3d 644, 655 (7th Cir. 2004) (registration approach), with *Chi Bd. of Educ. v. Substance, Inc.*, 354 F.3d 624, 631 (7th Cir. 2003) (application approach).
 - 40 *Alicea v. Machete Music*, 744 F.3d 773, 779 (1st Cir. 2014); *Psihoyas v. John Wiley & Sons, Inc.*, 748 F.3d 120, 125 (2d Cir. 2014).
 - 41 *Compare Panoramic Stock Images, Ltd. v. John Wiley & Sons, Inc.*, 963 F. Supp. 2d 842 (N.D. Ill. 2013) (application approach), with *TriTeq Lock & Sec. LLC v. Innovative Secured Sols., LLC*, 10-cv-1304, 2012 WL 394229

Endnotes

- 1 137 S. Ct. 1523 (2017).
- 2 See, e.g., *Kirtseng v. John Wiley & Sons, Inc.*, 568 U.S. 519 (2013) (finding no geographic restrictions on the "first sale" doctrine for copyright holders).
- 3 See *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992).
- 4 See, e.g., *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008).
- 5 264 F.3d 1094 (Fed. Cir. 2001).
- 6 *Lexmark Int'l, Inc. v. Impression Prod., Inc.*, 816 F.3d 721, 726 (Fed. Cir.), *cert. granted*, 137 S. Ct. 546 (2016), *and rev'd and remanded*, 137 S. Ct. 1523 (2017).
- 7 *Id.* at 732-36.
- 8 *Id.* at 754-56 (citing *Jazz Photo Corp. v. International Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001)).
- 9 *Impression Prod., Inc. v. Lexmark Int'l, Inc.*, 137 S. Ct. 1523, 1531-32 (2017).
- 10 *Id.* at 1531 (citing *Bloomer v. McQuewan*, 14 How. 539 (1853)).
- 11 *Id.*
- 12 *Id.* (citing *United States v. Univis Lens Co.*, 316 U. S. 241, 250 (1942)).
- 13 *Id.* at 1533 (citing *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008)).
- 14 *Id.* at 1532.
- 15 *Id.* at 1535.
- 16 *Id.* at 1533.
- 17 *Id.* at 1535-37.
- 18 *Id.* at 1536 (citing *Kirtseng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 545 (2013)).
- 19 *Id.* at 1537 (citing *Keeler v. Standard Folding Bed Co.*, 157 U.S. 659, 661 (1895)).
- 20 Readers of a certain vintage will recall that soda pop bottles were subject to such a rebate, typically a few cents per container, which promoted recollection to producers as well as having the social benefit of reducing litter.
- 21 17 Wall. 453, 457 (1873) ("when a patented item is 'once lawfully made and sold, there is no restriction on [its] use to be implied for the benefit of the patentee'").
- 22 *Bowman v. Monsanto Co.*, 569 U.S. 278 (2013).
- 23 *Id.* at 289.

- 10 See PVPO Frequently Asked Questions, AMS.USDA.GOV, <https://www.ams.usda.gov/services/plant-variety-protection/pvpo-frequently-asked-questions> (last visited Oct. 11, 2017).
- 11 This information was obtained by speaking directly with a representative at the USDA's Plant Variety Protection Office.
- 12 See *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012); see also *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980) (noting that "a new plant found in the wild is not patentable subject matter" under § 101).
- 13 See MPEP § 2403.02 ("[T]he deposit of plant material together with the written specification must enable those skilled in the art to make and use the claimed invention.")
- 14 See, e.g., File History for U.S. Application No. 14/742,493, Exhibits A-D to the Office Action Response Filed on Dec. 23, 2015. However, the same applicant deposited cellular samples representative of the claimed *Cannabis* plants at a U.S. depository as indicated by the claims of a patent in the same family. See claims 1 and 19 of U.S. Patent No. 9,642,317 (reciting specific Bigelow National Center for Marine Algae and Microbiota ("NCMA") accession numbers, which is a WIPO-designated International Depository Authority located in Maine).
- 15 Patenting plant-based inventions in international jurisdictions is challenging because plants are not considered patent-eligible subject matter in every country. For example, while plants are patentable in Australia, they are not patentable in Canada and China. In Europe, the Administrative Council of the European Patent Office recently amended the rules of the European Patent Convention to exclude plants obtained from essentially biological processes from patentability. This rule took effect on July 1, 2017. See Rule 28(2) EPC ("European patents shall not be granted in respect of plants or animals exclusively obtained by means of an essentially biological process.").

(N.D. Ill. Feb. 1, 2012) (registration approach).

- 42 *Fourth Estate*, Case No. 17-571.
- 43 *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014).
- 44 *Psihoyas*, 748 F.3d at 124-25; *Diversey v. Schimidly*, 738 F.3d 1196, 1200 (10th Cir. 2013); *William A. Graham Co. v. Haughey*, 568 F.3d 425, 437 (3d Cir. 2009); *Warren Freedendfeld Assocs., Inc. v. McTigue*, 531 F.3d 38, 44-46 (1st Cir. 2008); *Comcast of Illinois v. Multi-Vision Elecs., Inc.*, 491 F.3d 938, 944 (8th Cir. 2007); *Roger Miller Music, Inc. v. Sony/ATV Publ'g, LLC*, 477 F.3d 383, 390 (6th Cir. 2007); *Polar Bear Prods., Inc. v. Timex Corp.*, 384 F.3d 700, 705-07 (9th Cir. 2004); *Gaiman v. McFarlane*, 360 F.3d 644, 653 (7th Cir. 2004); *Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 796 (4th Cir. 2001). The Supreme Court noted in *Petrella* that it "had not passed on the question" of accrual under § 507(b) and acknowledged that several Circuits have adopted the discovery rule. 134 S. Ct. at 1969 n.4. The Court explained that the discovery rule is alternative to the injury rule, i.e., accrual occurs when the infringing act occurs. *Id.*
- 45 *Psihoyas*, 748 F.3d at 124.
- 46 *Chi. Bldg. Design, P.C. v. Mongolian House, Inc.*, 770 F.3d 610, 616 (7th Cir. 2014) (defining "inquiry notice" as "knowledge that would have led a reasonable person to start investigating the possibility that his rights had been violated"). In *Chicago Building Design*, the Seventh Circuit asked the parties on remand to "address whether *Petrella* abrogates the discovery rule in copyright cases." *Id.* at 618.

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