Intellectual Property
Law Updates
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INTELLECTUAL PROPERTY LAW UPDATE
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OVERVIEW

• Kimble v. Marvel Enterprises, Inc. – Patent Licensing
• Oracle America, Inc. v. Google Inc. – Copyright in Computer Software
• Williams v. Bridgeport Music (Pharrell Williams and Robin Thicke v. Marvin Gaye) – Copyright in Composition
KIMBLE V. MARVEL: 1997 SPIDER-MAN WEB BLASTER

KIMBLE V. MARVEL: BRULOTTE

  - Patented hop-picking machine – purchased for flat sum + annual royalty for a license under the patent.
  - Royalty payments were not deferred payments.
  - Royalties same for pre and post-expiration periods.
  - Machines cannot be assigned or removed from Yakima County.
  - "A patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se."
KIMBLE V. MARVEL: FACTS


KIMBLE V. MARVEL: FACTS

• 1990 – Kimble meets with Toy Biz (n/k/a Marvel), which agrees to pay a royalty if it uses Kimble’s idea.
• Toy Biz sells Web Blaster without paying royalties.
• 1997 – Kimble sues Toy Biz (n/k/a Marvel) for patent infringement and breach of contract.
  ▫ Web Blaster non-infringing.
  ▫ Oral agreement breached – 3.5% royalty.
KIMBLE V. MARVEL: FACTS

- Appeal filed.
- 2001 - Settlement Agreement – Marvel purchases the patent for:
  - $516,214.62, and
  - 3% of net product sales – no expiration date (parties unaware of Brulotte).
    - “Net product sales” includes both products that would infringe the patent and further sales of the existing Web Blaster product (may be non-infringing).
- 2006 – New Web Blasters sold – Marvel pays royalties totaling more than $6 million.
- 2008 – Marvel stops paying royalties for certain products.

KIMBLE V. MARVEL: DIST. CT.

- Kimble sues for breach of contract.
- Marvel becomes aware of Brulotte and seeks declaratory judgment to cease royalty payments after Kimble’s patent expires.
- Holding: Royalty provision is unenforceable after the patent expires.
  - Brulotte applies.
  - No distinction between royalties for patent rights and non-patent rights.
KIMBLE V. MARVEL: 9TH CIR.

• “The Brulotte rule is counterintuitive and its rationale is arguably unconvincing.”
• Affirmed: A “licensing agreement encompassing inseparable patent and non-patent rights is unenforceable beyond the expiration date of the underlying patent, unless the agreement provides a discounted rate for the non-patent rights or some other clear indication that the royalty at issue was in no way subject to patent leverage.”

KIMBLE V. MARVEL: 9TH CIR.

• Settlement contemplated a single royalty for both patent rights and the existing Web Blaster rights (i.e., non-patent rights).
  ▫ Thus, unenforceable under Brulotte.
  ▫ Would be enforceable if discount given on non-patent royalty post-expiration.
KIMBLE V. MARVEL: S.C.T.

• Question Presented by Petitioners: Whether this Court should overrule Brulotte v. Thys Co., 379 U.S. 29 (1964)?

• Question Presented by Respondent: Whether this Court should overrule Brulotte v. Thys Co., 379 U.S. 29 (1964), a statutory precedent that Congress has left unchanged for half a century even while modifying other patent misuse doctrines.

KIMBLE V. MARVEL: S.C.T. – PETITIONERS’ ARGUMENTS

• Brulotte should be overruled because it does not further patent, economic, or antitrust policy.
• Patent policy
  ▫ Patent royalties on post-expiration use do not extend the patent right into the post-expiration period. Others are free to use the invention without restriction.
  ▫ Post-expiration payments are an amortization of the pre-expiration use (lower rate over a longer time period vs. a higher rate over a shorter time period).
KIMBLE V. MARVEL: S.CT. – PETITIONERS’ ARGUMENTS

• Patent Policy (cont’d):
  • Brulotte suppresses innovation
    • Licenses potentially not entered into without ability to obtain post-expiration royalty payments – particularly for emerging technology.
    • If patentee cannot license technology, there is a disincentive to create it.

KIMBLE V. MARVEL: S.CT. – PETITIONERS’ ARGUMENTS

• Economic policy
  ▫ Post-expiration royalties are procompetitive because a lower royalty rate pre-expiration can lower prices and raise output during the patent term.
  ▫ Then, post-expiration, third parties can enter the market with no obligation to the licensor.
KIMBLE V. MARVEL: S.CT. – PETITIONERS’ ARGUMENTS

• Antitrust policy
  ▫ A patent does not necessarily confer market power.
    ◦ Change in thinking since 1960s.
    ◦ 1988 – Statute amended to state that patent tying is not patent misuse “unless, in view of the circumstances, the patent owner has market power in the relevant market.”
    ◦ 2006 – Illinois Tool Works S.Ct. antitrust case – “a patent does not necessarily confer market power upon the patentee.”

• Court should adopt a case-by-case rule of reason analysis to determine whether post-expiration royalties are unenforceable.
  ▫ Did the patentee have market power when the agreement was negotiated?
  ▫ Does the agreement impose an unreasonable restraint on competition?
KIMBLE V. MARVEL: S.C.T. – RESPONDENT’S ARGUMENTS

• Stare decisis
  ▫ Brulotte is narrow and workable.
  ▫ Brulotte is based on the patent term statute.
  ▫ Congress has considered and declined proposals to modify Brulotte.
  ▫ Overruling Brulotte would upset the settled expectation of licensing parties.

• Post-expiration royalties violate patent policy.
  ▫ Patented ideas are dedicated to the public after expiration.

• Rule of reason test increases uncertainty and litigation cost.

• Brulotte rule has caused no actual economic harm.

• If Brulotte overruled, there should be a presumption that a post-expiration royalty is unenforceable.
KIMBLE V. MARVEL: S.CT. – ORAL ARGUMENTS 3/31/2015

• Breyer, Sotomayor, Kagan – stare decisis, Congress should decide.
• Roberts, Kennedy, Scalia – freedom to contract.
• Kimble – No current tool to achieve same result as post-expiration royalty accrual.
  ▫ JV not practical for every entity – universities, nonprofit research hospitals.
  ▫ Deferred payments on pre-expiration royalties – do not shift commercialization risk to licensor.

KIMBLE V. MARVEL: PREDICTION

• Overrule Brulotte.
• Rule of reason.
• Marvel must continue to pay royalty (to the extent current products are even covered by the Settlement Agreement – subject of alternate litigation).
  ▫ They entered into agreement willingly without knowledge of Brulotte.
  ▫ Both parties now agree that the Web Blaster product is not covered by the patent.
KIMBLE V. MARVEL: IMPLICATIONS

• Best practice: Royalty rate for patent rights and discounted royalty rate for any trade secrets and know-how.
  ▫ Avoids arguments that license is unenforceable.

• However, if Brulotte is overturned, opens up the door to negotiate a lower royalty rate for a license that extends post-expiration rather than a higher royalty rate ending at expiration.

ORACLE V. GOOGLE: FACTS

• Oracle owns Java platform
  ▫ Java language
  ▫ Java compiler
  ▫ Java virtual machine – write once, run anywhere
  ▫ Java development kit
  ▫ Application programming interface – programs written in Java language (e.g., java.lang.Math.max program returns the greater of two numbers)
ORACLE V. GOOGLE: FACTS

• Google develops Android
  ▫ Negotiations with Sun Microsystems (acquired by Oracle) to use entire Java platform for mobile devices in 2005 – unable to reach a deal because Google did not want to make Android compatible with Java.
  ▫ Google creates Android software development kit written in Java language.
  ▫ Android SDK includes 37 API packages that are similar to Java API packages.
    ◾ Same declaring code.
    ◾ Different implementing code to perform same function.

Java API in 2008
  ▫ 166 packages -> more than 600 classes -> more than 6000 methods
  ▫ Method includes declaring code and implementing code
  ▫ Example method java.lang.Math.max
    ◾ Package – java.lang
    ◾ Class – Math
    ◾ Method – max
ORACLE V. GOOGLE: FACTS

package java.lang;
public class Math {
    public static int max (int x, int y){
        if (x>y)return x;
        else return y;
    }
}

Method called by:
int a=java.lang.Math.max(x, y)

• Declaring code – identifies the prewritten function, precise specification of name, inputs, other functionality

• Implementing code – carries out the function
ORACLE V. GOOGLE: FACTS

• For 37 Java packages, Google copied the declaring code, which includes the structure, sequence, and organization of the packages.
• By using the same declaring code in Android, Android software developers familiar with Java can use the same names to call up the same methods (e.g., int a = java.lang.Math.max(x,y)).
  ▫ Limited interoperability

ORACLE V. GOOGLE: FACTS

• Java language itself – free to use.
• Google's implementing code (97% of code) – independently developed, not at issue.
• At issue – copied declaring code (3% of code), which includes the structure, sequence, and organization of the 37 Java API packages.
ORACLE V. GOOGLE: FACTS

• Oracle licenses Java platform
  ▫ General Public License – free, but licensee must contribute innovations back to public.
  ▫ Specification License – licensee can use declaring code and organization of API packages, but must write its own implementing code.
  ▫ Commercial License – pay royalties to use full Java code in commercial products and keep the code secret.

ORACLE V. GOOGLE: DIST. CT.

• In 2010, shortly after acquiring Sun Microsystems, Oracle files suit in N.D. California for copyright and patent infringement.
• Copyright
  ▫ Judge decides copyrightability - no
  ▫ Jury decides infringement (yes) and fair use (deadlocked)
• Patent – not infringed
ORACLE V. GOOGLE: DIST. CT.

• Copyrightability
  ▫ Original works of authorship fixed in any tangible medium of expression, including literary works.
  ▫ Computer programs protectable as literary works.
  ▫ “Original” – work was independently created by the author and possesses at least some minimal degree of creativity.

ORACLE V. GOOGLE: DIST. CT.

• 17 U.S.C. § 102(b) – copyright protection does not extend to any idea, procedure, process, system, or method of operation regardless of the form in which it is described in such work.
• Merger – expression not protectable if it merges into the idea.
• Baker v. Selden – Book on accounting method including blank forms. Not copyright infringement to use same method with different forms.
ORACLE V. GOOGLE: DIST. CT.

Declaring Code

- Declaring code is not copyrightable.
- Declaring code is the idea, implementing code is the expression.
- Only one way to write declaring code to have the same functionality, except for choice of names (e.g., java.lang.Math.max).

• When there is only one way to write something, the merger doctrine bars anyone from claiming exclusive copyright ownership of that expression.
• Names and short phrases cannot be copyrighted.
• Permissible for Google to write its own implementing code to carry out the same methods, using exactly the same declaring code.
ORGACLE V. GOOGLE: DIST. CT.

**Organization of Packages, Classes, and Methods**

- "Oracle’s best argument" – overall system of organized packages, classes, and methods is a copyrightable taxonomy.
- Rules of Java language did not require any particular grouping of methods in a particular class.

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**ORGACLE V. GOOGLE: DIST. CT.**

- The overall organization is a command structure for a system or method of operation.
- 102(b) prohibits copyright protection for a system or method of operation.
- Even though the organization is creative and original, it is an uncopyrightable system or method of operation.
ORACLE V. GOOGLE: DIST. CT.

- Further, Google replicated what it needed to provide a certain degree of interoperability with Java.
  - However, Google expressly designed Android to not be interoperable with Java.
- Under 9th Cir. decisions in Sega v. Accolade and Sony v. Connectix, interface procedures required for interoperability are “functional requirements for compatibility” and not copyrightable.

ORACLE V. GOOGLE: DIST. CT.

- Sega and Sony – writing independent source code to mimic the interface procedure between a video game and console is not infringement.
- Therefore, Google free to duplicate command structure for 37 Java packages.
ORACLE V. GOOGLE: DIST. CT.

- Structure, sequence, and organization
  - Grouping of methods into classes and classes into packages.
  - Not copyrightable as a system or method of operation under 102(b).

ORACLE V. GOOGLE: FED. CIR.

**Declaring Code**

- Merger – does not bar copyright protection for declaring code unless there was only one way, or a limited number of ways, to write it.

- Oracle had unlimited options as to the selection and arrangement of the 7000 lines Google copied.
ORACLE V. GOOGLE: FED. CIR.

• Names and short phrases – Google copied 7000 lines of code, which is copyrightable as an original combination of elements.

Organization of Packages, Classes, and Methods

• Original work is entitled to copyright protection as long as the author had multiple ways to express the underlying idea.
• 102(b) does not automatically bar copyright protection to a computer program that is functional.
• Google could have offered the same functionality in Android without arranging the packages, classes, and methods in the same manner as Java.
**ORACLE V. GOOGLE: FED. CIR.**

- Interoperability arguments – relevant to fair use, not copyrightability.
- Sega and Sony – fair use cases, fair use to make copies of code in reverse engineering.
- Interoperability analysis focuses on options available to creator, not infringer.
- Android is not compatible with Java.

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**ORACLE V. GOOGLE: FED. CIR.**

**Fair Use**

- Jury deadlocked.
- Affirmative defense to copyright infringement.
- Permits use of a copyrighted work “for purposes such as criticism, comment, news, reporting, teaching (including multiple copies for classroom use), scholarship, or research.”
ORACLE V. GOOGLE: FED. CIR.

• Factors
  ▫ Purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
  ▫ The nature of the copyrighted work;
  ▫ The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
  ▫ The effect of the use upon the potential market for or value of the copyrighted work.

ORACLE V. GOOGLE: FED. CIR.

• Remanded for new trial.
  ▫ Android could be transformative.
  ▫ Interoperability.
  ▫ Oracle didn’t develop smartphone platform, but was licensing in that market.
ORACLE V. GOOGLE: CERT PENDING

- Petition for cert pending at Supreme Court on copyrightability question.
- Prediction – declines petition, but if grants, affirms Fed. Cir. Parties continue to fight over fair use defense.

WILLIAMS V. BRIDGEPORT MUSIC

- Declaratory judgment action
  - Pharrell Williams, Robin Thicke, and T.I. vs. Marvin Gaye’s children
- Blurred Lines
  - #1 in 114 countries
  - 6 million copies sold in 6 months
  - 250 million YouTube views
- Blurred Lines violates copyright in musical composition for Got to Give it Up
WILLIAMS V. BRIDGEPORT MUSIC

• Copyright infringement
  ▫ Valid copyright
  ▫ Copying of protected elements of the copyrighted work

• Copying – circumstantial evidence
  ▫ Access
  ▫ Substantial similarity

WILLIAMS V. BRIDGEPORT MUSIC

• Substantial Similarity
  ▫ Objective “extrinsic” test – applied by judge to preclude summary judgment, reliance on expert testimony
  ▫ Subjective “intrinsic” test – jury
WILLIAMS V. BRIDGEPORT MUSIC

• Unprotectable elements
  ▫ Ideas rather than the expression of an idea
  ▫ Elements borrowed from public domain
  ▫ Scenes a faire - commonplace expressions that are indispensable with a given idea are unprotectable

WILLIAMS V. BRIDGEPORT MUSIC

• No direct copying – no actual sampling or direct copying of music or lyrics
• Copyrighted work – musical composition as deposited with Copyright Office, not sound recording
WILLIAMS V. BRIDGEPORT MUSIC

• Similar features noted by Gaye expert:
  ▫ Signature phrase – similar melody, rhythm
    ▪ I used to go out to parties
    ▪ And that's why I'm gon' take a good girl

Musical Example 1: “Give It Up” Signature Phrase

Musical Example 2: “Blurred” Signature Phrase

• Hooks – similar melody
  ▪ Keep on dan-cin’
  ▪ Take a good girl

Musical Example 2b: “Blurred” Hook
WILLIAMS V. BRIDGEPORT MUSIC

- Hooks with backup vocals – similar melody, stacked with main vocal melody in a similar manner
- Core theme in two songs
  - Dan-cin lady
  - If you can’t hear
- Backup hooks
  - Dan-cin lady
  - Hey, hey, hey
- Bass melodies
- Keyboard parts
- Unusual percussion choices
- Cowbell instrumentation
- Male falsetto

WILLIAMS V. BRIDGEPORT MUSIC

- Williams/Thicke
  - Alleged similarities are not present in the copyrighted version owned by the Gayes.
  - No substantial similarity
    - Different notes
    - Ideas not protectable
    - Portions in common also found in other prior musical works
    - Any copying is de minimis
WILLIAMS V. BRIDGEPORT MUSIC

• Bad facts
  ▫ Thicke quoted in GQ: "Pharrell and I were in the studio and I told him that one of my favorite songs of all time was Marvin Gaye's 'Got to Give It Up.' I was like, 'Damn, we should make something like that, something with that groove.' Then he started playing a little something and we literally wrote the song in about a half hour and recorded it."
  ▫ In depo: Not true, only mentioned Gaye to sell songs.

WILLIAMS V. BRIDGEPORT MUSIC

• Thicke depo
  ▫ Drunk and high on Vicodin when recording song
  ▫ Barely involved in production
  ▫ Pharrell wrote most of the song
  ▫ I was jealous and wanted some of the credit
  ▫ I'm not an honest person
  ▫ I don't give a f*** about this litigation
WILLIAMS V. BRIDGEPORT MUSIC

• Blurred Lines Profits
  ▫ Thicke - $5.6 million
  ▫ Williams - $10.36 million
  ▫ T.I. - $700k
  ▫ Record companies - $5.5 million

WILLIAMS V. BRIDGEPORT MUSIC

• Jury verdict
  ▫ Williams and Thicke infringed
  ▫ $4 million actual damages
  ▫ $1.8 million profits Thicke
  ▫ $1.6 million profits Williams

• Post trial briefing ongoing
  ▫ Evidence at trial not limited to copyrighted work
  ▫ Damages too high
SUPREME COURT PATENT LAW TRENDS

- Alice Corp. v. CLS Bank – abstract idea ineligible for patent protection
- Limelight v. Akamai – induced infringement requires direct infringement
- Nautilus v. Biosig – indefiniteness standard lowered
- Octane Fitness v. Icon – easier to obtain attorney’s fees